

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30th June, 2003

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 ("HKSE") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

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 Group's annual financial statements for the year ended 31 December 2002, except the SSAP 12 (Revised) "Income taxes" has been adopted for the first time for the period.

SSAP 12 (Revised) "Income taxes" prescribes the basis for accounting for income taxes payable or recoverable, arising from taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The revised SSAP generally requires full provision of deferred tax liabilities and full recognition of deferred tax assets for all temporary differences provided that deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Temporary differences are the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. In prior years, deferred taxation is provided on timing differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the foreseeable future and deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt. In addition, deferred taxation might need to be recognised on revaluation of land and buildings and investment properties of the Group under the revised SSAP.

The effect of this change in accounting policy is not material.

3. TURNOVER AND SEGMENT INFORMATION

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

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 period is as follows:

Geographical segments

	The Hong Kong Special Administrative Region of the People's Republic of China (the "PRC") (Unaudited) HK\$'000	Other 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	Consolidated (Unaudited) HK\$'000
Six months ended								
30th June, 2003								
SEGMENT REVENUE								
External sales	15,785	6,031	5,415	2,232	4,066	65	443	34,037
SEGMENT RESULTS	3,679	535	3,459	1,323	4,485	850	521	14,852
Unallocated corporate expenses								(3,862)
Profit from operations								10,990
Six months ended								
30th 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

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	Consolidated (Unaudited) HK\$'000
Six months ended 30th June, 2003					
SEGMENT REVENUE					
External sales	28,166	4,178	1,684	9	34,037
SEGMENT RESULTS	5,067	4,896	4,936	(47)	14,852
Unallocated corporate expenses					(3,862)
Profit from operations					10,990
Six months ended 30th June, 2002					
SEGMENT REVENUE					
External sales	37,217	3,152	1,272	11	41,652
SEGMENT RESULTS	12,179	2,410	3,190	(4)	17,775
Unallocated corporate expenses					(2,729)
Profit from operations					15,046

4. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30th June,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	1,209	1,226
(b) Other items		
Cost of inventories	10,597	14,524
Dividends income from listed investments	(183)	(154)

5. TAXATION

	Six months ended 30th June,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong	900	1,353
Overseas	488	225
	1,388	1,578

Hong Kong Profits Tax is calculated at 17.5% (2002: 16.0%) of the estimated assessable profit for the period. Overseas taxation has been provided on the estimated profits for the period at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	Six months ended 30th June,	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Interim dividend declared	4,940	4,940
Special interim dividend declared	1,560	–
	6,500	4,940

At the board meeting held on 15th April, 2003, the directors proposed a final dividend of HK6 cents per share totaling HK\$7,800,000 for the year ended 31 December, 2002 (year ended 31st December, 2001: HK2 cents per share totaling HK\$2,600,000), which has been reflected as an appropriation of accumulated profits for the period. Upon the approval by shareholders on 27th June, 2003, the appropriation was transferred to dividend payable.

On 23rd September, 2003, the directors declared the payment of an interim dividend of HK3.8 cents per share (2002: HK3.8 cents per share) and a special interim dividend of HK1.2 cents per share (2002: Nil) in respect of the six months ended 30th June, 2003 payable to the shareholders on the register of members of the Company on 17th October, 2003. Dividend warrants will be despatched to the shareholders on or about 22nd October, 2003.

7. BASIC EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$8,393,000 (2002: HK\$12,242,000) 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\$2,843,000 contributed to the increase in the carrying value of investment properties brought forward from 1st January, 2003.

A deficit of HK\$2,800,000 has been recognised in respect of the estimated decrease in the open market value of one of the Group's leasehold land and buildings for the period (2002: HK\$Nil). Other than that, in the opinion of the directors, the carrying amounts of the Group's investment properties and leasehold land and buildings carried at revalued amounts as at 31st December, 2002 do not differ significantly from those which would be determined using fair values at 30th June, 2003.

9. TRADE RECEIVABLES

The Group allows credit periods ranging from 30 days to 240 days to its customers. The aged analysis of trade receivables is as follows:

	At 30th June, 2003 (unaudited) HK\$'000	At 31st December, 2002 (audited) HK\$'000
Within 30 days	6,814	9,737
31 – 60 days	2,943	9,721
61 – 90 days	2,631	4,020
More than 90 days	4,559	11,159
	16,947	34,637

10. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	At 30th June, 2003 (unaudited) HK\$'000	At 31st December, 2002 (audited) HK\$'000
Within 30 days	1,035	960
31 – 60 days	545	268
	1,580	1,228

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the two periods.

12. PLEDGE OF ASSETS

At 30th June, 2003, certain of the Group's investment properties with carrying amount of HK\$100,386,000 (31st December, 2002: HK\$97,543,000) were pledged to secure a bank loan of the Group of HK\$51,480,000 (31st December, 2002: HK\$50,022,000).

In addition, certain bank deposits and securities with an aggregate value of HK\$119,857,000 (31st December, 2002: HK\$85,855,000) at 30th June, 2003 were pledged to secure banking facilities granted to the Group to the extent of HK\$42,150,000 (31st December, 2002: HK\$42,150,000) of which HK\$416,000 (31st December, 2002: HK\$403,000) was utilised at 30th June, 2003.

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

	At 30th June, 2003 (unaudited) HK\$'000	At 31st December, 2002 (audited) HK\$'000
Investment properties	100,386	97,543
Bank deposits	94,716	63,238
Investments in securities	25,141	22,617
	220,243	183,398

13. COMPARATIVE FIGURES

The net exchange gain and net unrealised loss arising from marking to market of certain investments in securities, which were previously included in "Net exchange gain" and "Unrealised loss on investments in securities" respectively, are aggregated and presented as "Net unrealised holding gain (loss) on investments in securities" in the condensed consolidated income statement in order to give a better understanding of the Group's financial performance.

In addition, pledged bank deposits are classified as cash and cash equivalents in the condensed consolidated cash flow statement and certain segment information in note 3 to the unaudited condensed consolidated financial statements have been restated in order to conform to current period's presentation.