

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited consolidated net profit for the current period amounted to HK\$9,816,000 bettered by HK\$1,423,000 as compared with HK\$8,393,000 for the last period. The total turnover for the current period under review is HK\$40,239,000 (2003: HK\$34,037,000), which is increased by HK\$6,202,000. This was mainly attributed by the increase in rental income from investment properties in United Kingdom and the steady growth in sales of Hoe Hin Products in the Southeast Asia and Mainland China markets.

The net exchange gain for the period was HK\$102,000 while HK\$1,124,000 was recorded in 2003. Also, there was a decrease in the amount of net unrealised holding gain on investments in securities by HK\$942,000 from last period's HK\$1,894,000 to this period's HK\$952,000.

Manufacturing and sales of Hoe Hin Brand of products

Turnover for Hoe Hin Brand of Products for the first half year increased by HK\$3,964,000 to HK\$32,130,000 (2003: HK\$28,166,000). The largest market segment of the Group laid in Hong Kong which accounts for 42% of the total revenue. Sales of local market were stable. In spite of the promising returns on local market, we continually look for ways to enhance returns whilst at the same time increase efficiency and control costs.

Exports to Indonesia improved for the first half of 2004 as compared with 2003. The turnover of geographical segment of Southeast Asia increased from the previous year's HK\$5,415,000 to this year's HK\$7,494,000. This is also due to our efforts to re-open the markets of Malaysia and Thailand last year.

Property investment

Revenue for this segment increased from last period's HK\$4,178,000 to HK\$6,805,000. The change represents the increase in rental income received from the investment properties in United Kingdom.

On 2nd September, 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property in the United Kingdom at a cash consideration of GBP1,717,000 (equivalent to approximately HK\$24,154,000). The carrying amount of the property as at 30th June, 2004 was approximately HK\$22,548,000. It is estimated that, upon completion of the disposal, the Group will record a gain of approximately GBP333,230 (equivalent to approximately HK\$4,688,000) including the realisation of revaluation surplus of GBP216,230 (equivalent to approximately HK\$3,042,000), subject to audit. Profit made from the disposal will be recorded in the second half of 2004.

The Group owns several investment properties in United Kingdom, Singapore, Hong Kong and other regions in PRC. Rental income received from these properties will continue to provide a steady stream of turnover and profit for the Group.

Treasury investment

The Group continued the prudent management to its fund and continues to maintain a strong liquidity with sufficient cash. The segment results of Treasury investment declined by 52% to HK\$2,347,000 when compared to the same period last year HK\$4,936,000, directly caused by a drop of interest income earned. As the favorable market conditions of 2003 were not repeated this year, the net unrealised holding gain on investments in securities dropped by nearly 50% compared with the same period last year.

Others

It represents the sales of other healthcare goods. Segment revenue and results were not material comparing to other business segments.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. The Group's foreign currency exposure is limited to a reasonable amount. We borrowed British Pound to finance the Group's two United Kingdom Properties. Gearing ratio (Non-current liabilities divided by total Shareholders funds) as at the interim date was 21.3% (31st December, 2003: 20.8%). The book value of this British Pound bank borrowing had changed from HK\$55,220,000 as at 31st December, 2003 to HK\$56,370,000 at the end of June 2004 resulting in the gearing ratio mildly increased by 0.5%. This was caused by the result of the appreciation of British Pound exchange rate between these dates.

Current ratio (Current assets divided by Current liabilities) was 7.6 as at the interim date (31st December, 2003: 17.9). The Group holds sufficient cash and marketable securities on hand to meet its liabilities, commitments and working capital demand. As at 30th June, 2004, the Group had cash and cash equivalents of HK\$80,219,000 and pledged bank deposits of HK\$46,800,000; net current assets was HK\$171,887,000.

OUTLOOK

The re-opened markets of the Malaysia and Thailand have added sales and revenue to our business and at the same time we have successfully re-positioning our “Hoe Hin White Flower Ointment” during the first half of 2004 carrying a new image. We have also launched two new products: the “Hoe Hin Natural Essential Oil” and “Hoe Hin Aromatic Spray” in August and September respectively.

The Board of Directors would like to thank our shareholders for their support and all staff members for their dedication and commitment to their works.

By Order of the Board

Gan Wee Sean

Chairman

Hong Kong, 23rd September, 2004