

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 30th June, 2004

### **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 Institute of Certified Public 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 31st December 2003.

### 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

	Hong Kong (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, 2004								
SEGMENT REVENUE								
External sales	16,891	6,936	7,494	2,251	6,377	-	290	40,239
SEGMENT RESULTS	2,735	969	5,286	1,043	6,055	(146)	170	16,112
Unallocated corporate expenses								(3,113)
Profit from operations								12,999
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

### 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, 2004					
SEGMENT REVENUE					
External sales	32,130	6,805	1,302	2	40,239
SEGMENT RESULTS	8,268	6,604	2,347	(9)	17,210
Unallocated corporate expenses					(4,211)
Profit from operations					12,999
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

**4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging (crediting):

	<b>Six months ended 30th June,</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans and overdrafts wholly repayable within five years	1,367	1,209
<b>(b) Other items</b>		
Cost of inventories	12,099	10,597
Dividend income from listed investments	(224)	(183)
	<b>1,367</b>	<b>1,209</b>
	<b>12,099</b>	<b>10,597</b>
	<b>(224)</b>	<b>(183)</b>

**5. TAXATION**

	<b>Six months ended 30th June,</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Current tax</b>		
Hong Kong	1,203	900
Overseas	1,043	488
	<b>2,246</b>	<b>1,388</b>
<b>Deferred tax</b>		
Reversal of temporary differences in respect of depreciation allowances	(430)	-
	<b>1,816</b>	<b>1,388</b>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

	<b>Six months ended 30th June,</b>	
	<b>2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	2003 (unaudited) HK\$'000
Interim dividend declared	<b>5,200</b>	4,940
Special interim dividend declared	<b>13,000</b>	1,560
	<b>18,200</b>	6,500

At the board meeting held on 20th April, 2004, the directors proposed a final dividend of HK6 cents per share totaling HK\$7,800,000 for the year ended 31st December, 2003 (year ended 31st December, 2002: HK6 cents per share totaling HK\$7,800,000), and a special final dividend of HK4 cents per share totalling HK\$5,200,000 for the year ended 31st December, 2003 (year ended 31st December, 2002: HK\$ Nil), which has been reflected as an appropriation of accumulated profits for the period. Upon the approval by shareholders on 24th June, 2004, the appropriation was transferred to dividend payable.

On 23rd September, 2004, the directors declared the payment of an interim dividend of HK4 cents per share (2003: HK3.8 cents per share) and a special interim dividend of HK10 cents per share (2003: HK1.2 cents per share) in respect of the six months ended 30th June, 2004 payable to the shareholders on the register of members of the Company on 19th October, 2004. Dividend warrants will be despatched to the shareholders on or about 26th October, 2004.

## 7. BASIC EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$9,816,000 (2003: HK\$8,393,000) 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\$2,472,500 contributed to the increase in the carrying value of investment properties brought forward from 1st January, 2004.

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, 2003 do not differ significantly from those which would be determined using fair values at 30th June, 2004.

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.

**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:

	<b>At 30th June, 2004 (unaudited) HK\$'000</b>	<b>At 31st December, 2003 (audited) HK\$'000</b>
Within 30 days	<b>5,358</b>	10,908
31 – 60 days	<b>2,794</b>	4,830
61 – 90 days	<b>2,802</b>	3,056
More than 90 days	<b>2,428</b>	8,560
	<b>13,382</b>	27,354

**10. TRADE PAYABLES**

The aged analysis of trade payables is as follows:

	<b>At 30th June, 2004 (unaudited) HK\$'000</b>	<b>At 31st December, 2003 (audited) HK\$'000</b>
Within 30 days	<b>2,334</b>	1,410
31 – 60 days	–	205
More than 60 days	–	224
	<b>2,334</b>	<b>1,839</b>

**11. RELATED PARTY TRANSACTIONS**

There was no material related party transaction during the two periods.

## 12. PLEDGE OF ASSETS

At 30th June, 2004, 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\$103,170,000 (31st December, 2003: HK\$86,420,000) of which HK\$56,370,000 (31st December, 2003: HK\$55,220,000) 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:

	At 30th June, 2004 (unaudited) HK\$'000	At 31st December, 2003 (audited) HK\$'000
Investment properties	121,196	118,723
Bank deposits	46,800	31,200
Investments in securities	29,480	21,595
	<b>197,476</b>	<b>171,518</b>

## 13. CONTINGENT LIABILITIES

During the year ended 31st December, 2003, the Group made a claim against a company in the United States ("US") and others for "White Flower" trade mark infringement, trade dress infringement and trademark dilution. However, a counterclaim was filed against the Group by the same company for the loss of reputation as result of allegedly defamatory information provided by the Group to a magazine in Hong Kong. The litigation is still outstanding as of the date of this interim financial report. Whilst the outcome is uncertain, the Company's US attorney is confident that the Group has substantial merit in the case and the Group will prevail on all claims. No provision in respect of the claims has been made in the financial statements as at 31st December, 2003 and 30th June, 2004.