

Pak Fah Yeow, always keep some around

I am pleased to report that the Group has recorded net profit after taxation of HK\$43,670,000 for the year ended 31 December 2004, a 31.4% increase compared with HK\$33,227,000 for the last financial year. Turnover has been increased by 6.7% from HK\$83,773,000 to HK\$89,383,000.

The Group has early adopted Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” and HKAS Interpretation 21 “Incomes taxes-recovery of revalued non-depreciable assets” (“HKAS-Int 21”) issued by the Hong Kong Institute of Certified Public Accountants before their effective dates. As a result of the adoption of these new accounting policies, the Group's profit for the year has been increased by HK\$9,349,000, after netting off deferred taxation charge of HK\$1,059,000.

Hong Kong is still the major market of our Hoe Hin Brand of products. During the year, the Group has continued to follow our strategies in market penetration, and as a result we have achieved a steady growth of sales in Southeast Asia. In particular, after the recovery in both Philippines & Thailand, the re-opening looks promising. We will continue to work closely with Malaysia to catch up further.

In addition, the re-launch of both our White Flower Ointment & Hoe Hin Strain Relief in 2004 has generated a substantial increase in sales of 104% and 34% respectively.

With plans to explore further into the other provinces in the PRC, we have signed a new spokesperson for both Hong Kong & PRC with Mr. Peng Bo – Gold Medalist of 2004 Athens Olympic Games, paving our presence to the 2008 Olympic Games in Beijing.

Additional expenditure in advertising and promotion for the launch of two new products in Hong Kong (Hoe Hin Essential Oil and Hoe Hin Aromatic Spray) has been incurred to build a more long term strategy in rejuvenating the corporate image and to expand into the other segments.

Again we have also participated in several major charity campaigns and had donated a total of HK\$710,928, including the donations towards the tragic disaster of the Asia Tsunami towards the end of 2004.

At the time of writing, we are looking forward to the completion of our acquisition of new office located in Wanchai to provide a more spacious meeting area and office for smooth and efficient operation of the Group. A separate circular dated 7 April 2005 containing details of this acquisition had been sent to the shareholders recently.

MANAGEMENT DISCUSSION AND ANALYSIS

A net increase of HK\$9,349,000 in the Group's profit was recorded from the early adoption of two new accounting standards. Moreover, HK\$15,545,000 (2003: HK\$2,551,000) reversal of revaluation deficit in respect of properties other than investment properties was also recorded. These amounts contributed to improve the geographical segment results of "Hong Kong" from previous year's profit of HK\$18,085,000 to this year's HK\$35,325,000. Gain on disposal of one of the Group's investment properties located in United Kingdom also credited HK\$1,213,000 into this year's income statement.

On the other hand, the net unrealized holding gain recorded on investment in securities has dropped from 2003's HK\$4,726,000 to 2004's HK\$1,629,000. Another significant change is the exchange loss of HK\$1,422,000 recorded for 2004 compared to the exchange gain of HK\$2,981,000 recorded for 2003. Other operating expenses also increased from HK\$23,305,000 to HK\$26,254,000 because of increased expenditure in advertising and promotion.

Manufacturing and sales of Hoe Hin Brand of products

Turnover increased because of increment of sales in the local market, Thailand, Indonesia and Philippines. The segment revenue of these respective geographical location therefore also improved.

However, segment results for Southeast Asia is dropped because of the increased advertising support given to Thailand, Indonesia, Malaysia and Philippines. Professional fees spent in this region also increased in order to protect intellectual property rights and to prepare product registration for new markets.

Results for Northern America also declined due to the increased legal fee expenditure in connection with the Group's trademark infringement claims in the US.

Property investment

Turnover increased due to the implementation of some significant rental reviews on the Group's investment properties located in the United Kingdom. Improvement in segment results of United Kingdom is further enhanced by the upward appreciation of the property value in 2004.

Treasury investment

Turnover decreased because of drop in interest income received during the year.

Other business activities

This segment represents the sales of other healthcare goods. Segment revenue and results were immaterial comparing to other business segments.

OUTLOOK

Looking ahead, with the re-launch of our White Flower Ointment and Hoe Hin Strain Relief, and our plans to explore markets in other provinces in the PRC, we believe that we can sustain our current development and increase our presence in other geographical regions.

We will commence inviting application for the licensing use of our new icons “FúZǎi” and “BóBó” on other merchandise. Our selection criteria, among other things, will be those applications that touch upon promotion of good health and positive values.

By Order of the Board

GAN Wee Sean

Chairman

Hong Kong, 19 April 2005