NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2005

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, land and buildings and investment properties, which are measured at fair values.

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 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2005. The effects of adoption of the New HKFRSs are detailed below.

HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

2. **PRINCIPAL ACCOUNTING POLICIES** (CONTINUED)

Leases

Leasehold land and buildings were previously carried at cost less accumulated depreciation and any accumulated impairment losses. In accordance with the provisions of HKAS 17, where the total payment at the inception of the lease can be allocated reliably into the land element and building element, the payment for the land element is treated as an operating lease and amortised over the term of the lease. If the land and building cannot be allocated reliably at the inception of the lease, the land and building elements will continue to be treated as finance lease and carried at revaluation model under HKAS 16.

Since the relative fair values of the Group's leasehold land and building cannot be allocated to the land element and the building element reliably, the entire lease is treated as a finance lease and the leasehold interests in land of the Group continue to be accounted for as property, plant and equipment. The adoption of this standard does not have any significant impact on the Group.

Financial instruments

In the current period, the Group has adopted HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below.

Prior to 1 January 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities were carried at cost less impairment losses (if any) while other investments were measured at fair value, with realised or unrealised gains or losses included in the income statement. From 1 January 2005 onwards, financial assets and financial liabilities other than debt and equity securities are classified under the appropriate classification of HKAS 39 and measured at amortised cost using effective interest method as detailed below:

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(a) Available-for-sale investments

Previously recognised investment securities are classified as available-for-sale investments, which are carried at cost less impairment, as the investments are unquoted and fair value cannot be reliably measured. If there is objective evidence that individual investment has been impaired, such impairment would be recognised in the income statement and would not be reversed in subsequent periods.

(b) Financial assets at fair value through profit or loss

All previously recognised other investments are classified as financial assets at fair value through profit or loss and carried at fair value. The gain or loss on changes in fair value is recognised in income statement.

The Group's short term dual currency deposits are in the nature of hybrid financial instruments under HKAS 39. Since the deposits are measured at fair value with changes in fair value recognised in profit or loss, the embedded derivatives are not separately accounted for.

Business combinations

Excess of the Group's interests in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost was previously known as "negative goodwill". In previous periods, negative goodwill arising from acquisition of subsidiaries was credited to reserve in the year of acquisition and taking the transitional provisions of SSAP 30 "Business Combinations" without restating the negative goodwill. Pursuant to the transitional provisions of HKFRS 3 relating to recognised negative goodwill, the Group recognising a transfer within equity by transfer of the negative goodwill of HK$12,808,000 at 1 January 2005 to opening accumulated profits for the period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued the following standards and interpretations that are not yet effective.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Liabilities, Cash Flow Hedge Accounting of Forecast Intragroup Transactions and the Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS Interpretation 4	Determining whether an Arrangement contains a lease
HKFRS Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the results of the Group.

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 eliminated on consolidation.

Segment information is presented in respect of the 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 30 June 2005								
Segment revenue								
External sales	**21,249**	**8,805**	**6,531**	**2,235**	**4,318**	**–**	**65**	**43,203**
Segment results	**8,461**	**757**	**1,510**	**1,209**	**3,964**	**(247)**	**(420)**	**15,234**
Unallocated corporate expenses								**(99)**
Profit from operations								**15,135**
Six months ended 30 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

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 30 June 2005					
Segment revenue					
External sales	**36,608**	**4,718**	**1,877**	**–**	**43,203**
Segment results	**7,783**	**9,877**	**(639)**	**(8)**	**17,013**
Unallocated corporate expenses					**(1,878)**
Profit from operations					**15,135**
Six months ended 30 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

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
This is stated after charging (crediting):		
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	**1,801**	1,367
(b) Other items		
Cost of inventories	**14,240**	12,099
Dividend income from listed investments	**(351)**	(224)

5. TAXATION

	Six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong	**700**	1,203
Overseas	**539**	1,043
	1,239	2,246
Deferred tax		
Origination (Reversal) of temporary differences in respect of depreciation allowances	**1,044**	(430)
	2,283	1,816

Hong Kong Profits Tax is calculated at 17.5% (2004: 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

	Six months ended 30 June 2005 (unaudited) HK$'000	2004 (unaudited) HK$'000
Interim dividend declared	**6,500**	5,200
Special interim dividend declared	**19,500**	13,000
	26,000	18,200

At the board meeting held on 19 April 2005, the directors proposed a final dividend of HK6 cents per share totaling HK$7,800,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK6 cents per share totaling HK$7,800,000) and a special final dividend of HK9 cents per share totaling HK$11,700,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK4 cents per share totaling HK$5,200,000), which has been reflected as an appropriation of accumulated profits for the period. Upon the approval by shareholders on 28 June 2005, the appropriation was transferred to dividend payable.

On 23 September 2005, the directors declared the payment of an interim dividend of HK5 cents per share totaling HK$6,500,000 (2004: HK4 cents per share totaling HK$5,200,000) and a special interim dividend of HK15 cents per share totaling HK$19,500,000 (2004: HK10 cents per share totaling HK$13,000,000) in respect of the six months ended 30 June 2005 payable to the shareholders on the register of members of the Company on 21 October 2005. Dividend warrants will be dispatched to the shareholders on or about 27 October 2005.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK$11,051,000 (2004: HK$9,816,000) and the 130,000,000 ordinary shares in issue during the two periods.

Diluted earnings per share has not been presented as there was no dilutive events during the two periods.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into a sale and purchase agreement with an independent third party to purchase a property in Hong Kong at a consideration of HK$39,156,000.

The Group's investment properties and property, plant and equipment were stated at fair value as at 30 June 2005. A revaluation surplus of HK$5,500,000 has been recognised in respect of the investment properties of the Group. In addition, the Group recorded a deficit on exchange realignment of HK$6,677,000 on the investment properties situated in UK, which has been recognised as a movement in reserves.

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 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Within 30 days	**3,852**	3,534
31 – 60 days	**5,325**	5,404
61 – 90 days	**3,459**	3,507
More than 90 days	**1,490**	8,697
	14,126	21,142

10. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	At 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Within 30 days	**1,392**	617
31 – 60 days	**163**	71
More than 60 days	**100**	296
	1,655	984

11. PLEDGE OF ASSETS

At 30 June 2005, 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$169,366,000 (31 December 2004: HK$145,650,000) of which HK$84,728,000 (31 December 2004: HK$62,030,000) were utilised at the balance sheet date.

The carrying amounts of the Group's investment properties, bank deposits and financial assets at fair value through profit or loss pledged are as follows:

	At 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Investment properties	**141,027**	108,478
Pledged bank deposits	**63,025**	81,900
Financial assets at fair value through profit or loss	**47,009**	31,758
	251,061	222,136

12. CONTINGENT LIABILITIES

During the year ended 31 December 2003, the Group made a claim against a company in the United States ("US") and others ("US Parties") 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 suffering the loss of their reputation as a result of the defamatory information provided by the Group to a magazine in Hong Kong.

On 8 June 2005, the Group and the US Parties agreed to settle the claims whereby the US Parties have to pay a total sum of HK$2.4m to the Group. The amount has been recognised as a receivable in the interim financial statements and was received by the Group in late July 2005.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2005, the interests and short positions of the directors and chief executive in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies (the "Model Code"), were as follows:

(a) Long positions in shares of the Company

Name of director	Number of shares held Personal interests	Family interests	Corporate interests	Total	Percentage of issued shares capital of the Company
Mr. Gan Wee Sean	11,436,800	991,900 (Note 1)	27,218,100 (Note 2)	39,646,800 (Note 2)	30.5%
Mr. Gan Fock Wai, Stephen	4,313,700	–	26,053,300 (Note 3)	30,367,000 (Note 3)	23.4%