

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			Total	Percentage of issued shares capital of the Company
	Personal interests	Family interests	Corporate interests		
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%

DIRECTORS' INTERESTS IN SECURITIES (Continued)
(b) Long positions in non-voting deferred shares of associated corporations

 (i) *Hoe Hin Pak Fah Yeow Manufactory, Limited* ("HHPFY")

Name of director	Number of non-voting deferred shares of HK\$1,000 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,600	800 (Note 1)	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%

 (ii) *Pak Fah Yeow Investment (Hong Kong) Company, Limited* ("PFYI")

Name of director	Number of non-voting deferred shares of HK\$1 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,244,445	711,111 (Note 1)	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 991,900 shares of the Company, 800 non-voting deferred shares of HHPFY and 711,111 non-voting deferred shares of PFYI.
2. These 27,218,100 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 39,646,800 shares in aggregate represented approximately 30.5% of the issued share capital of the Company.
3. These 26,053,300 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 31%. The total number of 30,367,000 shares in aggregate represented approximately 23.4% of the issued share capital of the Company.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2005, no persons, other than the directors and companies controlled by them, whose names and interests are set out above, had notified an interest in the shares and underlying shares capital of the Company that was required to be recorded in the register maintained under section 336 of the SFO.

SHARE OPTION SCHEME

On 27 June 2002, a share option scheme was approved at a special general meeting of the Company under which the directors may, at their discretion, invite employees, including executive directors, of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The scheme will remain in force for a period of 10 years from 27 June 2002. As at 30 June 2005, no option has been granted since the adoption of the share option scheme. Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company or their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

Closing of register of members

The register of members will be closed from Monday, 17 October 2005 to Friday, 21 October 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 October 2005.

Purchase, sale or redemption of Company's listed securities

During the period, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

Code on Corporate Governance Practices

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. During the six months ended 30 June 2005, the Company has met with the code provisions (those which became effective for accounting period beginning on 1 January 2005) as set out in the Code except as disclosed below.

Code on Corporate Governance Practices (Continued)

On 23 September 2005, the board of directors of the Company approved the procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses and formalised the functions reserved to the board and those delegated to management of the Company. The Company considers that this measure meet the code provisions A.1.7 and D.1.2 of the Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2005.

Audit Committee

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial report of the Company for the six months ended 30 June 2005 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 7 to page 21 have also been reviewed by the Company's auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the HKICPA and an unmodified review report has been issued.