Summary

For the year ended 31 December 2005, the Group's turnover was up 7.6% to HK$96,208,000 (2004: HK$89,383,000) as increased contributions from sales of Hoe Hin brand of products, partly offset by the decrease in rental income. Income derived from treasury investment was, however, higher, in the light of generally higher market interest rates.

Revaluation surplus of the Group's investment properties was HK$13,530,000 (2004: HK$10,408,000), of which HK$10,565,000 was related to the Group's investment properties in the United Kingdom.

The revaluation of other properties has resulted in a reversal of revaluation deficit made in previous years of HK$2,891,000 (2004: HK$4,830,000 as restated).

Profit for the year ended 31 December 2005 was approximately HK$33,635,000 (2004: HK$33,598,000 as restated).

Manufacturing and sales of Hoe Hin Brand of products

Sales of Hoe Hin brand of products continued to be the major source of revenue for the Group. Sales increased by 10.7% to HK$83,344,000 (2004: HK$75,279,000). The increase in sales from Hong Kong (22.2%) and Mainland China (6.3%) markets have partly balanced off the decrease of 7.6% in sales from other geographical regions.

Despite an increase in marketing and advertising expenses, the Group has managed to keep its other operating expenses for the year at a similar level to that of the same period last year.

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 50% of the total revenue. Mainland China accounts for about 20%. Growth in other foreign countries has been static during the year.

The litigation in US in respect of the "White Flower" trade mark infringement has been settled and the Group has recovered most of the associated legal costs.

Segment profit decreased by 8.6% to HK$18,938,000 (2004: HK$20,724,000), largely due to the increase in expenses incurred for launching marketing and advertising campaigns to reinforce our brand both in Hong Kong and Mainland China. The expenditure spent is expected to strengthen our brand's market sentiment and is beginning to show some results.

Property investment

Revenue for this segment decreased by 21.3% to HK$8,910,000 (2004: HK$11,324,000). This change mainly represents the decrease in rental income as a result of disposal of an investment property in the United Kingdom in September 2004. Such decrease in rental income had a direct impact on the segment profit of the Group.

The segment profit was also negatively affected by the decrease in reversal of revaluation deficit of other properties, the revaluation deficit of other properties recognised in this year and there was no gain on disposal of investment properties in this year.

The above impact was partly offset by the increase in the revaluation surplus on the Group's investment properties.

As a result, the segment profit decreased by 26.6% to HK$22,335,000 (2004: HK$30,418,000 as restated).

The Group owns several investment properties in United Kingdom, Singapore, Hong Kong and other regions in the 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.

Revenue derived from this segment increased 42.4% to HK$3,952,000 (2004: HK$2,776,000), primarily due to higher interest income arising from increase in interest rate during the year and the improved results on foreign exchange transactions. The increase was partly offset by the net unrealised fair value changes on listed investments from a gain of HK$1,629,000 in 2004 to a loss of HK$798,000 in 2005 as a result of devaluation of foreign currencies in which most of our investments in securities were denominated.

As a result, the segment results improved from a loss of HK$1,024,000 to a profit of HK$1,174,000 in 2005.

Others

This segment represents the sales of other healthcare goods and its revenue and results were not material when comparing to other business segments.

Finance costs

The increase of HK$724,000 (23.2%) to HK$3,839,000 was mainly due to the new mortgage loan borrowed for the acquisition of the Group's new office in Wanchai.

Taxation

There was a decrease in tax provision from HK$5,966,000 (as restated) to HK$2,554,000 for the year, principally due to decrease in taxable operating profit of subsidiaries in Hong Kong and United Kingdom, and in deferred tax provision relating to valuation gains on investment properties.

Financial Resources and Treasury Policies

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2005 was 29.8% (2004: 21.0% as restated). Total bank borrowings of the Group amounted to HK$80,731,000 (2004: HK$62,029,000), mainly denominated in British pound and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to the new mortgage loan for the Group's new office.

Current ratio (current assets divided by current liabilities) was 2.1 as at 31 December 2005 (2004: 20.2). The Group holds sufficient cash and marketable securities on hand to meet its liabilities, commitments and working capital demand.

Exchange Rate Exposures

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. The foreign exchange risk for bank borrowings was minimal as they were either denominated in Hong Kong dollars or the currency of the underlying assets. Other than United States dollars whose exchange rate remained relatively stable during the year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2005 were approximately HK$48,631,000 million in total, or about 12.7% of the Group's total assets.

The Group may use suitable financial instruments to protect the downside risks associated with the price movement due to the timing of anticipated expenditure.

Pledge of Assets

As at 31 December 2005, certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities with carrying value of approximately HK$240.4 million (2004: HK$222.1 million) were pledged to secure banking facilities granted to the Group to the extent of HK$166.6 million (2004: HK$145.7 million), of which HK$80.7 million (2004: HK$62.0 million) were utilised as at 31 December 2005.

Employees and Remuneration Policies

As at 31 December 2005, the Group had a total of 99 employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees. The Company also has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.