1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of Hoe Hin Brand of products, treasury and property investment, and distribution of healthcare and household products.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("FRS") and Hong Kong Accounting Standards ('HKAS") (collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. In this year, the Group adopted the new / revised HKFRS pertinent to its operations. Major changes in accounting policies following the adoption of these HKFRS are summarised in note 12 to the financial statements. A summary of the principal accounting policies adopted by the Group is set out below.

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, leasehold buildings, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. All inter-company transactions and balances have been eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investment properties

Investment properties are properties which are held under freehold or leasehold to earn rental income and / or for capital appreciation. Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the income statement. Profit or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal.

A property interest held under operating lease is classified and accounted for as an investment property when the Group holds it to earn rental income and / or capital appreciation and applies the fair value model as above.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. Fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Property, plant and equipment

Property, plant and equipment, other than leasehold buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold properties held under long and medium-term leases	
– Building	50 years or over the relevant lease term whichever is the shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

The buildings component of owner-occupied leasehold properties are stated at fair value less accumulated depreciation and accumulated impairment losses. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to properties revaluation reserve.

Subsidiaries

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment test and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on the trade date basis. Financial assets and financial liabilities are initially measured at cost, being the fair value of the consideration given and, except for financial assets or financial liabilities at fair value through profit or loss, the directly attributable transaction costs. The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to third party. The Group derecognises financial liability when, and only when the liability is extinguished. The Group classifies its financial assets and financial liabilities in the following categories.

Financial assets or financial liabilities at fair value through profit or loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities that are held for trading or derivatives do not qualify for hedge accounting, and those designated at fair value through profit or loss at inception. They are measured at fair value with changes in fair value recognised in the 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated at this category or not classified in any of the other categories. They are measured at fair value with change in value recognised as a separate component of equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any accumulated impairment losses.

Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Trade receivables and payables

Trade receivables and payables are recognised at cost which approximates their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Rental income under operating leases is recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Proceeds from disposal of financial assets at fair value through profit or loss are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on equity investments are reported as part of the fair value gain or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment loss (Continued)

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Lease which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight-line basis over the term of the relevant lease.

Employee benefits

Defined contribution plans

With effective from 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF") schemed for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Hong Kong's Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement.

Post-employment benefit obligations

The net obligations in respect of long service payment under the Employment Ordinance and directors' retirement scheme benefits are the amounts of future benefit that employees and directors have earned in return for their services in the current and prior periods. The obligations are calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group, or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise (1) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and (2) significant judgements made in the process of applying the Group's accounting policies.

Allowance for inventories

The Group's management reviews the carrying amount of inventories at each balance sheet date, and make allowance for obsolete and slow-moving items identified that are no longer recoverable or suitable for use in production. Management estimates the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective. The Group has not early adopted these new HKFRS and the directors anticipate that the adoption of these new HKFRS in the further periods will have no material impact on the results of the Group.

3. SEGMENT INFORMATION

The Group is currently organised into three operating divisions – manufacturing and sale of Hoe Hin Brand of products, property investment and treasury investment.

The Group's operations are located in The Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC"), other regions in the PRC, Southeast Asia, Northern America, United Kingdom and Europe (excluding United Kingdom). The Group's manufacturing division is located in Hong Kong. Property investment and treasury investment divisions are carried out in various locations.

Geographical segments

These geographical locations of customers are the basis on which the Group reports its primary segment information.

	Year ended 31 December 2005							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	48,580	21,133	13,282	4,986	8,043	–	184	96,208
Segment results	17,355	(187)	4,448	2,680	17,650	160	(392)	41,714
Unallocated corporate expenses								(1,686)
Profit from operations								40,028
Finance costs								(3,839)
Profit before taxation								36,189
Taxation								(2,554)
Profit for the year								33,635

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	At 31 December 2005							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	151,091	8,277	94,383	4,549	112,260	–	–	370,560
Unallocated corporate assets								10,885
Consolidated total assets								381,445
Liabilities								
Segment liabilities	90,984	–	832	–	2,062	–	–	93,878
Unallocated corporate liabilities								16,634
Consolidated total liabilities								110,512
Other information								
Capital additions	43,598	–	–	–	–	–	–	43,598
Depreciation and amortisation expenses	3,502	–	–	–	–	–	–	3,502
Revaluation surplus (deficit) in respect of investment properties	4,090	(60)	(1,065)	–	10,565	–	–	13,530
Reversal of revaluation deficit in respect of properties other than investment properties	2,891	–	–	–	–	–	–	2,891
Revaluation deficit in respect of properties other than investment properties	(1,207)	–	–	–	–	–	–	(1,207)

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	Year ended 31 December 2004							
	Hong Kong *HK$'000* (Restated)	Other regions in the PRC *HK$'000*	Southeast Asia *HK$'000*	Northern America *HK$'000*	United Kingdom *HK$'000*	Europe (excluding United Kingdom) *HK$'000*	Others *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue	40,160	19,853	13,977	4,455	10,451	–	487	89,383
Segment results	24,372	3,913	5,954	1,645	13,447	685	79	50,095
Unallocated corporate expenses								(7,416)
Profit from operations								42,679
Finance costs								(3,115)
Profit before taxation								39,564
Taxation								(5,966)
Profit for the year								33,598

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	At 31 December 2004							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)							(Restated)
Assets								
Segment assets	100,214	8,292	140,667	4,029	110,974	–	110	364,286
Unallocated corporate assets								8,847
Consolidated total assets								373,133
Liabilities								
Segment liabilities	68,241	5	9	–	2,648	–	–	70,903
Unallocated corporate liabilities								7,554
Consolidated total liabilities								78,457
Other information								
Capital additions	253	–	–	–	–	–	–	253
Depreciation and amortisation expenses	2,778	–	–	–	–	–	–	2,778
Revaluation surplus in respect of investment properties	6,050	550	257	–	3,551	–	–	10,408
Reversal of revaluation deficit in respect of properties other than investment properties	4,830	–	–	–	–	–	–	4,830

3. SEGMENT INFORMATION (Continued)

Business segments

The following table provides an analysis of the Group's revenue and results from operations by business segment:

	Segment revenue		Segment results	
	Year ended 31.12.2005	Year ended 31.12.2004	**Year ended 31.12.2005**	Year ended 31.12.2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Manufacturing and sale of Hoe Hin Brand of products	**83,344**	75,279	**18,938**	20,724
Property investment	**8,910**	11,324	**22,335**	30,418
Treasury investment	**3,952**	2,776	**1,174**	(1,024)
Others	**2**	4	**(26)**	(25)
Unallocated corporate expenses	**–**	–	**(2,393)**	(7,414)
	96,208	89,383	**40,028**	42,679

The following is an analysis of the carrying amount of segment assets and capital additions by business segment:

	Carrying amount of segment assets		Capital additions	
	At 31.12.2005	At 31.12.2004	**Year ended 31.12.2005**	Year ended 31.12.2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Manufacturing and sale of Hoe Hin Brand of products	**119,402**	86,703	**43,598**	253
Property investment	**154,250**	137,429	**–**	–
Treasury investment	**104,789**	147,453	**–**	–
Others	**38**	38	**–**	–
	378,479	371,623	**43,598**	253
Unallocated corporate assets	**2,966**	1,510		
	381,445	373,133		

4. OTHER REVENUE

	2005 HK$'000	2004 HK$'000
Commission income	–	58
Dividend income from listed securities	519	394
Gain on disposal of financial assets at fair value through profit or loss	217	293
	736	745

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

	2005 HK$'000	2004 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	3,222	3,115
Interest on bank loan wholly repayable more than five years	617	–
	3,839	3,115

(b) Other items

	2005 HK$'000	2004 HK$'000
Auditors' remuneration		
Current year	538	518
Underprovision in prior year	40	–
Cost of inventories	31,639	24,905
Contributions to defined contribution plan	484	474
Operating lease charges on land and buildings and advertising spaces	249	516
Provision for long service payments	–	915
Gross rental income from investment properties less outgoings of HK$378,000 (2004: HK$183,000)	(8,531)	(11,141)
Royalty charges	185	194
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	3,007	2,540
Amortisation of lease premium for land	495	238
	3,502	2,778

5. PROFIT BEFORE TAXATION (Continued)

(c) Trademarks

The Group has registered its trademarks in various locations including Hong Kong, other regions in the PRC and South East Asia. The costs of registration of the trademarks have been expensed in the financial statements. The trademarks for Hong Kong, other regions in the PRC, Thailand, Indonesia and the Philippines were valued on an open market value basis on 31 December 2005 by Sallmanns (Far East) Limited, a firm of independent professional qualified valuers, which amounted to HK$63 million.

6. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Directors' fees	Salaries and other benefits	Management bonus	Retirement scheme	Housing and subsistence allowances	Contributions to defined contribution plan	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Gan Wee Sean	30	3,002	189	–	1,002	12	4,235
Gan Fock Wai, Stephen	30	2,007	189	–	545	12	2,783
Chiu Sin Kuen	30	874	95	–	378	–	1,377
Independent non-executive directors							
Kwan Chiu Yin, Robert	40	–	–	–	–	–	40
Wong Ying Kay, Ada	40	–	–	–	–	–	40
Ip Tin Chee, Arnold	40	–	–	–	–	–	40
	210	5,883	473	–	1,925	24	8,515

	Directors' fees	Salaries and other benefits	Management bonus	Retirement scheme	Housing and subsistence allowances	Contributions to defined contribution plan	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Gan Wee Sean	30	2,739	437	267	919	12	4,404
Gan Fock Wai, Stephen	30	1,825	437	–	499	12	2,803
Chiu Sin Kuen	30	797	218	–	343	–	1,388
Independent non-executive directors							
Kwan Chiu Yin, Robert*	20	–	–	–	–	–	20
Wong Ying Kay, Ada*	20	–	–	–	–	–	20
Ip Tin Chee, Arnold*	20	–	–	–	–	–	20
Lee Ka Sze, Carmelo**	23	–	–	–	–	–	23
Yuen Ka Fai**	22	–	–	–	–	–	22
	195	5,361	1,092	267	1,761	24	8,700

* Appointed on 8 September 2004
** Resigned on 8 September 2004

6. DIRECTORS' EMOLUMENTS (Continued)

Management bonus is calculated at 2.5 percent of the consolidated net profit after taxation with a minimum guaranteed amount of HK$100,000, according to the terms specified in the directors' service agreements. The management bonus payable for the year ended 31 December 2005 is derived after deducting an amount of HK$348,000 being overpayment in prior years as a result of the prior period adjustments following the adoption of HKFRS (note 12).

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2004: three) are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate of the emoluments of the other two (2004: two) individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries	**1,061**	1,004
MPF contributions	**24**	24
	1,085	1,028

The two individuals with the highest emoluments are within the HK$0 – HK$1 million band for the years ended 31 December 2004 and 2005.

During the years ended 31 December 2004 and 2005, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2004 and 2005, no directors waived any of their emoluments.

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
Current tax		
Hong Kong Profits Tax		
Current year	**1,890**	2,560
(Over) Under provision in prior years	**(255)**	173
	1,635	2,733
Overseas tax		
Current year	**846**	1,596
(Over) Under provision in prior years	**(748)**	585
	98	2,181
Deferred taxation *(note 25)*	**821**	1,052
	2,554	5,966

8. TAXATION (Continued)

Reconciliation of effective tax rate

	2005 %	2004 % (Restated)
Applicable tax rate in Hong Kong	**17.5**	17.5
Effect of overseas tax rate differences	**1.7**	1.8
Non-deductible expenses and losses	**1.5**	2.9
Non-taxable revenue and gains	**(10.4)**	(7.7)
Unrecognised tax losses	**0.1**	0.2
Utilisation of previously unrecognised tax losses	**(0.4)**	(0.3)
(Over) Under provision in prior year	**(2.8)**	1.9
Over provision in current year	**0.5**	0.3
Others	**(0.6)**	(1.5)
Effective tax rate for the year	**7.1**	15.1

9. PROFIT FOR THE YEAR

The consolidated profit attributable to equity holders of the parent includes a profit of HK$52,637,000 (2004: HK$20,869,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

	2005 *HK$'000*	2004 *HK$'000*
Interim dividend of HK5 cents per share before subdivision of shares (2004: HK4 cents per share before subdivision of shares) and HK2.7 cents per share after subdivision of shares (2004: HK Nil)	**13,520**	5,200
Special interim dividend of HK15 cents per share before subdivision of shares (2004: HK10 cents per share before subdivision of shares)	**19,500**	13,000
Final dividend of HK3 cents per share after subdivision of shares (2004: HK6 cents per share before subdivision of shares)	**7,800**	7,800
Special final dividend of HK2 cents per share after subdivision of shares (2004: HK9 cents per share before subdivision of shares)	**5,200**	11,700
	46,020	37,700

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the year of HK$33,635,000 (2004 (restated): HK$33,598,000) and the 260,000,000 (2004: 260,000,000 after adjustment for the subdivision of shares in 2005) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as there were no dilutive events during the two years ended 31 December 2004 and 2005.

12. CHANGES IN ACCOUNTING POLICIES

In this year, the Group adopted the following new / revised HKFRS issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2005. The comparatives have been amended in accordance with the relevant requirements. Major effects on the changes in accounting policies are summarised below:

HKAS 17 "Leases"
The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously accounted for as property, plant and equipment and carried at revalued amount. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element at the inception of the lease. The lease premium for land is accounted for as operating lease and stated at cost and amortised over the period of the lease whereas the leasehold building is continuously stated at revalued amount under property, plant and equipment.

HKAS 24 "Related party disclosures"
HKAS 24 has affected the identification of related parties and the level of related-party disclosures. Details of the new definition of related parties are set out in note 2 to the financial statements.

HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39: "Financial instruments: Recognition and measurement"
The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, the Group classified investments into investment securities and other investments. Investment securities were stated at cost less provision for impairment losses that is expected to be other than temporary. Other investments were stated at their fair value. Changes in fair value were recognised in income statement as they arise.

In accordance with the provisions of HKAS 39, financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments.

Upon the adoption of HKAS 32 and HKAS 39, the Group's investment securities and other investments were re-designated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. They have been re-measured in accordance with HKAS 39 as appropriate. There are no adjustments arising from the adoption of HKAS 39 for financial assets at fair value through profit or loss except for the re-designation of dual currency deposits from cash and cash equivalents, but the adjustment related to the available-for-sale financial assets is recognised as an opening balance adjustment in the investment revaluation reserve at the beginning of the year as required by the transitional provisions of HKAS 39. Details of the new accounting policies adopted are set out in note 2 to the financial statements.

FRS 3 "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 the predecessor standard without restating the negative goodwill. Following the adoption of FRS 3, negative goodwill is recognised immediately in the income statement. The Group has taken the advantage of the transitional provisions of FRS 3 that the negative goodwill at 1 January 2005 of HK$12,808,000 was transferred to opening accumulated profits during the year.

13. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases	Investment properties in other regions in the PRC under long leases	Freehold investment properties in United Kingdom and Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuation				
At 1 January 2004	10,150	1,250	124,419	135,819
Exchange realignment	–	–	8,293	8,293
Revaluation surplus	6,050	550	3,808	10,408
Disposal	–	–	(22,088)	(22,088)
At 31 December 2004	**16,200**	**1,800**	**114,432**	**132,432**
Valuation				
At 1 January 2005	16,200	1,800	114,432	132,432
Transfer from prepaid lease payments and leasehold buildings upon change of use *(note)*	19,500	–	–	19,500
Exchange realignment	–	–	(12,160)	(12,160)
Revaluation surplus (deficit)	4,090	(60)	9,500	13,530
At 31 December 2005	**39,790**	**1,740**	**111,772**	**153,302**

Note: During the year, office premises previously occupied by the Group for own use were leased out to third parties for rental purposes and have been re-designated as investment properties. The amounts transferred comprise prepaid lease payment of HK$15,990,000 and building value of HK$3,510,000.

Investment properties in Hong Kong and other regions in the PRC and Singapore were valued respectively on market value basis on 31 December 2005 by Memfus Wong Surveyors Limited and Dovebid (S) Pte Ltd., independent professional valuers. Investment properties in United Kingdom were valued on open market value basis by Cushman & Wakefield Healey & Baker, independent professional valuers.

At the balance sheet date, the carrying amount of the investment properties of the Group rented out under operating leases was HK$153,302,000 (2004: HK$130,632,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Properties in Hong Kong under long leases *HK$'000*	Properties in Hong Kong under medium-term leases *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2004						
At beginning of year						
As previously reported	13,200	21,350	4,601	3,975	684	43,810
Effect of adopting HKAS 17	(11,336)	(14,555)	–	–	–	(25,891)
As restated	1,864	6,795	4,601	3,975	684	17,919
Additions	–	–	37	216	–	253
Revaluation	1,326	3,504	–	–	–	4,830
Disposals	–	–	(5)	(8)	–	(13)
Depreciation	(126)	(496)	(742)	(833)	(343)	(2,540)
At balance sheet date	3,064	9,803	3,891	3,350	341	20,449
Reconciliation of carrying amount – year ended 31 December 2005						
At beginning of year						
As previously reported	21,200	30,800	3,891	3,350	341	59,582
Effect of adopting HKAS 17	(18,136)	(20,997)	–	–	–	(39,133)
As restated	3,064	9,803	3,891	3,350	341	20,449
Additions	9,313	–	224	2,536	–	12,073
Revaluation	(574)	2,258	–	–	–	1,684
Transfer to investment properties *(note 13)*	(3,510)	–	–	–	–	(3,510)
Depreciation	(271)	(536)	(763)	(1,096)	(341)	(3,007)
At balance sheet date	**8,022**	**11,525**	**3,352**	**4,790**	**–**	**27,689**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Properties in Hong Kong under long leases HK$'000	Properties in Hong Kong under medium-term leases HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005						
Cost	–	–	12,065	13,595	1,709	27,369
Valuation	3,064	9,803	–	–	–	12,867
Accumulated depreciation	–	–	(8,174)	(10,245)	(1,368)	(19,787)
	3,064	9,803	3,891	3,350	341	20,449
At 31 December 2005						
Cost	–	–	12,289	16,131	1,709	30,129
Valuation	8,022	11,525	–	–	–	19,547
Accumulated depreciation	–	–	(8,937)	(11,341)	(1,709)	(21,987)
	8,022	**11,525**	**3,352**	**4,790**	**–**	**27,689**

The leasehold buildings were independently valued on market value basis on 31 December 2005 by Memfus Wong Surveyors Limited, independent professional qualified valuers.

The carrying amount of the leasehold buildings at 31 December 2005 would have been HK$19,445,000 (2004 (restated): HK$12,772,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

15. PREPAID LEASE PAYMENTS

Prepaid lease payments represent unamortised balance of the costs paid for medium and long term leasehold land in Hong Kong. The cost is amortised over the leasehold period. During the year, prepaid lease payments of HK$15,990,000, being the fair value at the date of transfer, have been transferred to investment properties, as detailed in note 13 to the financial statements.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS / FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Available-for-sale financial assets		Financial assets at fair value through profit or loss		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)
The Group						
Equity securities:						
Listed	–	–	**19,154**	24,419	**19,154**	24,419
Unlisted	**2,662**	1,345	–	–	**2,662**	1,345
	2,662	1,345	**19,154**	24,419	**21,816**	25,764
Debt securities, listed	–	–	**1,519**	7,607	**1,519**	7,607
Dual currency deposits	–	–	**20,637**	3,900	**20,637**	3,900
	2,662	1,345	**41,310**	35,926	**43,972**	37,271
Comprising:						
Listed securities						
Hong Kong	–	–	**6,076**	3,374	**6,076**	3,374
Overseas	–	–	**14,597**	28,652	**14,597**	28,652
Unlisted securities	**2,662**	1,345	–	–	**2,662**	1,345
Dual currency deposits	–	–	**20,637**	3,900	**20,637**	3,900
	2,662	1,345	**41,310**	35,926	**43,972**	37,271
Carrying amount included in:						
Current assets	–	–	**41,310**	35,926	**41,310**	35,926
Non-current assets	**2,662**	1,345	–	–	**2,662**	1,345
	2,662	1,345	**41,310**	35,926	**43,972**	37,271

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**84,340**	84,340

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	*Indirectly*	
Biotech Marketing Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100	Distribution of healthcare and household products
Digi Star Advertising Company Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	–	100	Advertising agency
Hoe Hin Pak Fah Yeow (B. V. I.) Limited	British Virgin Islands/Hong Kong	20,000 ordinary shares of US$1 each	100	–	Investment holding
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares* of HK$1,000 each, and 2 ordinary shares of HK$1,000 each	–	100	Manufacturing and sale of Hoe Hin Brand of products
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Inactive
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares* of HK$1 each, and 2 ordinary shares of HK$1 each	–	100	Property and treasury investment
Princely Profits Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Inactive
Princesland International Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Property investment

* The non-voting deferred shares carry no right to receive notice of or to attend or vote at any general meeting of these subsidiaries. They also carry very limited rights in respect of dividends and share of surplus assets upon winding up.

18. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Finished goods	**1,076**	2,822
Raw materials	**4,136**	6,054
Bottles, caps and packing materials	**6,167**	2,959
	11,379	11,835

The amount of inventories carried at fair value less costs to sell is HK$38,000 (2004: HK$38,000).

19. TRADE RECEIVABLES

The Group allows credit period ranging from 30 days to 240 days to its customers. The aged analysis of trade receivables is as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 30 days	**9,331**	3,534
31 – 60 days	**3,941**	5,404
61 – 90 days	**5,770**	3,507
More than 90 days	**165**	8,697
	19,207	21,142

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)		
As stated in the balance sheet				
Bank balances and cash	**15,122**	31,862	**287**	153
Pledged bank deposits *(note 31)*	**57,480**	85,800		
As stated in the consolidated cash flow statement	**72,602**	117,662		

21. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2005 HK$'000	2004 HK$'000
Within 30 days	1,956	617
31 – 60 days	1,790	71
More than 60 days	–	296
	3,746	984

22. PROVISION FOR LONG SERVICE PAYMENTS

	2005 HK$'000	2004 HK$'000
At beginning of year	2,496	1,873
Additional provision	–	648
Amount used	–	(25)
At balance sheet date	2,496	2,496

23. PROVISION FOR DIRECTORS' RETIREMENT SCHEME BENEFITS

	The Group and the Company	
	2005 HK$'000	2004 HK$'000
At beginning of year	3,197	2,930
Additional provision	–	267
At balance sheet date	3,197	3,197

24. LONG-TERM BANK LOANS, SECURED

The bank loans are repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**54,742**	–
After 1 year but within 2 years	**1,384**	–
After 2 years but within 5 years	**4,570**	59,850
After 5 years	**19,203**	–
	25,157	59,850
	79,899	59,850

The maturity of the above borrowings is as follows:

	2005	2004
Wholly repayable within five years	**53,442**	59,850
Wholly repayable more than five years	**26,457**	–
	79,899	59,850

The bank loans of HK$53,442,000 bears interest at 5.54375% per annum, which will be repayable in full in June 2006. The remaining HK$26,457,000 bears interest at the Hong Kong prime rate less 3% per annum, which is repayable in equal monthly instalments with the last instalment falls due in April 2020.

The bank loans are secured by:

(a) a first legal charge over the Group's leasehold buildings and lease premium for land with carrying value of HK$7,920,000 (2004: HK$Nil) and HK$31,264,000 (2004: HK$Nil) respectively; and

(b) The Group's investment properties with an aggregate carrying value of HK$106,884,000 (2004: HK$108,478,000) together with assignment of rental monies derived from the investment properties under charge.

25. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities (assets):

Deferred tax arising from:	Accelerated depreciation allowances *HK$'000*	Revaluation of properties *HK$'000*	Fair value adjustment on financial instruments *HK$'000*	Fair value adjustment on investment properties *HK$'000*	Total *HK$'000*
At 1 January 2004					
– as previously reported	501	386	135	1,776	2,798
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(456)	(386)	–	–	(842)
– as restated	45	–	135	1,776	1,956
Recognised in consolidated income statement					
– as previously reported	1,009	–	(135)	1,059	1,933
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(881)	–	–	–	(881)
– as restated	128	–	(135)	1,059	1,052
Recognised in reserves					
– as previously reported	–	442	–	–	442
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	(442)	–	–	(442)
– as restated *(note 27)*	–	–	–	–	–
At 31 December 2004	173	–	–	2,835	3,008
At 1 January 2005					
– as previously reported	1,510	828	–	2,835	5,173
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(1,337)	(828)	–	–	(2,165)
– as restated	173	–	–	2,835	3,008
Recognised in consolidated income statement	116	–	–	705	821
Recognised in reserves *(note 27)*	–	1,116	–	–	1,116
At 31 December 2005	**289**	**1,116**	**–**	**3,540**	**4,945**

25. DEFERRED TAXATION (Continued)

Unrecognised deferred tax assets arising from:

	2005	2004
	HK$'000	*HK$'000*
Deductible temporary differences	4,894	4,699
Tax losses	8,923	9,633
At balance sheet date	**13,817**	**14,332**

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$2,418,000 (2004: HK$2,508,000) have not been recognised due to uncertainty of their recoverability.

The Company

Unrecognised deferred tax assets arising from:

	2005	2004
	HK$'000	*HK$'000*
Deductible temporary differences	3,196	3,196
Tax losses	2,693	2,575
At balance sheet date	**5,889**	5,771

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,031,000 (2004: HK$1,010,000) have not been recognised due to uncertainty of their recoverability.

26. ISSUED CAPITAL

	2005	2004
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.05 each (2004: 300,000,000 ordinary shares of HK$0.1 each)	30,000	30,000
Issued and fully paid:		
260,000,000 ordinary shares of HK$0.05 each (2004: 130,000,000 ordinary shares of HK$0.1 each)	13,000	13,000

By an ordinary resolution passed at a special general meeting held on 27 October 2005, the issued and unissued shares of HK$0.10 each in the share capital of the Company were subdivided into two shares of HK$0.05 each.

27. RESERVES

	Share premium HK$'000	Negative goodwill HK$'000	Revaluation reserve: Properties HK$'000	Revaluation reserve: Investment HK$'000	Exchange reserve HK$'000	Accumulated profits: Proposed dividends HK$'000	Accumulated profits: Undistributed profits HK$'000	Total HK$'000
The Group								
At 1 January 2004								
– as previously reported	24,925	12,808	1,819	–	43	13,000	226,653	279,248
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	–	(1,819)	–	–	–	(3,851)	(5,670)
– as restated	24,925	12,808	–	–	43	13,000	222,802	273,578
Surplus on revaluation of properties (restated)	–	–	–	–	–	–	–	–
Deferred tax (restated) *(note 25)*	–	–	–	–	–	–	–	–
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	–	5,700	–	–	5,700
Profit for the year (restated)	–	–	–	–	–	–	33,598	33,598
Interim dividends declared	–	–	–	–	–	–	(18,200)	(18,200)
Final dividends proposed	–	–	–	–	–	19,500	(19,500)	–
2003 final dividends transferred to dividends payable	–	–	–	–	–	(13,000)	–	(13,000)
At 31 December 2004	24,925	12,808	–	–	5,743	19,500	218,700	281,676
At 1 January 2005								
– as previously reported	24,925	12,808	3,904	–	5,743	19,500	232,623	299,503
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	–	(3,904)	–	–	–	(13,923)	(17,827)
– as restated, before opening balance adjustments	24,925	12,808	–	–	5,743	19,500	218,700	281,676
– opening balance adjustments arising from the adoption of HKAS 39 and FRS 3 *(note 12)*	–	(12,808)	–	1,037	–	–	12,808	1,037
– as restated	24,925	–	–	1,037	5,743	19,500	231,508	282,713
Surplus on revaluation of properties	–	–	6,377	–	–	–	–	6,377
Deferred tax *(note 25)*	–	–	(1,116)	–	–	–	–	(1,116)
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	–	(11,436)	–	–	(11,436)
Changes in fair value of available-for-sale financial assets	–	–	–	280	–	–	–	280
Profit for the year	–	–	–	–	–	–	33,635	33,635
Interim dividends declared	–	–	–	–	–	–	(33,020)	(33,020)
Final dividends proposed	–	–	–	–	–	13,000	(13,000)	–
2004 final dividends transferred to dividends payable	–	–	–	–	–	(19,500)	–	(19,500)
At 31 December 2005	**24,925**	**–**	**5,261**	**1,317**	**(5,693)**	**13,000**	**219,123**	**257,933**

27. RESERVES (Continued)

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated profits: Proposed dividends HK$'000	Accumulated profits: Undistributed profits HK$'000	Total HK$'000
The Company					
At 1 January 2004	24,925	67,708	13,000	1,324	106,957
Profit for the year	–	–	–	20,869	20,869
Interim dividends declared	–	–	–	(18,200)	(18,200)
Final dividends proposed	–	–	19,500	(19,500)	–
2003 final dividends transferred to dividend payable	–	–	(13,000)	–	(13,000)
At 31 December 2004	24,925	67,708	19,500	(15,507)	96,626
At 1 January 2005	24,925	67,708	19,500	(15,507)	96,626
Profit for the year	–	–	–	52,637	52,637
Interim dividends declared	–	–	–	(33,020)	(33,020)
Final dividends proposed	–	–	13,000	(13,000)	–
2004 final dividends transferred to dividend payable	–	–	(19,500)	–	(19,500)
At 31 December 2005	**24,925**	**67,708**	**13,000**	**(8,890)**	**96,743**

The share premium represents the excess of the net proceeds from issuance of share capital of the Company over its par value.

The revaluation reserves and exchange reserve are recognised as a result of accounting treatments as detailed in note 2 to the financial statements.

The balance of contributed surplus of the Company represents the difference between the nominal value of the Company's share allotted on 28 November 1991 and the consolidated net assets of the subsidiaries then acquired.

Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

27. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders are as follows:

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**67,708**	67,708
Accumulated profits	**4,110**	3,993
	71,818	71,701

28. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 27 June 2002. The purpose of the Scheme is to enable the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group, to encourage the participants to perform their best in achieving the goals of the Group and to allow the participants to enjoy the results of the Group attained through their efforts and contributions. Participants includes (i) any director and employee of each member of the Group; (ii) any discretionary object of a discretionary trust established by any employee or director of each member of the Group; (iii) any executive or employee of any business consultant, business partner, professional and other advisers to each member of the Group; (iv) any substantial shareholder of each members of the Group; (v) any associates of director or substantial shareholder of the Company; and (vi) any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies, as absolutely determined by the Board of Directors.

The directors may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon the duplicate letter comprising acceptance of the option duly signed by the grantee and paying HK$l by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme will be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 26,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme and as at the date of the financial statements. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall expire not later than 10 years after the date of grant of the option.

The maximum entitlement for anyone participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme in any 12-month period shall not exceed 1 percent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 percent limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 27 June 2002.

No option was granted pursuant to the Scheme since its adoption.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment terms.

30. CASH GENERATED FROM OPERATIONS

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Profit before taxation	**36,189**	39,564
Adjustment arising from change in accounting policies	**–**	(1,776)
Interest income	**(3,952)**	(2,776)
Interest expenses	**3,839**	3,115
Dividend income from financial assets at fair value through profit or loss	**(519)**	(394)
Gain on disposal of investment properties	**–**	(1,213)
Revaluation surplus in respect of investment properties	**(13,530)**	(10,408)
Reversal of revaluation deficit in respect of properties other than investment properties	**(2,891)**	(4,830)
Revaluation deficit in respect of properties other than investment properties	**1,207**	–
Loss on disposal of property, plant and equipment	**–**	13
Gain on disposal of financial assets at fair value through profit or loss	**(217)**	(294)
Net loss (gain) on financial assets at fair value through profit or loss	**798**	(1,629)
Exchange differences	**(5,692)**	2,010
Depreciation and amortisation expenses	**3,502**	2,778
Changes in working capital:		
Inventories	**456**	(902)
Trade receivables	**1,935**	6,212
Bills receivable	**1,354**	(7,090)
Deposits, prepayments and other debtors	**(1,399)**	(719)
Trade payables	**2,762**	(855)
Accrued charges and other creditors	**3,618**	(2,363)
Provision for long service payments	**–**	623
Provision for directors' retirement scheme benefits	**–**	267
Cash generated from operations	**27,460**	19,333

31. PLEDGE OF ASSETS

Certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK$166,642,000 (2004: HK$145,650,000) of which HK$80,731,000 (2004: HK$62,029,000) were utilised at the balance sheet date.

The carrying amounts of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and investments in securities pledged are as follows:

	2005	2004
	HK$'000	*HK$'000*
Leasehold buildings	**7,920**	–
Lease premium for land	**31,264**	–
Investment properties	**106,884**	108,478
Bank deposits	**57,480**	85,800
Investments in securities	**36,835**	27,858
	240,383	222,136

Leasehold properties, lease premium for land and investment properties have been pledged to secure bank loans and the remaining bank deposits and investments in securities have been pledged to secure general banking facilities granted to the Group.

32. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the Group leased out all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease terms ranging from less than 1 year to 20 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**7,810**	5,925
In the second to fifth years inclusive	**25,182**	15,689
Over five years	**42,766**	4,377
	75,758	25,991

33. CONTINGENT LIABILITIES

The Group

(a) Litigation in respect of trademark infringement, etc in the United States ("US")

During the year ended 31 December 2003, the Group made a claim against a company in the US and others ("US Parties") for "White Flower" trademark 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 paid a sum of HK$2,400,000 to the Group in late July 2005.

33. CONTINGENT LIABILITIES (Continued)

The Group (Continued)

(b) Litigation in respect of the exterior wall of Hennessy Apartments

In November 2005, the Group received a letter from the incorporated owners of Hennessy Apartments (the "Incorporated Owners") demanding the removal of a neon-light sign ("Signboard") from the exterior wall of the building, which was declined by the Group. The Incorporated Owners initiated legal proceedings against the Group in late March 2006 mainly demanding for the removal of the Signboard, reinstatement of the external wall of the building and damages for trespassing to be assessed on the basis of rental income of the use of the external wall of the building.

Whilst the outcome is uncertain, the directors, having considered the opinion of the lawyers, are of the opinion that there would not be any significant adverse financial impact on the Group. No provision in respect of the claim has been made in the financial statements for the year ended 31 December 2005.

The Company

At the balance sheet date, the Company had contingent liabilities in respect of guarantee of bank loans and general banking facilities granted to its subsidiaries amounting to HK$79,899,000 (2004: HK$59,850,000).

34. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with related parties.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**1,406**	1,305
– Contributions to defined contribution plan	**32**	31
Royalty paid to a director *(Note)*	**185**	194

Note:

Mr. Gan Wee Sean was interested as licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a license to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2005 in consideration of an annual royalty payment equivalent to 10 percent of the sales in Malaysia and Singapore. The agreement has been renewed for a further term of one year on similar terms.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's principal financial instruments comprise bank loans, investments in securities, bonds, cash and short-term deposits. The main purpose of these financial instruments is to raise or maintain financial resources for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

Exposure to interest rate risk, currency risk, credit risk and liquidity risk arise in the normal course of the Group's business. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to monitor and control these risks are set out below.

Interest rate risk
The Group's interest-rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

Currency risk
Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars, in which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency 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, the Group is exposed to foreign exchange fluctuations for certain investments in overseas securities and bank balances. The Group closely monitors the related exchange rates and, whenever appropriate, takes necessary action to reduce exchange risk.

Credit risk
The Group's credit risk is primarily attributable to trade and other receivables. Management of the Group has a credit limit policy in place and exposures to credit risk are monitored on an ongoing basis. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions is taken to recover overdue debts.

Liquidity risk
The management of the Group closely monitors the current and expected liquidity requirements to ensure sufficient reserves of cash for the Group's business operation in short and longer term.

36. COMPARATIVE FIGURES

As further explained in note 12 to the financial statements, due to the adoption of HKFRS during the year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments and opening balance adjustments have been made and certain comparative amounts have been restated.