NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2006

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 consolidated financial statements have been prepared under the historical cost convention 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.

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 2005 except as described below.

In the current period, the Group has applied for the first time, the HKAS 21 (Amendment) "The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation" issued by the HKICPA, which is effective for accounting periods beginning on or after 1 January 2006. The effects of adoption of this standard are detailed below:

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKAS 21 (Amendment) "The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation"

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation were recognised in a separate component of equity in the consolidated financial statements only when (1) the monetary item was denominated in the functional currency of either the reporting entity or the foreign operation; and (2) the monetary item arose directly between the reporting entity and the foreign operation. Following the adoption of HKAS 21 (Amendment), such treatment is also required in respect of exchange differences arising on balances between group entities which are denominated in a currency other than the functional currency of either the reporting entity or the foreign operation.

As a result of the adoption of HKAS 21 (Amendment), an exchange loss arising on balances between two subsidiaries of the Company of HK$3,170,000 (2005: an exchange gain of HK$3,201,000) has been recognised in exchange reserve in the consolidated financial statements and the Group's profit for the period has been increased by HK$3,170,000 (2005: decreased by HK$3,201,000) accordingly. In addition, the cumulative exchange losses of HK$572,000 and HK$6,142,000 as at 1 January 2006 and 2005 have been transferred from accumulated profits to exchange reserve. Prior period adjustments have been made and comparative figures have been restated accordingly.

At the date of authorisation of these condensed consolidated 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 accounting standards and interpretations and the directors anticipate that their adoption in the 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 segment revenue and segment results for the period is as follows:

Geographical segments

	Hong Kong (unaudited) HK$'000	Other regions in the People's Republic of China (the "PRC") (unaudited) HK$'000	Southeast Asia (unaudited) HK$'000	Northern America (unaudited) HK$'000	United Kingdom ("UK") (unaudited) HK$'000	Europe (excluding UK) (unaudited) HK$'000	Others (unaudited) HK$'000	Consolidated (unaudited) HK$'000
Six months ended 30 June 2006								
Segment revenue								
External sales	**24,374**	**10,733**	**6,300**	**4,667**	**3,835**	**75**	**121**	**50,105**
Segment results	**10,972**	**4,420**	**5,417**	**3,443**	**4,066**	**11**	**(43)**	**28,286**
Unallocated corporate expenses								**(5,330)**
Profit from operations								**22,956**
Six months ended 30 June 2005								(Restated)
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								(3,300)
Profit from operations								11,934

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 2006					
Segment revenue					
External sales	**43,805**	**4,343**	**1,957**	**–**	**50,105**
Segment results	**21,552**	**3,137**	**3,698**	**(4)**	**28,383**
Unallocated corporate expenses					**(5,427)**
Profit from operations					**22,956**
					(Restated)
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					(5,079)
Profit from operations					11,934

4. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**1,501**	1,801
Interest on bank loan wholly repayable more than five years	**654**	–
	2,155	1,801

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	HK$'000	HK$'000
(b) Other items		
Cost of inventories	**14,122**	14,240
Dividend income from listed securities	**(295)**	(351)
Gain on disposal of property, plant and equipment	**783**	–

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 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 of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	**2,647**	700
Overseas tax	**443**	539
	3,090	1,239
Deferred tax		
Origination of temporary differences in respect of depreciation allowances	**–**	1,044
	3,090	2,283

6. DIVIDENDS

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interim dividend declared	**6,500**	6,500
Special interim dividend declared	**19,500**	19,500
	26,000	26,000

At the board meeting held on 20 April 2006, the directors proposed a final dividend of HK3 cents per share after subdivision of shares totaling HK$7,800,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK6 cents per share before subdivision of shares totaling HK$7,800,000) and a special final dividend of HK2 cents per share after subdivision of shares totaling HK$5,200,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK9 cents per share before subdivision of shares totaling HK$11,700,000), which have been reflected as an appropriation of accumulated profits for the year ended 31 December 2005. Upon the approval by shareholders on 27 June 2006, the appropriation was transferred to dividends payable.

On 27 June 2006, the directors declared a first special interim dividend of HK5 cents per share totalling HK$13,000,000 (2005: Nil). On 25 September 2006, the directors declared the payment of an interim dividend of HK2.5 cents per share totaling HK$6,500,000 (2005: HK5 cents per share before subdivision of shares totaling HK$6,500,000) and a special interim dividend of HK2.5 cents per share totaling HK$6,500,000 (2005: HK15 cents per share before subdivision of shares totaling HK$19,500,000) in respect of the six months ended 30 June 2006 payable to the shareholders on the register of members of the Company on 20 October 2006. Dividend warrants will be dispatched to the shareholders on or about 26 October 2006.

7. 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 period of HK$17,711,000 (2005 (as restated): HK$7,850,000) and the 260,000,000 (2005: 260,000,000 after adjustment for the subdivision of shares in 2005) ordinary shares in issue during the period.

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

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

During the period, the Group purchased two motor vehicles at a consideration of HK$1,874,000.

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 2006 (unaudited) HK$'000	At 31 December 2005 (audited) HK$'000
Within 30 days	**8,206**	9,331
31 – 60 days	**7,467**	3,941
61 – 90 days	**5,778**	5,770
More than 90 days	**134**	165
	21,585	19,207

10. SHORT-TERM BANK LOAN, SECURED

As at 31 December 2005, the Group had a 3-year term loan denominated in Pound Sterling amounting to HK$53,442,000, which was repayable in full in June 2006. On 5 July 2006, the Group agreed with the bank to renew the loan as a revolving bank loan which bears interest at the Bank's Cost of Fund plus 0.95% per annum and is repayable on demand. The loan is secured by the Group's investment properties with an aggregate carrying value of HK$113,560,000 (31 December 2005: HK$106,884,000) together with assignment of rental monies derived from the investment properties under charge. The change in the carrying amount of the bank loan during the period was due to exchange realignment.

11. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	At 30 June 2006 (unaudited) HK$'000	At 31 December 2005 (audited) HK$'000
Within 30 days	**239**	1,956
31 – 60 days	**1,083**	1,790
More than 60 days	**391**	–
	1,713	3,746

12. PLEDGE OF ASSETS

At 30 June 2006, 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$146,580,000 (31 December 2005: HK$166,642,000) of which HK$82,597,000 (31 December 2005: HK$80,731,000) was utilised.

The carrying amounts of the Group's pledged assets are as follows:

	At 30 June 2006 (unaudited) HK$'000	At 31 December 2005 (audited) HK$'000
Leasehold buildings	**7,734**	7,920
Lease premium for land	**31,134**	31,264
Investment properties	**113,560**	106,884
Bank deposits	**62,400**	57,480
Investments in securities	**17,808**	36,835
	232,636	240,383

13. CONTINGENT LIABILITIES

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 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. A writ of summons was served upon the Group on 29 March 2006. The Group filed defence documents on 1 June 2006 and other supporting evidence in early August 2006. The hearing will be held on 16 October 2006.

Whilst the outcome is uncertain, the directors, having considered the opinion of the lawyers, are of the opinion that there would not be significant adverse financial impact on the Group and the Group has made appropriate provision in respect of the case in the interim financial statements for the period ended 30 June 2006.

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2006 (unaudited) HK$'000	2005 (unaudited) HK$'000
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**758**	562
– Contributions to defined contribution plan	**18**	12
Royalty paid to a director (Note)	**93**	119

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 licence to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2006 in consideration of an annual fixed royalty payment of HK$185,000.