

Annual Report 2004



Pak Fah Yeow International Limited
(Incorporated in Bermuda with limited liability)

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Corporate Information

DIRECTORS

Executive Directors

Gan Wee Sean (*Chairman*)
Gan Fock Wai, Stephen
Chiu Sin Kuen

Non-executive Directors

Kwan Chiu Yin, Robert
Wong Ying Kay, Ada
Ip Tin Chee, Arnold

COMPANY SECRETARY

Lo Tai On

QUALIFIED ACCOUNTANT

Chow Kar Ming, Donald

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Lippo Leighton Tower
103, Leighton Road
Causeway Bay
Hong Kong

AUDITORS

Moore Rowland Mazars
Chartered Accountants
Certified Public Accountants
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo
Room 2718, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL REGISTRARS

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRARS

Standard Registrars Limited
Ground Floor, Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
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Pak Fah Yeow, always keep some around

I am pleased to report that the Group has recorded net profit after taxation of HK\$43,670,000 for the year ended 31 December 2004, a 31.4% increase compared with HK\$33,227,000 for the last financial year. Turnover has been increased by 6.7% from HK\$83,773,000 to HK\$89,383,000.

The Group has early adopted Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” and HKAS Interpretation 21 “Incomes taxes-recovery of revalued non-depreciable assets” (“HKAS-Int 21”) issued by the Hong Kong Institute of Certified Public Accountants before their effective dates. As a result of the adoption of these new accounting policies, the Group's profit for the year has been increased by HK\$9,349,000, after netting off deferred taxation charge of HK\$1,059,000.

Hong Kong is still the major market of our Hoe Hin Brand of products. During the year, the Group has continued to follow our strategies in market penetration, and as a result we have achieved a steady growth of sales in Southeast Asia. In particular, after the recovery in both Philippines & Thailand, the re-opening looks promising. We will continue to work closely with Malaysia to catch up further.

In addition, the re-launch of both our White Flower Ointment & Hoe Hin Strain Relief in 2004 has generated a substantial increase in sales of 104% and 34% respectively.

With plans to explore further into the other provinces in the PRC, we have signed a new spokesperson for both Hong Kong & PRC with Mr. Peng Bo – Gold Medalist of 2004 Athens Olympic Games, paving our presence to the 2008 Olympic Games in Beijing.

Additional expenditure in advertising and promotion for the launch of two new products in Hong Kong (Hoe Hin Essential Oil and Hoe Hin Aromatic Spray) has been incurred to build a more long term strategy in rejuvenating the corporate image and to expand into the other segments.

Again we have also participated in several major charity campaigns and had donated a total of HK\$710,928, including the donations towards the tragic disaster of the Asia Tsunami towards the end of 2004.

At the time of writing, we are looking forward to the completion of our acquisition of new office located in Wanchai to provide a more spacious meeting area and office for smooth and efficient operation of the Group. A separate circular dated 7 April 2005 containing details of this acquisition had been sent to the shareholders recently.

MANAGEMENT DISCUSSION AND ANALYSIS

A net increase of HK\$9,349,000 in the Group's profit was recorded from the early adoption of two new accounting standards. Moreover, HK\$15,545,000 (2003: HK\$2,551,000) reversal of revaluation deficit in respect of properties other than investment properties was also recorded. These amounts contributed to improve the geographical segment results of "Hong Kong" from previous year's profit of HK\$18,085,000 to this year's HK\$35,325,000. Gain on disposal of one of the Group's investment properties located in United Kingdom also credited HK\$1,213,000 into this year's income statement.

On the other hand, the net unrealized holding gain recorded on investment in securities has dropped from 2003's HK\$4,726,000 to 2004's HK\$1,629,000. Another significant change is the exchange loss of HK\$1,422,000 recorded for 2004 compared to the exchange gain of HK\$2,981,000 recorded for 2003. Other operating expenses also increased from HK\$23,305,000 to HK\$26,254,000 because of increased expenditure in advertising and promotion.

Manufacturing and sales of Hoe Hin Brand of products

Turnover increased because of increment of sales in the local market, Thailand, Indonesia and Philippines. The segment revenue of these respective geographical location therefore also improved.

However, segment results for Southeast Asia is dropped because of the increased advertising support given to Thailand, Indonesia, Malaysia and Philippines. Professional fees spent in this region also increased in order to protect intellectual property rights and to prepare product registration for new markets.

Results for Northern America also declined due to the increased legal fee expenditure in connection with the Group's trademark infringement claims in the US.

Property investment

Turnover increased due to the implementation of some significant rental reviews on the Group's investment properties located in the United Kingdom. Improvement in segment results of United Kingdom is further enhanced by the upward appreciation of the property value in 2004.

Treasury investment

Turnover decreased because of drop in interest income received during the year.

Other business activities

This segment represents the sales of other healthcare goods. Segment revenue and results were immaterial comparing to other business segments.

OUTLOOK

Looking ahead, with the re-launch of our White Flower Ointment and Hoe Hin Strain Relief, and our plans to explore markets in other provinces in the PRC, we believe that we can sustain our current development and increase our presence in other geographical regions.

We will commence inviting application for the licensing use of our new icons “FúZǎi” and “BóBó” on other merchandise. Our selection criteria, among other things, will be those applications that touch upon promotion of good health and positive values.

By Order of the Board

GAN Wee Sean

Chairman

Hong Kong, 19 April 2005

The directors have pleasure in submitting their report and audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 15.

An interim dividend of HK4 cents and a special interim dividend of HK10 cents per share amounting to HK\$18,200,000 was paid to the shareholders during the year. The directors propose the payment of a final dividend of HK6 cents and a special final dividend of HK9 cents per share, amounting to a total sum of HK\$19,500,000 to the shareholders of the Company whose names appear on the register of members on 28 June 2005.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$710,928.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 58.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are stated at their revalued amounts.

Movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 13 and 14 to the financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on pages 59 and 60.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Gan Wee Sean (*Chairman*)

Mr. Gan Fock Wai, Stephen

Mr. Chiu Sin Kuen

Independent non-executive directors

Mr. Robert Kwan Chiu Yin (appointed on 8 September 2004)

Ms. Ada Wong Ying Kay (appointed on 8 September 2004)

Mr. Arnold Ip Tin Chee (appointed on 8 September 2004)

Mr. Lee Ka Sze, Carmelo (resigned on 8 September 2004)

Mr. Yuen Ka Fai (resigned on 8 September 2004)

In accordance with the Bye-laws of the Company, Mr. Gan Fock Wai, Stephen, Mr. Robert Kwan Chiu Yin, Ms. Ada Wong Ying Kay and Mr. Arnold Ip Tin Chee shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Robert Kwan Chiu Yin, Ms. Ada Wong Ying Kay and Mr. Arnold Ip Tin Chee have been appointed for the period from 8 September 2004 to 7 September 2006.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2004, the interests and short positions of the directors and chief executives 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 of Hong Kong Limited ("HKSE") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Long positions in shares of the Company

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

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

Name of director	Personal interests	Number of shares held			Total	Percentage of issued non-voting deferred share capital of the respective corporation
		Family interests	Corporate interests			
<i>(a) Hoe Hin Pak Fah Yeow Manufactory, Limited (non-voting deferred shares of HK\$1,000 each)</i>						
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	–	9,400	42.7%	
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%	
<i>(b) Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK\$1 each)</i>						
Mr. Gan Wee Sean	8,244,445	711,111 <i>(Note 1)</i>	–	8,955,556	42.2%	
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%	

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 Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.
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 percent 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 percent. The total number of 30,367,000 shares in aggregate represented approximately 23.4 percent of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Interests in shares of associated corporations (Continued)

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 year.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 33 to the accompanying financial statements, no other contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Company has adopted, by passing in a special general meeting convened on 27 June 2002 a share option scheme (the "Scheme") which will remain in force for a period of ten years commencing from 27 June 2002. No option has been granted under the Scheme since its adoption. Details of the Scheme are set out in note 27 to the accompanying financial statements.

At no time during the year was the Company or any of its subsidiaries a party to any arrangements, other than the Scheme, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2004, no persons, other than the directors and companies controlled by them, whose names and interests are set out in the section headed "Directors' interests in securities" 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.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 91 percent of the total sales of the Group in 2004 with the largest customer accounting for 52 percent.

The five largest suppliers of the Group accounted for 76 percent of the total purchases of the Group in 2004 with the largest supplier accounting for 29 percent.

To the best of the directors' knowledge, no director of the Company or any of its subsidiaries, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5 percent of the Company's share capital) has any interest in the five largest customers or suppliers referred to above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Mr. Gan Wee Sean, aged 58, is the Chairman of the Company and has been actively involved in the management of the Group since 1971. He is the grandson of the founder, Mr. Gan Geok Eng.

Mr. Gan Fock Wai, Stephen, aged 43, is an executive director of the Company. He possesses an honorary bachelor's degree in food process engineering from Loughborough University of Technology in England. He has been actively involved in the management of the Group since 1986. He is the son of the founder, Mr. Gan Geok Eng. During 2001, He was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He is also the Committee Member (Practitioners Board) of the Chinese Medicine Council of Hong Kong since 1999.

Mr. Chiu Sin Kuen, aged 73, is an executive director of the Company. He worked closely with the founder, Mr. Gan Geok Eng, from the commencement of the Group's operations in Hong Kong in 1950. He is now responsible for the operations of the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (Continued)

Independent Non-executive Directors

Mr. Robert Kwan Chiu Yin, aged 68, is a retired Certified Public Accountant, received his Master of Arts Degree at Cambridge University and qualified as a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of Hong Kong Institute of Certified Public Accountants. He was the past Chairman of Deloitte Touche Tohmatsu, Certified Public Accountants and Ocean Park Corporation. He is also an independent non-executive director of Melco International Development Limited and Shun Tak Holdings Limited. Both of these companies are listed on The Stock Exchange of Hong Kong Limited.

Ms. Ada Wong Ying Kay, aged 45, is a practicing solicitor and China-Appointed Attesting Officer. She is also an independent non-executive director of Hengan International Group Company Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Arnold Ip Tin Chee, aged 42, is a graduate of Trinity College, Cambridge University, and qualified as a chartered accountant in 1988. Between 1989 and March 1997, he worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001, specialising in a range of corporate finance and advisory activities for companies based in Hong Kong and China. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is also an independent non-executive director of Pioneer Global Group Limited and during the period from 31 October 1998, to 15 March 2002, was an independent non-executive director of Vanda Systems and Communications Holdings Limited. Both of these companies are listed on The Stock Exchange of Hong Kong Limited.

Senior Management

Mr. Chow Kar Ming, Donald, aged 34, is the financial manager of the Group, who joined the Group in June 2000. Mr. Chow is also the qualified accountant of the Group. He is a Certified Practising Accountant (Aust.) of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save that, prior to 31st December 2004, the independent non-executive directors of the Company were not appointed for a fixed term, but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. Each of the independent non-executive directors of the Company was on 31st December, 2004 appointed for a fixed term of two years.

CODE OF BEST PRACTICE (Continued)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Code of Best Practice was replaced by the Code of Corporate Governance Practices from 1 January 2005. The Company has adopted the new code and will comply with the provisions of the new code in the financial year ending 31 December 2005.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

During 2002, the former auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company.

The auditors, Messrs. Moores Rowland merged with Messrs. Mazars on 1 October 2003 and are now practicing under the name of Moores Rowland Mazars.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountant, as auditors of the Company.

On behalf of the Board

GAN Wee Sean

Chairman

Hong Kong, 19 April 2005

Moores Rowland Mazars

摩斯倫 · 馬賽會計師事務所

To the shareholders of

Pak Fah Yeow International Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 15 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2005

Consolidated Income Statement

For the year ended 31 December 2004

	<i>Notes</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Turnover	4	89,382,693	83,772,970
Other revenue	5	744,899	1,079,390
Other net income		538,305	2,178,103
Changes in inventories of finished goods		1,782,480	(1,411,112)
Raw materials and consumables used		(15,977,163)	(11,577,358)
Staff costs		(21,417,556)	(19,284,729)
Depreciation expenses		(2,540,303)	(2,502,711)
Gain on disposal of investment properties		1,212,691	–
Revaluation surplus in respect of investment properties		10,407,797	–
Reversal of revaluation deficit in respect of properties other than investment properties		15,545,216	2,551,289
Net exchange (loss) gain		(1,422,498)	2,981,376
Net unrealised holding gain on investments in securities		1,628,800	4,725,731
Other operating expenses		(26,254,329)	(23,304,578)
Profit from operations		53,631,032	39,208,371
Finance costs	6	(3,114,893)	(2,573,692)
Profit before taxation	6	50,516,139	36,634,679
Taxation	9	(6,846,556)	(3,407,822)
Net profit for the year	10	43,669,583	33,226,857
Dividends	11	37,700,000	19,500,000
Earnings per share	12	33.6 cents	25.6 cents

Statement of Changes in Equity

For the year ended 31 December 2004

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Opening balance – Total equity				
– As previously reported	294,024,695	258,203,492	119,956,300	115,649,662
– Adjustment arising from change in accounting policies (<i>note 2</i>)	(1,776,250)	–	–	–
– As restated	292,248,445	258,203,492	119,956,300	115,649,662
Exchange realignment	–	5,019,440	–	–
Surplus on revaluation of properties, net of deferred tax	2,085,532	11,826,744	–	–
Exchange difference arising from translation of financial statements of overseas subsidiaries	5,699,776	48,162	–	–
Net gains not recognised in the income statement	7,785,308	16,894,346	–	–
Net profit for the year	43,669,583	33,226,857	20,869,319	18,606,638
Interim dividend declared	(18,200,000)	(6,500,000)	(18,200,000)	(6,500,000)
2003/2002 final dividend transferred to dividend payable	(13,000,000)	(7,800,000)	(13,000,000)	(7,800,000)
Closing balance – Total equity	312,503,336	294,024,695	109,625,619	119,956,300

Consolidated Balance Sheet

At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	<i>13</i>	132,431,500	135,818,950
Property, plant and equipment	<i>14</i>	59,583,607	43,810,374
Investments in securities	<i>15</i>	1,344,700	1,344,700
		<hr/> 193,359,807	<hr/> 180,974,024
Current assets			
Inventories	<i>17</i>	11,834,904	10,932,523
Trade receivables	<i>18</i>	21,141,869	27,353,868
Bills receivable		9,329,940	2,239,621
Deposits, prepayments and other debtors		2,957,740	2,224,261
Investments in securities	<i>15</i>	32,025,736	25,226,558
Tax recoverable		913,143	–
Pledged bank deposits	<i>19</i>	85,800,000	31,200,000
Cash and cash equivalents	<i>19</i>	35,762,021	85,234,943
		<hr/> 199,765,353	<hr/> 184,411,774
Current liabilities			
Short-term bank loans, secured		2,179,513	–
Trade payables	<i>20</i>	983,852	1,838,670
Accrued charges and other creditors		4,056,574	6,363,377
Tax payable		2,539,427	2,005,416
Unclaimed dividends		146,746	108,496
		<hr/> 9,906,112	<hr/> 10,315,959
Net current assets		<hr/> 189,859,241	<hr/> 174,095,815
Total assets less current liabilities		<hr/> 383,219,048	<hr/> 355,069,839

Consolidated Balance Sheet

At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Non-current liabilities			
Provision for long service payments	21	2,496,219	1,873,363
Provision for directors' retirement scheme benefits	22	3,196,423	2,929,750
Bank loan, secured	23	59,850,000	55,220,000
Deferred taxation	24	5,173,070	1,022,031
		<hr/>	
		70,715,712	61,045,144
		<hr/>	
NET ASSETS		312,503,336	294,024,695
		<hr/> <hr/>	
CAPITAL AND RESERVES			
Issued capital	25	13,000,000	13,000,000
Reserves	26	299,503,336	281,024,695
		<hr/>	
		312,503,336	294,024,695
		<hr/> <hr/>	

Approved and authorised for issue by the Board of Directors on 19 April 2005

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Balance Sheet

At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	<u>84,339,832</u>	84,339,832
Current assets			
Deposits, prepayments and other debtors		149,500	4,500
Amounts due from subsidiaries	28	150,816,917	129,037,206
Cash and cash equivalents	19	<u>152,877</u>	111,857
		151,119,294	129,153,563
Current liabilities			
Accrued charges and other creditors		402,701	1,068,694
Amounts due to subsidiaries	28	122,087,637	89,430,155
Unclaimed dividends		<u>146,746</u>	108,496
		122,637,084	90,607,345
Net current assets		<u>28,482,210</u>	38,546,218
Total assets less current liabilities		112,822,042	122,886,050
Non-current liabilities			
Provision for directors' retirement scheme benefits	22	<u>3,196,423</u>	2,929,750
NET ASSETS		<u>109,625,619</u>	119,956,300
CAPITAL AND RESERVES			
Issued capital	25	13,000,000	13,000,000
Reserves	26	<u>96,625,619</u>	106,956,300
		109,625,619	119,956,300

Approved and authorised for issue by the Board of Directors on 19 April 2005

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	<i>Notes</i>	2004 HK\$	2003 HK\$
OPERATING ACTIVITIES			
Cash generated from operations	29	19,332,865	39,334,737
Interest received		2,775,822	4,179,658
Interest paid		(3,114,893)	(2,573,692)
Income taxes paid		(3,577,799)	(1,976,038)
Net cash generated from operating activities		15,415,995	38,964,665
INVESTING ACTIVITIES			
Dividend received from investments in securities		393,647	289,222
Purchase of investments in securities		(16,876,967)	(3,450,842)
Purchase of property, plant and equipment		(252,991)	(235,603)
Proceeds from disposal of investment properties		23,300,691	–
Proceeds from disposal of investments in securities		11,999,994	10,501,785
Net cash generated from investing activities		18,564,374	7,104,562
FINANCING ACTIVITIES			
New short-term bank loans		2,179,513	–
Dividends paid		(31,161,750)	(14,283,440)
Net cash used in financing activities		(28,982,237)	(14,283,440)
Net increase in cash and cash equivalents		4,998,132	31,785,787
Cash and cash equivalents at beginning of year		116,434,943	83,475,165
Effect of foreign exchange rate changes		128,946	1,173,991
Cash and cash equivalents at end of year	19	121,562,021	116,434,943

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. CHANGES IN ACCOUNTING POLICIES

The Group has early adopted Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” and HKAS Interpretation 21 “Incomes taxes-recovery of revalued non-depreciable assets” (“HKAS-Int 21”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) before their effective dates.

In prior years, investment properties were stated in the balance sheet at open market value. Surplus and deficit arising on revaluation of investment properties were recognised on a portfolio basis. The net surplus was credited to the investment properties revaluation reserve. The net deficit was first set off against any investment properties revaluation reserve and any resulting debit balance was thereafter charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation surplus subsequently arose, this surplus was credited to the income statement to the extent of the deficit previously charged. In order to comply with HKAS 40, the Group has adopted new accounting policies for investment properties as set out in note 3 below.

In addition, deferred tax was previously provided on the basis that the carrying amounts of investment properties will be recovered through sale. However, following the adoption of HKAS-Int 21, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use.

The effect of adopting HKAS 40 and HKAS-Int 21 was adjusted to the opening balance of 1 January 2004 in accordance with the transitional provisions of HKAS 40. As a result, comparative information has not been restated.

As a result of the adoption of these new accounting policies, the Group’s profit for the year has been increased by HK\$9,349,047, net of deferred tax of HK\$1,058,750, and the net assets of the Group as at 1 January 2004 and 31 December 2004 have been reduced by HK\$1,776,250 and HK\$2,835,000 respectively. In addition, the balance of investment properties revaluation reserve as at 1 January 2004 of HK\$65,783,409 has been transferred to opening balance of accumulated profits.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statement of Standard Accounting Practice and Interpretations issued by the 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 of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and HKAS (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

Apart from HKAS 40 and HKAS-Int 21 as mentioned in note 2 above, the Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. However, the Group is in the process of making an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of these new HKFRSs and other significant changes may be identified as a result.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill carried in the balance sheet arose on an acquisition prior to 1 January 2001 will continue to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Investment properties

A property interest under an operating lease is classified and accounted for as an investment property when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

The fair values are based on market values, 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.

Investment properties are valued using the direct comparison method assuming sale with the benefit of immediate vacant possession and by reference to comparable market transactions. The valuations are based on the assumption that the properties are sold on the open market without the benefit of deferred term contracts, leasebacks, joint venture, management agreements or any similar arrangements which could affect the values of the properties. No allowance has been made in the valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale.

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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below, from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method:

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

Land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would have been determined using fair values at the balance sheet date.

Any revaluation surplus arising on the revaluation of land and buildings is credited to other properties revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of an asset is recognised as an expense to the extent that it exceeds the balance, if any, on the other properties revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

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

Investments in securities

Investments held on a continuing basis with an identified long term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities, or holdings of the same securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the period in which the decline occurs.

The impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are stated in the balance sheet at their fair value. Changes in fair values are recognised in the income statement as they arise.

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible assets 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 net selling price 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. a cash-generating unit).

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 loss is recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as 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 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.

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:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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

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

Gain or loss on disposal of investments in securities are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Foreign currencies

The Group maintains its accounting records in Hong Kong dollars and transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheets of overseas subsidiaries denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date while the income statements are translated at the average rates. Exchange differences arising on such translation are dealt with as a movement in exchange reserve.

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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by 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.

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 change 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.

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the leasing company are accounted for as operating leases. Rental payable and receivable under operating leases are recognised as expense and revenue on the straight-line basis over the lease terms.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditure expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Defined contribution plans

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund (“MPF”) scheme 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.

4. 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 are carried out in various locations.

Notes to the Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

Geographical segments

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

	Year ended 31 December 2004							Consolidated HK\$
	Hong Kong HK\$	Other regions in the PRC HK\$	Southeast Asia HK\$	Northern America HK\$	United Kingdom HK\$	Europe (excluding United Kingdom)		
						United Kingdom HK\$	Others HK\$	
Segment revenue	40,159,650	19,853,092	13,976,980	4,454,729	10,451,066	-	487,176	89,382,693
Segment results	35,325,468	3,912,805	5,954,251	1,644,868	13,447,190	685,390	79,022	61,048,994
Unallocated corporate expenses								(7,417,962)
Profit from operations								53,631,032
Finance costs								(3,114,893)
Profit before taxation								50,516,139
Taxation								(6,846,556)
Net profit for the year								43,669,583

4. 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\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Segment assets	120,206,385	8,291,822	140,667,280	4,028,885	110,974,357	-	109,560	384,278,289
Unallocated corporate assets								8,846,871
Consolidated total assets								<u>393,125,160</u>
Liabilities								
Segment liabilities	68,241,282	5,000	8,976	-	2,647,958	-	-	70,903,216
Unallocated corporate liabilities								9,718,608
Consolidated total liabilities								<u>80,621,824</u>
Other information								
Capital additions	252,991	-	-	-	-	-	-	252,991
Depreciation	2,540,303	-	-	-	-	-	-	2,540,303

Notes to the Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	Year ended 31 December 2003							Consolidated HK\$
	Hong Kong HK\$	Other regions in the PRC HK\$	Southeast Asia HK\$	Northern America HK\$	United Kingdom HK\$	Europe (excluding United Kingdom) HK\$	Others HK\$	
Segment revenue	38,952,574	20,126,156	11,252,532	4,378,625	8,063,093	56,387	943,603	83,772,970
Segment results	18,085,354	3,790,835	9,181,438	2,253,639	9,049,659	2,212,922	1,013,822	45,587,669
Unallocated corporate expenses								(6,379,298)
Profit from operations								39,208,371
Finance costs								(2,573,692)
Profit before taxation								36,634,679
Taxation								(3,407,822)
Net profit for the year								33,226,857

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

At 31 December 2003

	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Segment assets	96,547,589	8,211,498	110,394,235	1,988,876	119,017,278	-	18,588,503	354,747,979
Unallocated corporate assets								10,637,819
Consolidated total assets								<u>365,385,798</u>
Liabilities								
Segment liabilities	64,932,956	15,600	15,418	-	1,389,573	-	-	66,353,547
Unallocated corporate liabilities								5,007,556
Consolidated total liabilities								<u>71,361,103</u>
Other information								
Capital additions	235,603	-	-	-	-	-	-	235,603
Depreciation	2,502,711	-	-	-	-	-	-	2,502,711

Notes to the Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to investment properties and property, plant and equipment by geographical location of assets:

	Carrying amount of segment assets		Additions to investments properties, property, plant and equipment	
	At	At	Year ended	Year ended
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	HK\$	HK\$	HK\$	HK\$
Hong Kong	120,206,385	96,547,589	252,991	235,603
Other regions in the PRC	8,291,822	8,211,498	–	–
Southeast Asia	140,667,280	110,394,235	–	–
Northern America	4,028,885	1,988,876	–	–
United Kingdom	110,974,357	119,017,278	–	–
Others	8,956,431	29,226,322	–	–
	393,125,160	365,385,798	252,991	235,603

Business segments

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

	Sales revenue by business segments	
	Year ended	Year ended
	31.12.2004	31.12.2003
	HK\$	HK\$
Manufacturing and sale of Hoe Hin Brand of products	75,278,918	71,765,050
Property investment	11,323,912	7,814,040
Treasury investment	2,775,822	4,179,658
Others	4,041	14,222
	89,382,693	83,772,970

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to investment properties and property, plant and equipment by business segment:

	Carrying amount of segment assets		Additions to investments properties, property, plant and equipment	
	At	At	Year ended	Year ended
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Manufacturing and sale of				
Hoe Hin Brand of products	106,695,428	93,158,510	252,991	235,603
Property investment	137,428,635	138,991,900	–	–
Treasury investment	147,452,649	131,817,051	–	–
Others	38,289	40,890	–	–
	391,615,001	364,008,351	252,991	235,603
Unallocated corporate assets	1,510,159	1,377,447		
	393,125,160	365,385,798		

5. OTHER REVENUE

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Commission income	57,847	85,264
Dividend income from listed investments	393,647	289,222
Gain on disposal of other investments, listed	293,405	704,904
	744,899	1,079,390

Notes to the Financial Statements

For the year ended 31 December 2004

6. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	3,114,893	2,573,692

(b) Other items

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Auditors' remuneration	518,295	524,718
Cost of inventories	24,904,739	23,662,604
Contributions to defined contribution scheme	473,781	383,311
Operating lease charges on land and buildings and advertising spaces	516,363	466,528
Provision for long service payments	914,635	170,907
Gross rental income from investment properties less outgoings of HK\$182,799 (2003: HK\$271,057)	(11,141,113)	(7,542,983)
Royalty charges	194,318	180,629

7. DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees	195,000	150,000
Management remuneration	5,361,370	3,389,229
Management bonus	1,091,740	830,669
Provision for retirement scheme benefits	266,673	1,082,286
MPF contributions	24,000	24,000
Housing allowances	1,507,830	1,378,720
Holiday allowances	–	231,656
Subsistence allowances	252,890	180,629
	8,699,503	7,267,189
	8,699,503	7,267,189

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 number of directors whose emoluments fall within each of the following bands is:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Band:		
Nil – HK\$1,000,000	5	2
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	–
Over HK\$2,500,000	1	2
	8	5
	8	5

During the year, directors' fees paid to the independent non-executive directors amounted to HK\$105,000 (2003: HK\$60,000).

Notes to the Financial Statements

For the year ended 31 December 2004

8. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2003: three) are directors whose emoluments are included in the amounts disclosed in note 7 above. The aggregate of the emoluments of the other two (2003: two) individuals are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Salaries	1,004,250	1,081,600
MPF contributions	24,000	24,000
	1,028,250	1,105,600

The two individuals with the highest emoluments are within the HK\$1,000,000 band for the years ended 31 December 2003 and 2004.

During the years ended 31 December 2003 and 2004, 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 2003 and 2004, no directors waived any of their emoluments.

9. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) of the estimated assessable profit 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.

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax		
Current year	2,560,000	3,324,323
Under (Over) provision in prior years	173,143	(224,619)
	2,733,143	3,099,704
Overseas tax		
Current year	1,596,350	700,188
Under (Over) provision in prior years	584,660	(30,303)
	2,181,010	669,885
Deferred taxation (Note 24)		
Origination (Reversal) of temporary differences	1,932,403	(455,325)
Change in tax rate	–	93,558
	1,932,403	(361,767)
	6,846,556	3,407,822

Notes to the Financial Statements

For the year ended 31 December 2004

9. TAXATION (Continued)

Reconciliation of effective tax rate

	2004	2003
	%	%
Applicable tax rate in Hong Kong	17.5	17.5
Effect of overseas tax rates differences	1.4	0.5
Non-deductible expenses and losses	2.1	0.4
Non-taxable revenue and gains	(7.9)	(6.6)
Unrecognised tax losses	0.2	0.1
Unrecognised temporary differences	–	0.4
Utilisation of previously unrecognised tax losses	(0.2)	(0.4)
Recognition of previously unrecognised temporary differences	–	1.5
Effect of change in tax rates	–	0.3
Under (over) provision in prior year	1.5	(0.4)
Over provision in current year	0.2	–
Others	(1.2)	(4.0)
	<hr/>	<hr/>
Effective tax rate for the year	13.6	9.3

10. NET PROFIT FOR THE YEAR

The consolidated net profit for the year includes a profit of HK\$20,869,319 (2003: HK\$18,606,638) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2004	2003
	HK\$	HK\$
Interim dividend of HK4 cents (2003: HK3.8 cents) per share	5,200,000	4,940,000
Special interim dividend of HK10 cents (2003: HK1.2 cents) per share	13,000,000	1,560,000
Final dividend of HK6 cents (2003: HK6 cents) per share	7,800,000	7,800,000
Special final dividend of HK9 cents (2003: HK4 cents) per share	11,700,000	5,200,000
	<hr/>	<hr/>
	37,700,000	19,500,000

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$43,669,583 (2003: HK\$33,226,857) and on the 130,000,000 (2003: 130,000,000) ordinary shares in issue during the year.

13. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases <i>HK\$</i>	Investment properties in other regions in the PRC under long leases <i>HK\$</i>	Freehold investment properties in United Kingdom and Singapore <i>HK\$</i>	Total <i>HK\$</i>
Valuation				
At beginning of year	10,150,000	1,250,000	124,418,950	135,818,950
Exchange realignment	–	–	8,292,753	8,292,753
Revaluation surplus	6,050,000	550,000	3,807,797	10,407,797
Disposal	–	–	(22,088,000)	(22,088,000)
At balance sheet date	16,200,000	1,800,000	114,431,500	132,431,500

Investment properties in Hong Kong and other regions in the PRC and Singapore were valued respectively on an open market value basis on 31 December 2004 by Memfus Wong Surveyors Limited and Dovebid (S) Pte Ltd., independent professional valuers. Investment properties in United Kingdom were valued by Cushman & Wakefield Healey & Baker, independent professional valuers, on an open market basis. The net surplus arising on revaluation has been credited to the consolidated income statement.

At the balance sheet date, the carrying amount of the investment properties of the Group rented out under operating leases was HK\$130,631,500 (2003: HK\$134,568,950).

Notes to the Financial Statements

For the year ended 31 December 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Properties in Hong Kong under long leases HK\$	Properties in Hong Kong under medium-term leases HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
The Group						
Cost or valuation						
At beginning of year	13,200,000	21,350,000	12,057,458	13,479,884	1,708,880	61,796,222
Additions	–	–	37,000	215,991	–	252,991
Revaluation surplus	8,000,000	9,450,000	–	–	–	17,450,000
Disposals	–	–	(29,580)	(100,658)	–	(130,238)
At balance sheet date	21,200,000	30,800,000	12,064,878	13,595,217	1,708,880	79,368,975
Comprising:						
At cost	–	–	12,064,878	13,595,217	1,708,880	27,368,975
At professional valuation in 2004	21,200,000	30,800,000	–	–	–	52,000,000
	21,200,000	30,800,000	12,064,878	13,595,217	1,708,880	79,368,975
Depreciation						
At beginning of year	–	–	7,456,146	9,504,371	1,025,331	17,985,848
Charge for the year	126,625	496,511	741,592	833,799	341,776	2,540,303
Eliminated on revaluation	(126,625)	(496,511)	–	–	–	(623,136)
Eliminated on disposals	–	–	(24,569)	(93,078)	–	(117,647)
At balance sheet date	–	–	8,173,169	10,245,092	1,367,107	19,785,368
Net book values						
At 31 December 2004	21,200,000	30,800,000	3,891,709	3,350,125	341,773	59,583,607
At 31 December 2003	13,200,000	21,350,000	4,601,312	3,975,513	683,549	43,810,374

Other properties were independently valued on an open market value basis on 31 December 2004 by Memfus Wong Surveyors Limited, independent professional valuers.

If the other properties had not been revalued, they would have been included in the financial statements at their historical costs less accumulated depreciation and accumulated impairment losses of approximately HK\$46,323,465 (2003: HK\$31,358,177).

15. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
The Group						
Equity securities:						
Listed	–	–	24,418,429	16,789,215	24,418,429	16,789,215
Unlisted	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	24,418,429	16,789,215	25,763,129	18,133,915
Unlisted	–	–	7,607,307	–	7,607,307	–
Debt securities, listed	–	–	–	8,437,343	–	8,437,343
	1,344,700	1,344,700	32,025,736	25,226,558	33,370,436	26,571,258
Comprising:						
Listed						
Hong Kong	–	–	3,373,422	2,732,990	3,373,422	2,732,990
Overseas	–	–	28,652,314	22,493,568	28,652,314	22,493,568
Unlisted	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	32,025,736	25,226,558	33,370,436	26,571,258
Carrying amount included in:						
Current assets	–	–	32,025,736	25,226,558	32,025,736	25,226,558
Non-current assets	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	32,025,736	25,226,558	33,370,436	26,571,258

Notes to the Financial Statements

For the year ended 31 December 2004

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	84,339,832	84,339,832

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
			<i>Directly</i>	<i>Indirectly</i>	
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 sales of Hoe Hin Brand of products

16. INVESTMENTS IN SUBSIDIARIES (Continued)

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	
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

* Subsidiaries not audited by Moores Rowland Mazars.

** 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.

Notes to the Financial Statements

For the year ended 31 December 2004

17. INVENTORIES

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Finished goods	2,822,313	1,039,833
Raw materials	6,053,788	6,186,235
Bottles, caps and packing materials	2,958,803	3,706,455
	11,834,904	10,932,523

The amount of inventories carried at net realisable value is HK\$38,290 (2003: HK\$38,290).

18. 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:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	3,533,714	10,907,654
31 – 60 days	5,403,969	4,830,048
61 – 90 days	3,506,856	3,056,254
More than 90 days	8,697,330	8,559,912
	21,141,869	27,353,868

Notes to the Financial Statements

For the year ended 31 December 2004

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
As stated in the balance sheet				
Bank balances and cash	35,762,021	85,234,943	152,877	111,857
Pledged bank deposits (<i>note 30</i>)	85,800,000	31,200,000		
As stated in the consolidated cash flow statement				
	121,562,021	116,434,943		

20. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2004	2003
	HK\$	HK\$
Within 30 days	616,810	1,410,074
31 – 60 days	71,265	204,419
More than 60 days	295,777	224,177
	983,852	1,838,670

21. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	2004	2003
	HK\$	HK\$
At beginning of year	1,873,363	2,214,764
Additional provision	647,962	170,907
Amount used	(25,106)	(512,308)
At balance sheet date	2,496,219	1,873,363

Notes to the Financial Statements

For the year ended 31 December 2004

22. PROVISION FOR DIRECTORS' RETIREMENT SCHEME BENEFITS

	The Group and the Company	
	2004	2003
	HK\$	HK\$
At beginning of year	2,929,750	1,847,464
Additional provision	266,673	1,082,286
At balance sheet date	3,196,423	2,929,750

23. BANK LOAN, SECURED

The bank loan is wholly repayable in the second to fifth years, inclusive.

The bank loan is secured by the Group's investment properties with an aggregate carrying value of HK\$108,478,125 (2003: HK\$118,723,000) at the balance sheet date together with the assignment of rental monies derived from the investment properties under charge.

24. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities

Deferred tax arising from:	Accumulated depreciation allowances and impairment losses	Revaluation of properties	Fair value adjustment on other investments	Fair value adjustment on investment properties	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2003	997,956	-	-	-	997,956
Recognised in consolidated income statement	(496,794)	-	135,027	-	(361,767)
Recognised in reserves (note 26)	-	385,842	-	-	385,842
At 31 December 2003	501,162	385,842	135,027	-	1,022,031
At 1 January 2004					
- as previously reported	501,162	385,842	135,027	-	1,022,031
- Adjustments arising from change in accounting policies (note 2)	-	-	-	1,776,250	1,776,250
- As restated	501,162	385,842	135,027	1,776,250	2,798,281
Recognised in consolidated income statement	1,008,680	-	(135,027)	1,058,750	1,932,403
Recognised in reserves (note 26)	-	442,386	-	-	442,386
At 31 December 2004	1,509,842	828,228	-	2,835,000	5,173,070

Unrecognised deferred tax assets

	2004	2003
	HK\$	HK\$
Provisions for post-employment benefits	4,698,943	4,803,114
Tax losses	9,632,754	9,767,960
At balance sheet date	14,331,697	14,571,074

Both the tax losses and the provisions for post-employment benefits have no expiry dates for tax deduction under current tax legislation. The related deferred tax assets of HK\$2,508,047 (2003: HK\$2,549,938) have not been recognised due to uncertainty of their recoverability.

Notes to the Financial Statements

For the year ended 31 December 2004

24. DEFERRED TAXATION (continued)

The Company

Unrecognised deferred tax assets

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Provisions for post-employment benefits	3,196,423	2,929,749
Tax losses	2,574,649	1,341,103
	<hr/>	<hr/>
At balance sheet date	5,771,072	4,270,852

Both the tax losses and the provisions for post-employment benefits have no expiry dates for tax deduction under current tax legislation. The related deferred tax assets of HK\$1,009,938 (2003: HK\$747,399) have not been recognised due to uncertainty of their recoverability.

25. ISSUED CAPITAL

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Authorised:		
300,000,000 ordinary shares of HK\$0.1 each	30,000,000	30,000,000
	<hr/>	<hr/>
Issued and fully paid:		
130,000,000 ordinary shares of HK\$0.1 each	13,000,000	13,000,000
	<hr/>	<hr/>

There was no movement in the share capital of the Company for the two years ended 31 December 2003 and 2004.

Notes to the Financial Statements

For the year ended 31 December 2004

26. RESERVES

	Share premium HK\$	Negative goodwill HK\$	Revaluation reserve		Exchange reserve HK\$	Accumulated profits		Total HK\$
			Investment properties HK\$	Other properties HK\$		Proposed dividends HK\$	Undistributed profits HK\$	
The Group								
At 1 January 2003	24,925,458	12,808,008	48,799,019	1,957,178	(4,930)	7,800,000	148,918,759	245,203,492
Exchange realignment	-	-	5,019,440	-	-	-	-	5,019,440
Surplus on revaluation of properties	-	-	11,964,950	247,636	-	-	-	12,212,586
Deferred tax (<i>note 24</i>)	-	-	-	(385,842)	-	-	-	(385,842)
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	48,162	-	-	48,162
Net profit for the year	-	-	-	-	-	-	33,226,857	33,226,857
Interim dividend declared	-	-	-	-	-	-	(6,500,000)	(6,500,000)
Final dividend proposed	-	-	-	-	-	13,000,000	(13,000,000)	-
2002 final dividend transferred to dividend payable	-	-	-	-	-	(7,800,000)	-	(7,800,000)
At 31 December 2003	24,925,458	12,808,008	65,783,409	1,818,972	43,232	13,000,000	162,645,616	281,024,695
At 1 January 2004								
- As previously reported	24,925,458	12,808,008	65,783,409	1,818,972	43,232	13,000,000	162,645,616	281,024,695
- Adjustments arising from change in accounting policies (<i>note 2</i>)								
• early adoption of HKAS 40	-	-	(65,783,409)	-	-	-	65,783,409	-
• early adoption of HKAS-Int 21	-	-	-	-	-	-	(1,776,250)	(1,776,250)
- As restated	24,925,458	12,808,008	-	1,818,972	43,232	13,000,000	226,652,775	279,248,445
Surplus on revaluation of properties	-	-	-	2,527,918	-	-	-	2,527,918
Deferred tax (<i>note 24</i>)	-	-	-	(442,386)	-	-	-	(442,386)
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	5,699,776	-	-	5,699,776
Net profit for the year	-	-	-	-	-	-	43,669,583	43,669,583
Interim dividend declared	-	-	-	-	-	-	(18,200,000)	(18,200,000)
Final dividend proposed	-	-	-	-	-	19,500,000	(19,500,000)	-
2003 final dividend transferred to dividend payable	-	-	-	-	-	(13,000,000)	-	(13,000,000)
At 31 December 2004	24,925,458	12,808,008	-	3,904,504	5,743,008	19,500,000	232,622,358	299,503,336

Notes to the Financial Statements

For the year ended 31 December 2004

26. RESERVES (Continued)

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated profits		Total <i>HK\$</i>
			Proposed dividends <i>HK\$</i>	Undistributed profits <i>HK\$</i>	
The Company					
At 1 January 2003	24,925,458	67,707,053	7,800,000	2,217,151	102,649,662
Net profit for the year	–	–	–	18,606,638	18,606,638
Interim dividend declared	–	–	–	(6,500,000)	(6,500,000)
Final dividend proposed	–	–	13,000,000	(13,000,000)	–
2002 final dividend transferred to dividend payable	–	–	(7,800,000)	–	(7,800,000)
At 31 December 2003	24,925,458	67,707,053	13,000,000	1,323,789	106,956,300
At 1 January 2004	24,925,458	67,707,053	13,000,000	1,323,789	106,956,300
Net profit for the year	–	–	–	20,869,319	20,869,319
Interim dividend declared	–	–	–	(18,200,000)	(18,200,000)
Final dividend proposed	–	–	19,500,000	(19,500,000)	–
2003 final dividend transferred to dividend payable	–	–	(13,000,000)	–	(13,000,000)
At 31 December 2004	24,925,458	67,707,053	19,500,000	(15,506,892)	96,625,619

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

The negative goodwill, revaluation reserves and exchange reserve are recognised as a result of accounting treatments as detailed in note 3 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.

26. RESERVES (Continued)

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.

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

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Contributed surplus	67,707,053	67,707,053
Accumulated profits	3,993,108	14,323,789
	71,700,161	82,030,842
	71,700,161	82,030,842

27. 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.

Notes to the Financial Statements

For the year ended 31 December 2004

27. SHARE OPTION SCHEME (Continued)

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\$1 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 13,000,000 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. 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.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

29. CASH GENERATED FROM OPERATIONS

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	50,516,139	36,634,679
Adjustment arising from change in accounting policies	(1,776,250)	–
Interest income	(2,775,822)	(4,179,658)
Interest expenses	3,114,893	2,573,692
Dividend income from investments in securities	(393,647)	(289,222)
Gain on disposal of investment properties	(1,212,691)	–
Revaluation surplus in respect of investment properties	(10,407,797)	–
Reversal of revaluation deficit in respect of properties other than investment properties	(15,545,216)	(2,551,289)
Loss on disposal of property, plant and equipment	12,591	–
Gain on disposal of other investments	(293,405)	(704,904)
Net unrealised holding gain on investments in securities	(1,628,800)	(4,725,730)
Exchange differences	2,009,676	(1,221,667)
Depreciation of property, plant and equipment	2,540,303	2,502,711
Changes in working capital:		
Inventories	(902,381)	285,441
Long-term receivable	–	150,000
Trade receivables	6,211,999	7,283,246
Deposits, prepayments and other debtors	(718,572)	(75,508)
Bills receivable	(7,090,319)	1,225,821
Trade payables	(854,818)	629,848
Accrued charges and other creditors	(2,362,547)	1,056,392
Provision for long service payments	622,856	(341,401)
Provision for directors' retirement scheme benefits	266,673	1,082,286
Cash generated from operations	19,332,865	39,334,737

Notes to the Financial Statements

For the year ended 31 December 2004

30. PLEDGE OF ASSETS

Certain of the Group's investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK\$145,650,000 (2003: HK\$86,420,000) of which HK\$62,029,513 (2003: HK\$55,220,000) were utilised at the balance sheet date.

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

	The Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Investment properties	108,478,125	118,723,000
Bank deposits	85,800,000	31,200,000
Investments in securities	27,857,948	21,594,586
	222,136,073	171,517,586

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.

31. OPERATING LEASE COMMITMENTS

The Group leases out substantially 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 9 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Within one year	6,784,194	8,000,350
In the second to fifth years inclusive	17,641,356	22,878,000
Over five years	4,945,106	17,798,326
	29,370,656	48,676,676

32. CONTINGENT LIABILITIES**The Group**

During the year ended 31 December 2003, the Group made a claim against a company in the US and others for, among others, damages (amount to be determined by the Court) in respect of “White Flower” trade mark infringement, trade dress infringement and trademark dilution. A counterclaim was filed against the Group by the same companies for, among others, damages (amount to be determined by the Court) in respect of the loss of reputation as a result of allegedly defamatory information provided by the Group to a magazine in Hong Kong. As at the date of this report, the litigation is still outstanding. The Group has seen positive developments regarding its claims and no substantive evidence for the counterclaim. No provision in respect of the counterclaim has been made in the financial statements.

The Company

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of bank loans and general banking facilities granted to its subsidiaries amounting to HK\$59,850,000 (2003: HK\$55,220,000).

33. 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.

- (a) 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 2004 in consideration of an annual royalty payment equivalent to 10 percent of the invoiced sales in Malaysia and Singapore less returns and discounts. During the year, royalties in the amount of HK\$194,318 (2003: HK\$181,337) were paid by the Group pursuant to the aforesaid agreement. The agreement has been renewed for a further term of one year on similar terms.
- (b) Both Mr. Lee Ka Sze, Carmelo (“Mr. Lee”) and Mr. Yuen Ka Fai (“Mr. Yuen”) are partners of Woo, Kwan, Lee & Lo, Solicitors and Notaries. During the year and up to the resignation date of Mr. Lee and Mr. Yuen, Woo, Kwan, Lee & Lo provided legal services to the Group and received professional fees totalling HK\$696,435 (2003: HK\$786,279) for those services.

Group Financial Summary

For the year ended 31 December 2004

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	93,109,445	79,035,221	86,965,079	83,772,970	89,382,693
Profit before taxation	27,777,968	4,405,294	21,743,656	36,634,679	50,516,139
Taxation	(3,990,612)	(1,663,145)	(4,461,785)	(3,407,822)	(6,846,556)
Profit after taxation	23,787,356	2,742,149	17,281,871	33,226,857	43,669,583
Dividends	14,950,000	5,200,000	12,740,000	19,500,000	37,700,000
Earnings per share	18.3 cents	2.1 cents	13.3 cents	25.6 cents	33.6 cents

CONSOLIDATED BALANCE SHEET

	At 31 December				
	2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Non-current assets	151,214,612	146,804,070	158,491,157	180,974,024	193,359,807
Net current assets	138,235,210	135,513,502	104,772,519	173,582,387	189,859,241
Non-current liabilities	(50,368,656)	(49,027,978)	(5,060,184)	(60,531,716)	(70,715,712)
	239,081,166	233,289,594	258,203,492	294,024,695	312,503,336
Share capital	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Reserves	226,081,166	220,289,594	245,203,492	281,024,695	299,503,336
	239,081,166	233,289,594	258,203,492	294,024,695	312,503,336

Properties Owned by the Group

For the year ended 31 December 2004

INVESTMENT PROPERTIES

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	12th Floor Grand Building, Nos. 15-18, Connaught Road Central, Hong Kong	Two leases for 999 years respectively from 6 December 1899 and 24 December 1898	2,905 sq.ft.	Commercial	100
2.	13th Floor in Block B North Point Mansion (Part) Nos. 692-702 King's Road and Nos. 27-29 Healthy Street East, Hong Kong	Lease for 75 years from 20 March 1933, renewable for another 75 years	905 sq.ft.	Residential	100
3.	Flat A on 4th Floor Hennessy Apartments No. 48 Percival Street Hong Kong	Lease for 982 years from 25 June 1860	715 sq.ft.	Residential	100
4.	No. 30 Kallang Pudding Road No. 03-07 Valiant Industrial Building Singapore, 349312	Freehold	323 sq.m.	Industrial	100
5.	Princess Court 47-63 Queensway London, W2, United Kingdom	Freehold	7,241 sq.ft.	Commercial/ Residential	100
6.	Unit D on 10th Floor of Block 1 Palace Court, Pacific Plaza 1068 Huai Hai Zhong Road Xu Hui District, Shanghai The People's Republic of China	Lease from 2 November 1994 to 19 October 2063	106 sq.m.	Residential	100

Properties Owned by the Group

For the year ended 31 December 2004

OTHER PROPERTIES

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	Roof of No. 84 Hing Fat Street Hong Kong	Lease for 75 years from 15 May 1916, renewable for another 75 years	3,080 sq.ft.	Commercial	100
2.	7th Floor Lippo Leighton Tower No. 103 Leighton Road Causeway Bay Hong Kong	Lease for 982 years from 25 June 1860	3,880 sq.ft.	Commercial	100
3.	Units 1 to 13 on 2nd Floor Paramount Building No. 12 Ka Yip Street Hong Kong	Lease from 29 May 1987 to 30 June 2047	31,444 sq.ft.	Industrial	100
4.	Car parking Space Nos. 13 and 14 on 1st Floor, Paramount Building No. 12 Ka Yip Street Hong Kong	Lease from 29 May 1987 to 30 June 2047	133 sq.ft.	Carpark	100