WHITE FLOWER

Pak Fah Yeow International Limited

(Incorporated in Bermuda with limited liability)

Stock Code:239

Annual Report

2008

Contents

Corporate Information

DIRECTORS	
Executive Directors	Gan Wee Sean *(Chairman and acting Chief Executive Officer)* Gan Fock Wai, Stephen *(R)*
Independent Non-executive Directors	Leung Man Chiu, Lawrence *(chairing A, chairing R)* Wong Ying Kay, Ada *(A, R)* Ip Tin Chee, Arnold *(A, R)*
COMPANY SECRETARY	Lo Tai On
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	11th Floor, 200 Gloucester Road Wanchai Hong Kong
AUDITOR	Mazars CPA Limited 34th Floor, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong
SOLICITORS	Woo, Kwan, Lee & Lo 26th Floor, 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	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
STOCK CODE	239
HOME PAGE	www.whiteflower.com/www.239.hk
EMAIL	pfy@pfy.com.hk
TELEPHONE	(852) 2881 7713

(A) *Audit Committee member*
(R) *Remuneration Committee member*

Chairman's Statement

Dear fellow shareholders,

OVERVIEW

The Group's total turnover for the year ended 31 December 2008 reached HK$113.8 million, representing an increase of 12.2% over the previous year. Profit from operations before fair value changes of financial assets through profit or loss and properties was HK$27.7 million, a decrease of 18.1%. Such decrease reflected weaker foreign currencies in which certain of our bank deposits were denominated. Loss attributable to shareholders was HK$18.2 million, a decrease of 150.5% largely attributable to the decline in fair value changes of our investment properties and securities investments.

The Board proposes a final dividend of HK6.2 cents per share (2007: HK5.5 cents per share) subject to approval by shareholders at the forthcoming Annual General Meeting. These together with the interim dividends of HK5.8 cents per share (2007: HK9.0 cents per share) already declared, will make a total dividend of HK12.0 cents per share for 2008 (2007: HK14.5 cents per share). The proposed final dividend reflects our commitment to generate higher value for shareholders and is in line with our dividend policy to distribute it by reference to the performance of our core business and availability of the distributable reserves and cash flow of the Group.

Despite the less favourable economic climate caused by the global financial turmoil which emerged in the second half of the year, the Group achieved a record high in revenue from our core business as manufacturer and distributor of Hoe Hin brand of products. Backed by increased promotional and marketing efforts targeting at domestic consumers and brand building, we saw moderate sales growth in Hong Kong, Mainland China and improvement in Singapore and Malaysia. We continued to input marketing resources in other key and developing markets with an aim to extend our market presence there. Since we repositioned our product - Hoe Hin Strain Relief in 2007 and focused marketing effort in its medicated functions, we saw improvement in consumer awareness, while we achieved an encouraging result. Our new Fúzǎi 239 series, the floral-scented White Flower Embrocation, have been launched and available for sales in major chain stores and drugstores in Hong Kong. We branded it as to rejuvenate our image to target younger customers and promoted it at this early stage through sponsorship of various promotional events to increase its exposure to market.

Global financial and property markets experienced overall decline in the second half of the year, which adversely affected the fair values of our properties and securities investments. To separate the effect of such fair value changes which has no actual cash flow impact on the Group's operation, we started to report the Group's profit from operations before such changes under a separate heading in the consolidated income statement effective from the financial year 2008 onwards. We believe that this makes the income statement more understandable as far as our main operations are concerned. Our investment properties, which are currently generating an average yield of approximately 7.7%, are intended to be held for long term and the rental income earned will continue to generate a steady stream of revenue for the Group.

OUTLOOK

It is expected that the financial markets will continue to be volatile and global economic outlook will remain negative in 2009. The year ahead will be a challenging year, with uncertainties caused by various factors, including fast-changing government policies to cope with global crisis, more volatile foreign exchange market, speculative activities in worldwide commodity market and decreasing demand of consumptions due to negative market sentiment etc. It is therefore imperative for us to monitor closely our operational environment and respond accordingly on a timely basis. We will step up our effort in material procurement in order to mitigate possible adverse impact on raw material price increase.

We aim to maintain our focus on market penetration and market development for our existing products, with more marketing effort on Hoe Hin Strain Relief and Fúzǎi 239 series. Hoe Hin Strain Relief is expected to be available on sales in Singapore shortly, backed by television and media advertising campaign. We are also looking for a distributor in Australia to manage the same product there for testing market response. Meanwhile, product licenses for White Flower Embrocation in Indonesia are on its way and we are awaiting approval from local authority. Hopefully, we can recommence sales there shortly in 2009.

APPRECIATION

I would like to take this opportunity to thank all directors and staff members for their dedication and hard work and to the investors and business partners for their continuous support and understanding of the economic environment that we have encountered.

By order of the Board

GAN Wee Sean
Chairman

Hong Kong, 22 April 2009

Management Discussion and Analysis

SUMMARY

For the year ended 31 December 2008, the Group's turnover increased by 12.2% to HK$113,802,000 (2007: HK$101,456,000) as a result of increased contributions from sales of Hoe Hin brand of products, rental income and income derived from treasury investment.

Revaluation deficit of the Group's investment properties was HK$32,128,000 (2007: surplus of HK$9,670,000), including a deficit of HK$23,897,000 (2007: HK$6,642,000) which related to the Group's investment properties in the United Kingdom.

The revaluation of other properties has resulted in a net revaluation gain in this year of HK$3,789,000 (2007: HK$5,771,000).

Loss for the year ended 31 December 2008 was approximately HK$18,189,000 (2007: profit of HK$36,006,000).

MANUFACTURING AND SALES OF HOE HIN BRAND OF PRODUCTS

Revenue from sales of Hoe Hin brand of products increased by 12.5% to HK$99,301,000 (2007: HK$88,281,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 53.8% (2007: 56.4%) of the segment revenue. Mainland China accounts for about 30.8% (2007: 24.2%). Sales in Hong Kong and Mainland China had increased by 6.1% and 41.3% respectively. Sales to Singapore and Malaysia had improved while sales in other foreign countries had either slowed down or was insignificant.

Segment profit increased by 12.8% to HK$34,823,000 (2007: HK$30,869,000), mainly due to increased contribution from sales, partly offset by general inflation on operating and production costs.

PROPERTY INVESTMENT

Revenue for this segment slightly increased by 1.5% to HK$10,249,000 (2007: HK$10,095,000). This change mainly represents increased rental income in Hong Kong and the United Kingdom, partly offset by decrease in average exchange rate in translating foreign rental income.

Worldwide property markets were seriously hit by the global financial crisis, particularly worsen in the last quarter of 2008. Segment result was adversely affected by revaluation deficit arising from investment properties and a decrease in net change of revaluation from other properties. As a result, the segment result decreased by 182.7% to a loss of HK$20,099,000 (2007: profit of HK$24,296,000).

The Group owns several investment properties in United Kingdom, Singapore and Hong Kong. These properties are intended to be held for long term and the rental income derived therein continues to provide a steady stream of revenue for the Group. The loss resulted from fair value changes of properties as aforesaid had no actual cash flow impact on the Group's operation and accordingly would not affect the core business of the Group.

TREASURY INVESTMENT

Revenue derived from this segment increased by 38.4% to HK$4,252,000 (2007: HK$3,072,000), primarily due to more interest income from a new bond purchased in February 2008. However, a marked worsening of the global environment was emerging in the second half of the year, with worldwide financial system experiencing severe strain in the fourth quarter. The segment result reflected the adverse impact of financial markets, leading to a loss of HK$13,131,000 (2007: profit of HK$5,049,000), mainly attributable to adverse movement in fair value changes on listed investments as well as devaluation of foreign currencies, in which most of our listed investments and certain bank deposits were denominated.

In view of the uncertainty of the financial markets since the fourth quarter of the year 2008, the Group had adopted a more prudent strategy in its treasury investment activities to reduce risk of foreign exchange exposure.

FINANCE COSTS

The increase of HK$1,307,000 (24.3%) to HK$6,694,000 was mainly due to new bank loan borrowed during the year and higher market interest rates.

TAXATION

There was a decrease in taxation from HK$7,703,000 to HK$2,886,000 for the year, principally due to the reduction in deferred tax provision arising from revaluation on investment properties, partly offset by an increase in taxable operating profits of subsidiaries in Hong Kong.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2008 was 51.4% (2007: 32.6%). Total bank borrowings of the Group amounted to HK$107,853,000 (2007: HK$89,153,000), mainly denominated in Pound Sterling, Japanese Yen and Hong Kong Dollars with floating interest rates. The increase in borrowings was mainly due to additional bank loan borrowed for financial and treasury planning purpose.

Current ratio (current assets divided by current liabilities) was 1.1 as at 31 December 2008 (2007: 1.5). The Group holds sufficient cash, marketable securities on hand and available banking facilities to meet its short-term liabilities, commitments and working capital demand.

EXCHANGE RATE EXPOSURES

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. Certain rental income is derived in United Kingdom and denominated in Pound Sterling. As at 31 December 2008, the Group's debt borrowings were mainly denominated in Pound Sterling, Japanese Yen and Hong Kong Dollars. The Group also had equity and debt securities denominated in foreign currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for debt borrowings is minimal as they are either denominated in Hong Kong dollars or largely the currency of the underlying pledged assets. Other than United States dollars whose exchange rate remained relatively stable during the year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2008 were approximately HK$71.3 million in total, or about 20.0% of the Group's total assets. The Group also exposed to foreign exchange exposure of HK$75.6 million relating to properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2008, certain of the Group's leasehold properties, leasehold land interests, investment properties, bank deposits and securities with carrying value of approximately HK$143.5 million (2007: HK$171.5 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$135.1 million (2007: HK$136.5 million), of which approximately HK$107.9 million (2007: HK$89.2 million) were utilised as at 31 December 2008.

In addition, certain bank deposits and financial assets at fair value through profit or loss with total carrying amount of HK$2.9 million (2007: HK$51.1 million) were pledged to secure standby banking facilities granted to the Group to the extent of HK$15.6 million (2007: HK$62.4 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had a total of 101 (2007: 101) employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees. The Company also has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.

Biographical Information of Directors and Senior Management

Executive Directors

Mr. GAN Wee Sean, aged 62, is the Chairman of the board, the acting Chief Executive Officer and an executive director of the Company. He has been actively involved in the management of the Group since 1971. He was appointed as an executive director of the Company on 8 October 1991 and acting Chief Executive Officer on 21 April 2008. He attended North Western Polytechnic, London, England where he majored in business administration and marketing. He is a Fellow of the Institute of Chartered Secretaries and Administrators and Fellow of the Chartered Institute of Marketing. From 1981 to 1986, and from 1987 to 1990, he held the position of vice-chairman and chairman respectively of Chung Sing Benevolent Society. He was chairman of the Malaysian Association in Hong Kong from 1987 to 1989, and was a founder member of the Institute of Marketing in Hong Kong. He is also vice president of the St. John's Ambulance Brigade Island Command Hong Kong. He is the eldest grandson of the founder, Mr. Gan Geok Eng. He is a director of Hexagan Enterprises Limited, a substantial shareholder of the Company.

Mr. GAN Fock Wai, Stephen, aged 47, is an executive director of the Company and is a member of the remuneration committee. He was the Chief Executive Officer until 21 April 2008. He possessed an honorary bachelor 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 a son of the founder, Mr. Gan Geok Eng. In 2001, he was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He was also a committee member (Practitioners Board) of the Chinese Medicine Council of Hong Kong from 1999 to 2005. He is a director of Gan's Enterprises Limited, a substantial shareholder of the Company.

Independent Non-executive Directors

Mr. LEUNG Man Chiu, Lawrence, aged 61, was appointed as an independent non-executive director of the Company in July 2006 and is the chairman of the audit committee and remuneration committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (presently known as the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 39 years. He has extensive experience in accounting and auditing and served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practising as a partner in Tang and Fok. Mr. Leung is also an independent non-executive director of Safety Godown Company, Limited and Shell Electric Mfg. (Holdings) Company Limited. Both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. WONG Ying Kay, Ada, aged 49, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee and remuneration committee. She 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.

Mr. IP Tin Chee, Arnold, aged 46, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee and remuneration committee. He 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) 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 chairman of the management company which acts as manager of Saizen REIT, a real estate investment trust listed on the Singapore Stock Exchange. He is also an independent non-executive director of Pioneer Global Group Limited, a company listed on the Stock Exchange.

Senior Management

Mr. TSANG Hung Kei, aged 38, is the Chief Financial Officer of the Group responsible for the overall financial management and control. He is also an executive director of major subsidiaries of the Company. Mr. Tsang is a Fellow of the Association of Chartered Certified Accountants, an Associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in May 2005, he worked for an international accounting firm for 8 years and was the financial controller of a listed company in Hong Kong thereafter until April 2005. He obtained a bachelor degree in computer science and accounting from the University of Manchester, England.

Ms. YAU Lai Ching, aged 44, is an executive director and the Chief Operating Officer of Hoe Hin Pak Fah Yeow Manufactory Limited responsible for the overall management of operation. She has been with the Group since 1992. Prior to joining the Group, she worked for tourism board for 3 years. She possessed a Professional Diploma in Marketing from the Hong Kong Polytechnic (presently known as Hong Kong Polytechnic University).

Corporate Governance Report

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders, and continues to review and reinforce our corporate governance practice.

The Company adopted all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code during the year ended 31 December 2008 except for the following deviations:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean has been assuming the roles of both the Chairman and the acting Chief Executive Officer since 21 April 2008. Although these two roles are performed by the same individual, certain responsibilities are shared with executive director to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The board has three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate balances of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

Code provision E.1.2 stipulates that the Chairman of the board should attend the annual general meeting. Due to unexpected matter, the Chairman of the board was unable to attend the annual general meeting held on 26 June 2008. An executive director was elected by the directors and present as chairman of the meeting to answer questions at the annual general meeting.

THE BOARD

Composition

The board consists of two executive directors and three independent non-executive directors ("INED(s)"), one of whom has the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on page 6 of this Annual Report.

Each INED has, pursuant to the rule 3.13 of the Listing Rules, confirmed that he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a term of two years until 30 September 2010 subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. Save as disclosed in the biographical details of each director, there is no other relationship (including financial, business, family or other material/relevant relationship) among members of the board.

Function

The board is responsible both for how the Company is managed and the Company's direction. Approval of the board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management comprising the two executive directors and senior executives.

Corporate Governance Report

The board has established schedule of matters specifically reserved to the board for its decision and those reserved for the management. The board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The board held four regular board meetings at approximately quarterly intervals during the year 2008. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at board meetings in 2008	
Number of meetings:	7
Executive director	
Gan Wee Sean *(Chairman and acting Chief Executive Officer)*	6
Gan Fock Wai, Stephen	6
INEDs	
Lawrence Leung Man Chiu	7
Wong Ying Kay, Ada	5
Ip Tin Chee, Arnold	6

The board has established written procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive Officer

The role of the Chairman should be separate from that of the Chief Executive Officer. Such division of responsibilities allows a balance of power between the board and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the board and he oversees the board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Mr. Gan Wee Sean is the Chairman of the board and Mr. Gan Fock Wai, Stephen was the Chief Executive Officer until 21 April 2008. As announced on 21 April 2008, Mr. Gan Fock Wai, Stephen has voluntarily ceased to act as the Chief Executive Officer and Mr. Gan Wee Sean has been appointed as acting Chief Executive Officer both with effect from 21 April 2008.

Corporate Governance Report

BOARD COMMITTEES

To strengthen the functions of the board and to enhance its expertise, there are two board committees namely, the Audit Committee and Remuneration Committee formed under the board, with each performing different functions.

Audit Committee

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

– to serve as a focal point for communication between other directors and the auditor in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the board may determine from time to time.

– to assist the board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

– to review the appointment of auditor on an annual basis including the review of the audit scope and approval of the audit fees.

– to review the annual and interim financial statements prior to their approval by the board, and recommend application of accounting policies and changes to the financial reporting requirements.

– to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors.

Set out below is the summary of work done in year 2008:

– considered and approved the 2008 audit fees and audit work;

– reviewed the auditor's report to the audit committee and the letters of representation;

– reviewed the financial statements for the year ended 31 December 2007 and for the six months ended 30 June 2008; and

– considered and approved the scope of internal control review for the year 2008 and reviewed the results thereof conducted by auditor.

The Audit Committee held four meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2008

Number of meetings:	4
INEDs	
Lawrence Leung Man Chiu *(Chairman)*	4
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	3

Remuneration Committee

The board has established a Remuneration Committee, comprising three INEDs and Mr. Gan Fock Wai, Stephen. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the board the annual remuneration policy, and determination of the remuneration of the executive directors and senior management.

Set out below is the summary of work of the Remuneration Committee done in the year 2008:

– reviewed the remuneration of the executive directors, the INEDs and senior management for the year 2008; and

– reviewed the remuneration of the executive directors and senior management for the year 2009.

The Remuneration Committee held four meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meetings in 2008	
Number of meetings:	4
Executive Director	
Gan Fock Wai, Stephen	4
INEDs	
Lawrence Leung Man Chiu *(Chairman)*	4
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	3

Other information

The board has not established a nomination committee. According to the Bye-Laws of the Company, the board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the board. In assessing nomination of new directors, the board will take into consideration the nominee's qualification, ability and potential contributions to the Company. There was no change in the directorship during the year 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2008.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

AUDITOR'S REMUNERATION

The fees payable to the Company's auditors, Mazars CPA Limited in respect of audit and review services for the year ended 31 December 2008 amounted to HK$500,000. In respect of non-audit services, the fees paid to the Company's auditor amounted to HK$56,000.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the financial statements. The finance department of the Company is taken charge by the Chief Financial Officer of the Company. With the assistance of the finance department, the directors ensure that the financial statements of the Group have been properly prepared in accordance with relevant regulations and applicable accounting principles. The statement of the auditor about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 19.

INTERNAL CONTROL

The board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

For the year ended 31 December 2008, the Company has engaged a professional firm to assist the board in conducting a review of the key internal control systems of the Group. The report and findings have been submitted to the board and follow-up action has been taken based on recommendations, which will be monitored by the board.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well-informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements, circulars and the Company's website. Procedures for voting by poll have been included in circular of the Company accompanying notice convening general meeting and have been read out by the Chairman at the general meeting.

At the annual general meeting held on 26 June 2008, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. Due to unexpected matter, the Chairman of the board was unable to attend the annual general meeting. An executive director was elected by the directors and present as chairman of the meeting to answer questions at the annual general meeting. The chairman of the audit committee and the remuneration committee attended the meetings to answer questions of shareholders.

Directors' Report

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 2008.

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 2008 are set out in the consolidated income statement on page 21.

Interim dividends (as set out in note 10 to the financial statements) amounting to HK$15,076,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6.2 cents per share, amounting to HK$16,101,000, to the shareholders of the Company whose names appear on the register of members on 25 June 2009.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 22 June 2009 to Thursday, 25 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 19 June 2009.

DONATIONS

During the year, the Group made charitable donations amounting to HK$273,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 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 63.

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 12 and 13 to the financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on page 64.

Directors' Report

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

During the year, the Company, through a subsidiary, Pak Fah Yeow Investment (Hong Kong) Company, Limited, repurchased its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/Year	Number of shares of HK$0.05 each repurchased	Price per share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
October 2008	300,000	1.18	1.15	345,075

The repurchased shares were cancelled, and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$331,000 was charged to the share premium account.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 and acting Chief Executive Officer)*
Mr. Gan Fock Wai, Stephen

Independent Non-executive Directors
Mr. Leung Man Chiu, Lawrence
Ms. Wong Ying Kay, Ada
Mr. Ip Tin Chee, Arnold

In accordance with the Bye-Laws of the Company, Mr. Leung Man Chiu, Lawrence and Ms. Wong Ying Kay, Ada shall retire by rotation 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 compensations).

Mr. Leung Man Chiu, Lawrence, Ms. Wong Ying Kay, Ada and Mr. Ip Tin Chee, Arnold have been appointed for a term of two years from 1 October 2008 to 30 September 2010.

The Company has received written confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2008, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company

Name of director	Number of shares held Personal interests	Family interests	Corporate interests	Total	Percentage of issued share capital of the Company
Mr. Gan Wee Sean	22,673,600	1,983,800 *(Note 1)*	54,436,200 *(Note 2)*	79,093,600 *(Note 2)*	30.5%
Mr. Gan Fock Wai, Stephen	8,252,400	–	52,106,600 *(Note 3)*	60,359,000 *(Note 3)*	23.2%

Long positions in non-voting deferred shares of associated corporations

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

Long positions in non-voting deferred shares of associated corporations (continued)

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 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 54,436,200 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 79,093,600 shares in aggregate represented approximately 30.5 percent of the issued share capital of the Company.

3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32 percent. The total number of 60,359,000 shares in aggregate represented approximately 23.2 percent of the issued share capital of the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 35 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.

DIRECTORS' SERVICE CONTRACTS

Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen respectively entered into a service agreement with the Company on 28 November 1991 for a term of two years and one month commencing from 1 December 1991. The appointment shall continue thereafter subject to termination by either party giving not less than 6-month notice in writing to the other party pursuant to the terms of the service agreement. Accordingly, the appointment continued upon completion of the initial term on 31 December 1993.

Saved as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

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 29 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 2008, 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 90.7 percent of the total sales of the Group in 2008 with the largest customer accounting for 49.4 percent.

The five largest suppliers of the Group accounted for 87.7 percent of the total purchases of the Group in 2008 with the largest supplier accounting for 34.5 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.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") except for the following deviations:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean has been assuming the roles of both the Chairman and the acting Chief Executive Officer since 21 April 2008. Although these two roles are performed by the same individual, certain responsibilities are shared with executive director to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The board has three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate balances of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

Code provision E.1.2 stipulates that the Chairman of the board should attend the annual general meeting. Due to unexpected matter, the Chairman of the board was unable to attend the annual general meeting held on 26 June 2008. An executive director was elected by the directors and present as chairman of the meeting to answer questions at the annual general meeting.

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.

Directors' Report

AUDITOR

The former auditor, Moores Rowland (previously known as Moores Rowland Mazars), retired and did not seek for re-appointment at the 2007 annual general meeting as a result of their firm's reorganisation. Mazars CPA Limited, Certified Public Accountants, were first appointed as auditor by the board of directors of the Company in 2007.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

GAN Wee Sean
Chairman

Hong Kong, 22 April 2009

Independent Auditor's Report

MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.com.hk

To the shareholders of
Pak Fah Yeow International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 62, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
22 April 2009

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	3	**113,802**	101,456
Other revenue	4	**647**	883
Other net income		**286**	287
Changes in inventories of finished goods		**(944)**	1,167
Raw materials and consumables used		**(22,624)**	(20,104)
Staff costs		**(21,215)**	(20,331)
Depreciation and amortisation expenses		**(3,584)**	(3,552)
Net exchange (loss) gain		**(10,455)**	1,374
Other operating expenses		**(28,191)**	(27,332)
Profit from operations before fair value changes of financial assets through profit or loss and properties		**27,722**	33,848
Net loss on financial assets at fair value through profit or loss		**(7,992)**	(193)
Revaluation (deficit) surplus in respect of investment properties		**(32,128)**	9,670
Reversal of revaluation deficit in respect of properties other than investment properties		**3,789**	5,905
Revaluation deficit in respect of properties other than investment properties		**–**	(134)
(Loss) Profit from operations		**(8,609)**	49,096
Finance costs	5	**(6,694)**	(5,387)
(Loss) Profit before taxation	5	**(15,303)**	43,709
Taxation	8	**(2,886)**	(7,703)
(Loss) Profit for the year, attributable to equity holders of the Company	9	**(18,189)**	36,006
Dividends	10	**31,177**	37,700
(Loss) Earnings per share	11		
Basic and diluted		**(7.0) cents**	13.8 cents

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	12	**132,948**	196,072
Property, plant and equipment	13	**32,548**	30,897
Prepaid lease payments for leasehold land	14	**39,097**	39,585
Held-to-maturity financial assets	15	**33,578**	–
Available-for-sale financial assets	15	**5,691**	6,111
		243,862	272,665
Current assets			
Inventories	17	**9,573**	13,720
Trade and other receivables	18	**35,733**	33,486
Financial assets at fair value through profit or loss	15	**19,168**	28,221
Pledged bank deposits	19	**16,523**	33,569
Cash and cash equivalents	19	**31,761**	17,815
		112,758	126,811
Current liabilities			
Short-term bank loans, secured	20	**85,757**	65,386
Current portion of long-term bank loan, secured	21	**1,754**	1,521
Current portion of deferred income	23	**21**	–
Trade and other payables	22	**11,804**	10,181
Tax payable		**1,581**	874
Dividends payable		**4,199**	6,766
		105,116	84,728
Net current assets		**7,642**	42,083
Total assets less current liabilities		**251,504**	314,748
Non-current liabilities			
Long-term bank loan, secured	21	**20,342**	22,246
Long-term portion of deferred income	23	**3,108**	–
Provision for long service payments	24	**1,900**	1,400
Provision for directors' retirement benefits	25	**8,514**	8,267
Deferred taxation	26	**7,689**	9,004
		41,553	40,917
NET ASSETS		**209,951**	273,831
Capital and reserves			
Share capital	27	**12,985**	13,000
Reserves	28	**196,966**	260,831
TOTAL EQUITY		**209,951**	273,831

Approved and authorised for issue by the Board of Directors on 22 April 2009

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	*16*	**84,340**	84,340
Current assets			
Deposits, prepayments and other debtors		**210**	206
Amounts due from subsidiaries	*30*	**138,441**	140,923
Cash and cash equivalents	*19*	**329**	281
		138,980	141,410
Current liabilities			
Accrued charges and other creditors		**123**	364
Amounts due to subsidiaries	*30*	**104,158**	103,139
Dividends payable		**4,199**	6,766
		108,480	110,269
Net current assets		**30,500**	31,141
Total assets less current liabilities		**114,840**	115,481
Non-current liabilities			
Provision for directors' retirement benefits	*25*	**8,514**	8,267
NET ASSETS		**106,326**	107,214
Capital and reserves			
Share capital	*27*	**12,985**	13,000
Reserves	*28*	**93,341**	94,214
TOTAL EQUITY		**106,326**	107,214

Approved and authorised for issue by the Board of Directors on 22 April 2009

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	2008 *HK$'000*	2007 *HK$'000*
Opening balance – total equity	**273,831**	275,563
Changes in fair value of available-for-sale financial assets	**(1,355)**	921
Exchange difference arising from translation of financial statements of overseas subsidiaries	**(31,230)**	2,977
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	**16,172**	(1,336)
Revaluation surplus in respect of properties other than investment properties, net of deferred tax	**444**	–
Net (expense) income recognised directly in equity	**(15,969)**	2,562
(Loss) Profit for the year	**(18,189)**	36,006
Total recognised income and expense for the year, attributable to equity holders of the Company	**(34,158)**	38,568
Repurchase of shares:		
– Par value paid	**(15)**	–
– Premium paid	**(331)**	–
Interim dividends declared	**(15,076)**	(23,400)
Final dividends in respect of previous years	**(14,300)**	(16,900)
Closing balance – total equity	**209,951**	273,831

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	31	**45,303**	32,496
Interest received		**3,652**	3,072
Interest paid		**(6,694)**	(5,387)
Income taxes paid		**(3,458)**	(6,771)
Net cash generated from operating activities		**38,803**	23,410
INVESTING ACTIVITIES			
Dividends received from financial assets at fair value through profit or loss		**634**	477
Purchase of financial assets at fair value through profit or loss		**(1,296)**	(11,897)
Purchase of available-for-sale financial assets		**(935)**	(2,262)
Purchase of property, plant and equipment		**(426)**	(199)
Purchase of held-to-maturity financial assets		**(45,712)**	–
Proceeds from disposal of an investment property		**–**	2,788
Proceeds from disposal of property, plant and equipment		**–**	28
Proceeds from disposal of financial assets at fair value through profit or loss		**2,357**	10,852
Net cash used in investing activities		**(45,378)**	(213)
FINANCING ACTIVITIES			
Net movement in short-term bank loans		**37,983**	3,056
Repurchase of shares		**(346)**	–
Repayment of long-term bank loan		**(1,671)**	(1,396)
Dividends paid		**(31,943)**	(40,783)
Net cash generated from (used in) financing activities		**4,023**	(39,123)
Net decrease in cash and cash equivalents		**(2,552)**	(15,926)
Cash and cash equivalents at beginning of year		**51,384**	67,223
Effect of foreign exchange rate changes		**(548)**	87
Cash and cash equivalents at end of year	19	**48,284**	51,384

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of 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.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements except for the adoption of the following new/revised HKFRS which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new/revised HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carried at fair value.

Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the income statement. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Prepaid lease payments for leasehold land

Prepaid lease payments for leasehold land are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

Property, plant and equipment

Property, plant and equipment, other than buildings situated on leasehold land, 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. Repairs and maintenance expenses are charged to the income statement during the year in which they are incurred.

Buildings situated on leasehold land are stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations which are performed periodically. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to property revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Buildings situated on leasehold land	50 years or over the relevant lease term, whichever is shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

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

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which excludes any dividend or interest earned on the financial assets.

Financial assets or financial liabilities are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling or repurchasing in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or reocognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

The Group's short-term dual currency deposits are in the nature of hybrid financial instruments under HKAS 39. Since they are measured at fair value with changes in fair value recognised in profit or loss, the embedded derivatives are not separately accounted for.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Available-for-sale financial assets

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

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired.

Loans and receivables
An allowance for impairment loss of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a receivable is uncollectible, it is written off against the relevant allowance account. Subsequent recoveries of amount previously written off are credited to the income statement.

Held-to-maturity investments
For held-to-maturity investments, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Available-for-sale financial assets
For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Reversal of impairment loss of available-for-sale equity instrument is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

The Group's financial liabilities include trade and other payables and bank loans. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset expire; the financial asset is transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability is derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash equivalents

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 the time when the goods are delivered to customers and title has been passed.

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

Interest income from financial asset is accrued on a time apportionment basis, by reference to 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.

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in the income statement except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rate;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in income statement when the gain or loss on disposal is recognised.

Impairment of other assets

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

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

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

Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Leases

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Defined contribution plans

With effective 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 Group's 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 discounted to its present value and after deducting the fair value of any related assets, including retirement scheme benefits.

Taxation

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

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

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Allowance for inventories

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

Allowance for bad and doubtful debts

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS

Up to the date of issue of these financial statements, the HKICPA has issued a number of new/revised HKFRS which are not yet effective for the year ended 31 December 2008 and which have not been early adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

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

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

Geographical segments

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

	Year ended 31 December 2008							
	Hong Kong	Other regions in the PRC	Southeast Asia	North America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	54,049	31,806	11,704	5,262	7,886	2,396	699	113,802
Segment results	14,242	6,502	(5,136)	1,832	(17,619)	(608)	1,440	653
Unallocated corporate expenses								(9,262)
Loss from operations								(8,609)
Finance costs								(6,694)
Loss before taxation								(15,303)
Taxation								(2,886)
Loss for the year								(18,189)

3. SEGMENT INFORMATION (CONTINUED)

Geographical segments (Continued)

	At 31 December 2008						
	Hong Kong	Other regions in the PRC	Southeast Asia	North America	United Kingdom	Europe (excluding United Kingdom)	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Segment assets	176,847	10,746	38,762	3,109	89,621	37,363	356,448
Unallocated corporate assets							172
Consolidated total assets							356,620
Liabilities							
Segment liabilities	34,958	–	16,149	–	73,549	–	124,656
Unallocated corporate liabilities							22,013
Consolidated total liabilities							146,669
Other information							
Capital expenditure	426	–	–	–	–	–	426
Depreciation and amortisation expenses	3,584	–	–	–	–	–	3,584
Revaluation deficit in respect of investment properties	(7,400)	–	(831)	–	(23,897)	–	(32,128)
Reversal of revaluation deficit in respect of properties other than investment properties	3,789	–	–	–	–	–	3,789
Revaluation surplus in respect of properties other than investment properties	532	–	–	–	–	–	532

3. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Year ended 31 December 2007							
	Hong Kong *HK$'000*	Other regions in the PRC *HK$'000*	Southeast Asia *HK$'000*	North America *HK$'000*	United Kingdom *HK$'000*	Europe (excluding United Kingdom) *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue	50,478	22,355	13,344	6,305	8,223	289	462	101,456
Segment results	43,537	3,139	7,232	3,471	1,171	1,870	(1,218)	59,202
Unallocated corporate expenses								(10,106)
Profit from operations								49,096
Finance costs								(5,387)
Profit before taxation								43,709
Taxation								(7,703)
Profit for the year								36,006

	At 31 December 2007						
	Hong Kong *HK$'000*	Other regions in the PRC *HK$'000*	Southeast Asia *HK$'000*	North America *HK$'000*	United Kingdom *HK$'000*	Europe (excluding United Kingdom) *HK$'000*	Consolidated *HK$'000*
Assets							
Segment assets	179,641	14,428	64,534	3,796	136,891	–	399,290
Unallocated corporate assets							186
Consolidated total assets							399,476
Liabilities							
Segment liabilities	34,764	–	748	–	65,177	–	100,689
Unallocated corporate liabilities							24,956
Consolidated total liabilities							125,645
Other information							
Capital expenditure	199	–	–	–	–	–	199
Depreciation and amortisation expenses	3,552	–	–	–	–	–	3,552
Revaluation surplus (deficit) in respect of investment properties	15,970	–	342	–	(6,642)	–	9,670
Reversal of revaluation deficit in respect of properties other than investment properties	5,905	–	–	–	–	–	5,905
Revaluation deficit in respect of properties other than investment properties	(134)	–	–	–	–	–	(134)

3. SEGMENT INFORMATION (CONTINUED)

Business segments

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

	Segment revenue		Segment results	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Manufacturing and sale of Hoe Hin Brand of products	**99,301**	88,281	**34,823**	30,869
Property investment – Rental income	**10,249**	10,095	**(20,099)**	24,296
Treasury investment– Interest income	**4,252**	3,072	**(13,131)**	5,049
Others	**–**	8	**6**	(8)
Unallocated corporate expenses	**–**	–	**(10,208)**	(11,110)
	113,802	101,456	**(8,609)**	49,096

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

	Carrying amount of segment assets		Capital expenditure	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Manufacturing and sale of Hoe Hin Brand of products	**129,969**	127,790	**317**	15
Property investment	**134,294**	199,252	**–**	–
Treasury investment	**91,975**	72,042	**–**	–
Unallocated corporate assets	**382**	392	**109**	184
	356,620	399,476	**426**	199

4. OTHER REVENUE

	2008	2007
	HK$'000	*HK$'000*
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	**634**	477
Others	**13**	406
	647	883

5. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**6,127**	4,247
Interest on bank loan wholly repayable more than five years	**567**	1,140
	6,694	5,387

(b) Other items

	2008	2007
	HK$'000	*HK$'000*
Auditor's remuneration	**500**	470
Cost of inventories	**35,119**	30,812
Contributions to defined contribution plan	**518**	519
Operating lease charges on advertising spaces	**196**	132
Gross rental income from investment properties less outgoings of HK$581,000 (2007: HK$324,000)	**(9,668)**	(9,747)
Royalty charges	**233**	200
Gain on disposal of property, plant and equipment	**–**	(26)
Gain on disposal of an investment property	**–**	(878)
Depreciation and amortisation expenses:		
– Depreciation of property, plant and equipment	**3,096**	3,065
– Amortisation of prepaid lease payments for leasehold land	**488**	487
	3,584	3,552
Interest income from bank deposits and debt securities	**(1,994)**	(3,072)
Interest income from held-to-maturity financial assets	**(2,258)**	–
	(4,252)	(3,072)

(c) Trademarks

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

6. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 25)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2008 Total HK$'000
Executive directors							
Gan Wee Sean	30	2,997	–	153	1,002	12	4,194
Gan Fock Wai, Stephen	30	1,935	–	94	581	12	2,652
Independent non-executive directors							
Wong Ying Kay, Ada	88	–	–	–	–	–	88
Ip Tin Chee, Arnold	88	–	–	–	–	–	88
Leung Man Chiu, Lawrence	88	–	–	–	–	–	88
	324	4,932	–	247	1,583	24	7,110

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 25)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2007 Total HK$'000
Executive directors							
Gan Wee Sean	30	2,967	360	153	1,002	12	4,524
Gan Fock Wai, Stephen	30	1,912	360	94	581	12	2,989
Independent non-executive directors							
Wong Ying Kay, Ada	80	–	–	–	–	–	80
Ip Tin Chee, Arnold	80	–	–	–	–	–	80
Leung Man Chiu, Lawrence	80	–	–	–	–	–	80
	300	4,879	720	247	1,583	24	7,753

Management bonus is calculated at 2 percent of the consolidated net profit after taxation, according to the terms specified in the directors' service agreements. No management bonus is payable to the directors of the Company in respect of the year ended 31 December 2008 as the Group incurred a loss for the year.

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2007: two) are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate of the emoluments of the other three (2007: three) individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries	**2,032**	1,927
MPF contributions	**36**	36
	2,068	1,963

The three (2007: three) individuals with the highest emoluments are within the HK$Nil – HK$1 million band for the years ended 31 December 2007 and 2008.

During the years ended 31 December 2007 and 2008, 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 2007 and 2008, no directors waived any of their emoluments.

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

	2008	2007
The charge comprises:	*HK$'000*	*HK$'000*
Current tax		
Hong Kong Profits Tax	**4,040**	3,400
Overseas tax	**249**	683
	4,289	4,083
Deferred tax *(note 26)*		
Current year	**(888)**	3,620
Attributable to a change in tax rate	**(515)**	–
	(1,403)	3,620
	2,886	7,703

8. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2008	2007
	%	%
Applicable tax rate in Hong Kong	**(16.5)**	17.5
Effect of overseas tax rate differences	**(8.2)**	(0.4)
Non-deductible expenses and losses	**48.2**	3.3
Non-taxable revenue and gains	**(1.0)**	(3.2)
Utilisation of previously unrecognised tax losses	**(1.0)**	–
Unrecognised temporary difference	**2.3**	0.1
Effect of change in tax rate	**(3.4)**	–
Others	**(1.5)**	0.3
Effective tax rate for the year	**18.9**	17.6

9. (LOSS) PROFIT FOR THE YEAR

The consolidated (loss) profit attributable to equity holders of the Company for the year includes a profit of HK$28,834,000 (2007: HK$42,309,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividends of HK5.8 cents per share (2007: HK9.0 cents)	**15,076**	23,400
Final dividend of HK6.2 cents per share (2007: HK5.5 cents)	**16,101**	14,300
	31,177	37,700

The final dividend for 2008 proposed after the balance sheet date is subject to shareholders' approval in the forthcoming general meeting. It has not been recognised as a liability at the balance sheet date.

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to equity holders of the Company for the year of HK$18,189,000 (2007: profit of HK$36,006,000) and the weighted average number of shares of 259,929,000 (2007: 260,000,000) ordinary shares in issue during the year.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2007 and 2008.

12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases	Investment properties in other regions in the PRC under long leases	Freehold investment properties in United Kingdom and Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuation				
At 1 January 2007	43,930	1,910	139,438	185,278
Disposal	–	(1,910)	–	(1,910)
Exchange realignment	–	–	3,034	3,034
Revaluation surplus (deficit)	15,970	–	(6,300)	9,670
At 31 December 2007	59,900	–	136,172	196,072
At 1 January 2008	59,900	–	136,172	196,072
Exchange realignment	–	–	(30,996)	(30,996)
Revaluation deficit	(7,400)	–	(24,728)	(32,128)
At 31 December 2008	**52,500**	**–**	**80,448**	**132,948**

Investment properties in Hong Kong and Singapore were valued respectively on a market value basis on 31 December 2008 by Memfus Wong Surveyors Limited and Dovebid (S) Pte Ltd., independent professional valuers. Investment properties in United Kingdom were valued on a market value basis by Cushman & Wakefield, independent professional valuers.

At the balance sheet date, the carrying amount of the investment properties of the Group rented out under operating leases was HK$132,948,000 (2007: HK$196,072,000).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under long leases	Buildings in Hong Kong under medium-term leases	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 31 December 2007						
At beginning of year	7,880	11,620	3,039	3,788	1,667	27,994
Additions	–	–	15	184	–	199
Disposal	–	–	–	(2)	–	(2)
Revaluation	(54)	5,825	–	–	–	5,771
Depreciation	(186)	(535)	(816)	(1,111)	(417)	(3,065)
At balance sheet date	7,640	16,910	2,238	2,859	1,250	30,897
Reconciliation of carrying amount – year ended 31 December 2008						
At beginning of year	7,640	16,910	2,238	2,859	1,250	30,897
Additions	–	–	317	109	–	426
Revaluation	1,836	2,485	–	–	–	4,321
Depreciation	(186)	(535)	(845)	(1,113)	(417)	(3,096)
At balance sheet date	**9,290**	**18,860**	**1,710**	**1,855**	**833**	**32,548**
At 1 January 2008						
Cost	–	–	12,802	16,328	2,084	31,214
Valuation	7,640	16,910	–	–	–	24,550
Accumulated depreciation	–	–	(10,564)	(13,469)	(834)	(24,867)
	7,640	16,910	2,238	2,859	1,250	30,897
At 31 December 2008						
Cost	–	–	13,119	16,437	2,084	31,640
Valuation	9,290	18,860	–	–	–	28,150
Accumulated depreciation	–	–	(11,409)	(14,582)	(1,251)	(27,242)
	9,290	**18,860**	**1,710**	**1,855**	**833**	**32,548**

The buildings were valued on a market value basis on 31 December 2008 by Memfus Wong Surveyors Limited, independent professional valuers.

The carrying amount of the buildings at 31 December 2008 would have been HK$27,428,000 (2007: HK$24,431,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

14. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

The Group's prepaid lease payments at the balance sheet date are in respect of the following leasehold land in Hong Kong:

	2008 HK$'000	2007 HK$'000
Long leases	**30,486**	30,747
Medium-term leases	**8,611**	8,838
	39,097	39,585

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-TO-MATURITY FINANCIAL ASSETS

	Available-for-sale financial assets		Financial assets at fair value through profit or loss-held for trading		Held-to-maturity financial assets		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Equity securities:								
Listed								
Hong Kong	–	–	**2,105**	3,441	–	–	**2,105**	3,441
Overseas	–	–	**12,676**	16,668	–	–	**12,676**	16,668
Unlisted	**5,691**	6,111	–	–	–	–	**5,691**	6,111
	5,691	6,111	**14,781**	20,109	–	–	**20,472**	26,220
Debt securities, listed overseas	–	–	**577**	–	**33,578**	–	**34,155**	–
Equity linked note, unlisted	–	–	–	2,345	–	–	–	2,345
Dual currency deposits	–	–	**3,810**	5,767	–	–	**3,810**	5,767
	5,691	6,111	**19,168**	28,221	**33,578**	–	**58,437**	34,332
Carrying amount included in:								
Current assets	–	–	**19,168**	28,221	–	–	**19,168**	28,221
Non-current assets	**5,691**	6,111	–	–	**33,578**	–	**39,269**	6,111
	5,691	6,111	**19,168**	28,221	**33,578**	–	**58,437**	34,332

Included in the available-for-sale financial assets is an investment in an unlisted private equity fund of HK$2,440,000 (2007: HK$2,174,000), which is stated at fair value. The fund's assets mainly comprised investment in unlisted companies in various industries (the "Investment"). The fair value of the Investment is estimated by management by reference to a number of factors including the operating cash flows and financial performance of the Investment, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the Investment.

Except for the investment in the private equity fund as mentioned above, market values supported by prices from observable current market transactions have been used to determine the fair value of listed and unlisted financial instruments.

The held-to-maturity financial assets are listed overseas and carry fixed interests at 5.375% per annum, payable semi-annually, and will mature in November 2013.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**84,340**	84,340

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 *Directly*	*Indirectly*	Principal activities
Biotech Marketing Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Inactive
Digi Star Advertising Company Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	–	100	Advertising agency
Hoe Hin Pak Fah Yeow (B. V. I.) Limited	British Virgin Islands/ Hong Kong	20,000 ordinary shares of US$1 each	100	–	Investment holding
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares* of HK$1,000 each, and 2 ordinary shares of HK$1,000 each	–	100	Manufacturing and sale of Hoe Hin Brand of products
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Inactive
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares* of HK$1 each, and 2 ordinary shares of HK$1 each	–	100	Property and treasury investment
Princely Profits Limited	British Virgin Islands/United Kingdom	1 ordinary share of US$1	–	100	Inactive
Princesland International Limited	Virgin Islands/ British United Kingdom	1 ordinary share of US$1	–	100	Property investment

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

17. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Finished goods	**706**	1,650
Raw materials	**5,981**	7,644
Bottles, caps and packing materials	**2,886**	4,426
	9,573	13,720

18. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables *(note 18(a))*	**17,485**	18,787
Bills receivable	**14,140**	8,925
Other receivables		
Deposits, prepayments and other debtors	**4,108**	5,774
	35,733	33,486

18(a) The Group allows credit period ranging from 30 days to 240 days to its customers. The ageing analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**9,937**	16,740
31 – 60 days	**2,702**	287
61 – 90 days	**4,845**	1,760
More than 90 days	**1**	–
	17,485	18,787

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$172,000 (2007: HK$74,000), which were past due at the balance sheet date for which the Group has not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable based on past collection history and current creditworthiness of the customers. The Group does not hold any collateral over these balances. The average age of these receivables is 40 days (2007: 60 days).

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As stated in the balance sheet				
Bank balances and cash	**31,761**	17,815	**329**	281
Pledged bank deposits *(note 32)*	**16,523**	33,569		
As stated in the consolidated cash flow statement	**48,284**	51,384		

20. SHORT-TERM BANK LOANS, SECURED

The short-term bank loans are denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
Japanese Yen *(note 20(a))*	**18,548**	2,744
British Pound Sterling *(note 20(b))*	**67,209**	62,642
	85,757	65,386

20(a) The short-term bank loans are denominated in Japanese Yen, interest-bearing at the bank's cost of fund plus 0.5% or at LIBOR plus 0.75% per annum, repayable not exceeding 12 months after drawndown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss.

20(b) The revolving bank loan is denominated in British Pound Sterling, bearing interest at the bank's cost of fund plus 0.95% per annum and repayable in one month after drawdown date. The loan is a revolving facility and is secured by pledging the Group's investment properties with an aggregate carrying value of HK$75,610,000 (2007: HK$130,503,000) together with the assignment of rental monies derived from the investment properties.

21. LONG-TERM BANK LOAN, SECURED

The bank loan is repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 year	**1,754**	1,521
After 1 year but within 2 years	**1,790**	1,584
After 2 years but within 5 years	**5,590**	5,148
After 5 years	**12,962**	15,514
	20,342	22,246
	22,096	23,767

The maturity of the above borrowings is as follows:

Wholly repayable within five years	**9,134**	8,253
Wholly repayable more than five years	**12,962**	15,514
	22,096	23,767

The loan bears interest at the Hong Kong prime rate minus 3% per annum.

The bank loan is secured by a first legal charge over the Group's leasehold land interests and buildings situated on leasehold land with carrying value of HK$30,483,000 (2007: HK$30,743,000) and HK$9,100,000 (2007: HK$7,520,000) respectively.

22. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables *(note 22(a))*	**1,988**	3,574
Other payables		
Accrued charges and other creditors	**9,816**	6,607
	11,804	10,181

22. TRADE AND OTHER PAYABLES (CONTINUED)

22(a) All trade payables are expected to be settled within one year. The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**1,646**	3,026
31 – 60 days	**342**	537
61 – 90 days	**–**	11
	1,988	3,574

23. DEFERRED INCOME

The amount represents lease premium received in advance in respect of certain of the Group's investment properties in United Kingdom, which is recognised as income on a straight-line basis over the lease term of 153 years.

24. PROVISION FOR LONG SERVICE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**1,400**	2,496
Current year charge (written back)	**500**	(1,096)
At balance sheet date	**1,900**	1,400

25. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**8,267**	8,020
Additional provision	**247**	247
At balance sheet date	**8,514**	8,267

26. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities (assets):

	Accelerated depreciation allowance and revaluation of other properties *HK$'000*	**Revaluation of investment properties** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	1,075	4,309	5,384
Recognised in consolidated income statement	781	2,839	3,620
At 31 December 2007	1,856	7,148	9,004
At 1 January 2008	1,856	7,148	9,004
Recognised in consolidated income statement	354	(1,242)	(888)
Recognised in equity *(note 28)*	88	–	88
Effect of change in tax rate	(106)	(409)	(515)
At 31 December 2008	**2,192**	**5,497**	**7,689**

Unrecognised deferred tax assets arising from:

	2008 *HK$'000*	2007 *HK$'000*
Deductible temporary differences	**11,564**	9,465
Tax losses	**6,385**	7,281
At balance sheet date	**17,949**	16,746

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$2,962,000 (2007: HK$2,931,000) have not been recognised due to uncertainty of their recoverability.

The Company

Unrecognised deferred tax assets arising from:

	2008 *HK$'000*	2007 *HK$'000*
Deductible temporary differences	**8,514**	8,267
Tax losses	**2,025**	2,191
At balance sheet date	**10,539**	10,458

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,739,000 (2007: HK$1,830,000) have not been recognised due to uncertainty of their recoverability.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 31 December 2007 and 31 December 2008	**600,000,000**	**30,000**
Issued and fully paid:		
As at 1 January 2007 and 31 December 2007	**260,000,000**	**13,000**
Repurchase of shares *(Note)*	**(300,000)**	**(15)**
As at 31 December 2008	**259,700,000**	**12,985**

Note: During the year, the Company, through a subsidiary, repurchased its own shares on the Stock Exchange as follow:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration paid *HK$'000*
October 2008	300,000	1.18	1.15	346

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$331,000 was charged to the share premium account (note 28).

28. RESERVES

The Group	Share premium	Revaluation reserve: Properties	Revaluation reserve: Investment	Exchange reserve	Accumulated profits: Proposed dividends	Accumulated profits: Undistributed profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	24,925	5,261	1,583	2,022	16,900	211,872	262,563
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	2,977	–	–	2,977
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	–	–	–	(1,336)	–	–	(1,336)
Changes in fair value of available-for-sale financial assets	–	–	921	–	–	–	921
Profit for the year	–	–	–	–	–	36,006	36,006
Interim dividends declared	–	–	–	–	–	(23,400)	(23,400)
Final dividends proposed	–	–	–	–	14,300	(14,300)	–
2006 final dividends transferred to dividends payable	–	–	–	–	(16,900)	–	(16,900)
At 31 December 2007	24,925	5,261	2,504	3,663	14,300	210,178	260,831
At 1 January 2008	24,925	5,261	2,504	3,663	14,300	210,178	260,831
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	(31,230)	–	–	(31,230)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	–	–	–	16,172	–	–	16,172
Revaluation surplus in respect of properties other than investment properties	–	532	–	–	–	–	532
Deferred tax *(note 26)*	–	(88)	–	–	–	–	(88)
Changes in fair value of available-for-sale financial assets	–	–	(1,355)	–	–	–	(1,355)
Premium paid for repurchase of shares *(note 27)*	(331)	–	–	–	–	–	(331)
Loss for the year	–	–	–	–	–	(18,189)	(18,189)
Interim dividends declared	–	–	–	–	–	(15,076)	(15,076)
Final dividends proposed	–	–	–	–	16,101	(16,101)	–
2007 final dividends transferred to dividends payable	–	–	–	–	(14,300)	–	(14,300)
At 31 December 2008	**24,594**	**5,705**	**1,149**	**(11,395)**	**16,101**	**160,812**	**196,966**

28. RESERVES (CONTINUED)

The Company	Share premium HK$'000	Contributed surplus HK$'000	Accumulated (losses) profits: Proposed dividends HK$'000	Accumulated (losses) profits: Undistributed profits (losses) HK$'000	Total HK$'000
At 1 January 2007	24,925	67,708	16,900	(17,328)	92,205
Profit for the year	–	–	–	42,309	42,309
Interim dividends declared	–	–	–	(23,400)	(23,400)
Final dividends proposed	–	–	14,300	(14,300)	–
2006 final dividends transferred to dividends payable	–	–	(16,900)	–	(16,900)
At 31 December 2007	24,925	67,708	14,300	(12,719)	94,214
At 1 January 2008	24,925	67,708	14,300	(12,719)	94,214
Premium paid for repurchase of shares *(note 27)*	(331)	–	–	–	(331)
Profit for the year	–	–	–	28,834	28,834
Interim dividends declared	–	–	–	(15,076)	(15,076)
Final dividends proposed	–	–	16,101	(16,101)	–
2007 final dividends transferred to dividends payable	–	–	(14,300)	–	(14,300)
At 31 December 2008	**24,594**	**67,708**	**16,101**	**(15,062)**	**93,341**

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

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

Under the Companies Act 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.

28. RESERVES (CONTINUED)

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

	2008	2007
	HK$'000	*HK$'000*
Contributed surplus	**67,708**	67,708
Accumulated profits	**1,039**	1,581
	68,747	69,289

29. SHARE OPTION SCHEME

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

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

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

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

The maximum entitlement for any 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.

30. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

31. CASH GENERATED FROM OPERATIONS

	2008	2007
	HK$'000	*HK$'000*
(Loss) Profit before taxation	**(15,303)**	43,709
Interest income	**(4,252)**	(3,072)
Interest expenses	**6,694**	5,387
Dividend income from financial assets at fair value through profit or loss	**(634)**	(477)
Revaluation deficit (surplus) in respect of investment properties	**32,128**	(9,670)
Reversal of revaluation deficit in respect of properties other than investment properties	**(3,789)**	(5,905)
Revaluation deficit in respect of properties other than investment properties	**–**	134
Gain on disposal of property, plant and equipment	**–**	(26)
Gain on disposal of an investment property	**–**	(878)
Gain on disposal of financial assets at fair value through profit or loss	**(13)**	(406)
Net loss on financial assets at fair value through profit or loss	**7,992**	193
Exchange differences	**11,594**	(92)
Depreciation and amortisation expenses	**3,584**	3,552
Changes in working capital:		
Inventories	**4,147**	(699)
Trade and other receivables	**(2,372)**	(517)
Trade and other payables	**1,651**	2,112
Deferred income	**3,129**	–
Provision for long service payments	**500**	(1,096)
Provision for directors' retirement benefits	**247**	247
Cash generated from operations	**45,303**	32,496

32. PLEDGE OF ASSETS

Certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties, bank deposits and financial assets at fair value through profit or loss were pledged to secure banking facilities, including bank loans, granted to the Group to the extent of HK$135,086,000 (2007: HK$136,478,000), of which HK$107,853,000 (2007: HK$89,153,000) were utilised at the balance sheet date.

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Buildings situated on leasehold land	**9,100**	7,520
Prepaid lease payments for leasehold land	**30,483**	30,743
Investment properties	**75,610**	130,503
Financial assets at fair value through profit or loss	**12,067**	2,745
Bank deposits	**16,199**	–
	143,459	171,511

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK$324,000 (2007: HK$33,569,000) and HK$2,610,000 (2007: HK$17,522,000) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK$15,600,000 (2007: HK$62,400,000).

Subsequent to the balance sheet date, the Group has pledged its held-to-maturity financial assets with carrying amount of HK$33,578,000 for short-term advances facilities of HK$19,500,000.

33. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group leased out all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease terms ranging from less than 2 year to 19 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**6,640**	10,296
In the second to fifth years inclusive	**14,351**	24,250
Over five years	**26,113**	39,913
	47,104	74,459

34. FINANCIAL GUARANTEES

At the balance sheet date, the Company had issued corporate guarantees to banks in respect of bank loans and general banking facilities granted to and utilised by its subsidiaries amounting to HK$89,305,000 (2007: HK$86,409,000). The Company has not recognised any deferred income for the financial guarantees as their fair value cannot be reliably measured and the transaction price was nil. The directors consider that the above financial guarantees are unlikely to materialise. No provision was therefore made in this respect in the financial statements of the Company.

35. RELATED PARTY TRANSACTIONS

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

	2008	2007
	HK$'000	*HK$'000*
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**1,959**	1,843
– Contributions to defined contribution plan	**36**	36
Royalty paid to a director *(note)*	**233**	185

Note:

Mr. Gan Wee Sean was interested as a 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 the period from 1 January 2008 to 30 June 2009 in a total royalty payment of HK$350,000.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, time deposits, trade and bills receivables, held-to-maturity financial assets, available-for-sale financial assets, financial assets at fair value through profit or loss, bank loans and trade and other payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The credit risk of the Group is primarily attributable to trade and bills receivables, financial assets at fair value through profit and loss, time deposits, bank balances and held-to-maturity financial assets.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimal.

At the balance sheet date, the Group had a concentration of credit risk from trade and bills receivables as 53.1% (2007: 41.8%) and 99.5% (2007: 98.9%) of the total trade and bills receivables was made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity financial assets are placed with banks of high credit ratings in Hong Kong or other jurisdictions.

At the balance sheet date, the Group had a concentration of credit risk in respect of its financial assets placed with 4 banks in a total amount of HK$93,117,000 (2007: HK$73,056,000.)

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's exposure to credit risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. For cash flows denominated in currency other than Hong Kong dollars, the prevailing foreign exchange rates at the balance sheet date are used to convert the cash flows into Hong Kong dollars.

	On demand	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total contractual undiscounted cashflow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008							
Short-term bank loans	2,399	83,410	–	–	–	85,809	85,757
Long-term bank loan	–	2,181	2,181	6,542	13,810	24,714	22,096
Trade and other payables	11,701	103	–	–	–	11,804	11,804
Dividends payable	4,199	–	–	–	–	4,199	4,199
	18,299	**85,694**	**2,181**	**6,542**	**13,810**	**126,526**	**123,856**
Year ended 31 December 2007							
Short-term bank loans	1,997	63,750	–	–	–	65,747	65,386
Long-term bank loan	–	2,445	2,445	7,334	17,926	30,150	23,767
Trade and other payables	9,622	559	–	–	–	10,181	10,181
Dividends payable	6,766	–	–	–	–	6,766	6,766
	18,385	66,754	2,445	7,334	17,926	112,844	106,100

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt borrowings. Details of interest rates of the Group's bank loans at the balance sheet date are set out in notes 20 and 21. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility.

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of 100 basis points ("bps") (2007: 80 bps) was applied to the yield curves at the respective balance sheet date, representing management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

	2008		2007	
	100 bps increase	**100 bps decrease**	80 bps increase	80 bps decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (Decrease) in profit or loss	**(596)**	**596**	(302)	302

Currency risk

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. Certain rental income is derived in United Kingdom and denominated in Pound Sterling. As at 31 December 2008, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pound Sterling	**55,912**	25,790	**–**	–
United States dollars	**9,517**	29,570	**885**	1,789
Euro	**7,214**	7,600	**–**	–
Japanese Yen	**5,864**	5,407	**18,548**	2,744
Others	**2,359**	2,664	**874**	228
	80,866	71,031	**20,307**	4,761

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for debt borrowings is minimal as they are either denominated in Hong Kong dollars or the currency of the underlying pledged assets.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (Continued)

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments (excluding items which are denominated in United States dollar) that would have affected the profit or loss and equity. A change of 10% (2007: 5%) was applied at respective balance sheet date.

	2008		2007	
	10% increase *HK$'000*	**10% decrease *HK$'000***	5% increase *HK$'000*	5% decrease *HK$'000*
Increase (Decrease) in profit or loss	**5,193**	**(5,193)**	1,924	(1,924)

Equity/Debt price risk

The Group's equity and debt securities are measured at fair value at each balance sheet date with reference to the listed share or quoted price. Therefore, the Group is exposed to equity or debt price risks and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity or debt prices had occurred at the balance sheet date and had been applied to both the equity and debt securities that would have affected the profit or loss and equity. A change of 20% (2007: 15%) in stock price and 20% (2007: 8%) in debt price was applied at respective balance sheet date.

	2008		2007	
	20% increase in stock price and debt price *HK$'000*	**20% decrease in stock price and debt price *HK$'000***	15% increase in stock price and 8% increase in debt price *HK$'000*	15% decrease in stock price and 8% decrease in debt price *HK$'000*
Increase (Decrease) in profit or loss	**3,072**	**(3,072)**	3,368	(3,368)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value

Except for the investment in a private equity fund as disclosed in note 15 to the financial statements, the fair value of financial assets and financial liabilities are determined using prices from observable current market transactions.

Except as detailed below, the directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

	2008		2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Held-to-maturity financial assets	**33,578**	**29,225**	–	–

37. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders, repurchase of shares or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2008.

38. LITIGATION

A subsidiary of the Company had made a claim against a co-owner of the building (the "Co-owner") at which the Group's principal place of business is located (the "Building") by filing a Statement of Claim to the Court of First Instance on 14 December 2007, claiming that the Co-owner has no right to change the name of the Building either unilaterally or together with other owners of the Building unless all owners of the Building agree to the change.

A hearing was held on 14 August 2008 and a judgement was issued by the Court of First Instance on 12 September 2008 in favour of the subsidiary. An appeal in respect of the judgement issued on 12 September 2008 has been made by the Co-owner to the Court of Appeal. Another hearing was held on 18 February 2009 and a judgement was issued by the Court of Appeal on 3 March 2009 in favour of the subsidiary.

The Co-owner has filed a Notice of Motion on 27 March 2009 for leave to lodge an appeal to the Court of Final Appeal. This application will be heard by the Court of Appeal and in case that leave is not granted, the Co-owner has a final chance to ask for leave from the Appeal Committee of the Court of Final Appeal. Only when such leave is granted will the matter be taken further to the Court of Final Appeal and the hearing will be fixed thereafter. Whilst the outcome is uncertain, the directors are of the opinion that there would not be any significant adverse financial impact on the Group. Therefore, no provision has been made in these financial statements in this respect.

39. CAPITAL COMMITMENT

In 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with commitment of maximum capital injection of US$1 million (equivalent to approximately HK$7.8 million) up to 31 December 2011. As at 31 December 2008, US$410,000 (equivalent to approximately HK$3,198,000) (2007: US$290,000 (equivalent to approximately HK$2,262,000)) was called and paid up. The remaining US$590,000 (equivalent to approximately HK$4,602,000) (2007: US$710,000 (equivalent to approximately HK$5,538,000)) would be payable upon receiving instructions from the bank.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	89,383	96,208	100,090	101,456	**113,802**
(Loss)/profit before taxation	45,706	30,619	47,500	43,709	**(15,303)**
Taxation	(5,966)	(2,554)	(5,403)	(7,703)	**(2,886)**
(Loss)/profit after taxation	39,740	28,065	42,097	36,006	**(18,189)**
Dividends	37,700	46,020	49,920	37,700	**31,177**
(Loss)/earnings per share	15.3 cents	10.8 cents	16.2 cents	13.8 cents	**(7.0) cents**

CONSOLIDATED BALANCE SHEET

	At 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	173,367	224,212	256,272	272,665	**243,862**
Net current assets	189,860	82,516	58,968	42,083	**7,642**
Non-current liabilities	(68,551)	(35,795)	(39,677)	(40,917)	**(41,553)**
	294,676	270,933	275,563	273,831	**209,951**
Share capital	13,000	13,000	13,000	13,000	**12,985**
Reserves	281,676	257,933	262,563	260,831	**196,966**
	294,676	270,933	275,563	273,831	**209,951**

Summary of Properties Owned by the Group

As at 31 December 2008

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. 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. 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
4. 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
5. No. 30 Kallang Pudding Road No. 03-07 Valiant Industrial Building Singapore, 349312	Freehold	323 sq.m.	Industrial	100
6. Princess Court 47-63 Queensway London, W2 United Kingdom	Freehold	7,241 sq.ft.	Commercial/ Residential	100

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. 11th Floor 200 Gloucester Road Wanchai Hong Kong	Lease for 99 years from 26 December 1928, renewable for another 99 years	7,388 sq.ft.	Commercial	100
3. Units 1 to 13 on 2nd Floor Paramount Building No. 12 Ka Yip Street Chai Wan 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