WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

Annual Report 2009

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Information of Directors and Senior Management	6
Corporate Governance Report	8
Directors' Report	13
Independent Auditor's Report	19
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Statement of Financial Position	23
Consolidated Statement of Changes in Equity	24
Consolidated Statement of Cash Flows	25
Notes to the Financial Statements	26
Group Financial Summary	71
Summary of Properties Owned by the Group	72

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 Wan Chai Hong Kong
AUDITOR	Mazars CPA Limited 42nd Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
SOLICITORS	Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
PRINCIPAL REGISTRAR	The Bank of Bermuda Limited 6 Front Street Hamilton HM 11 Bermuda
HONG KONG SHARE REGISTRAR	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 2009 was HK$108.0 million, representing a decrease of 5.1% over the previous year. Profit from operations before fair value changes of financial assets through profit or loss and properties was HK$40.4 million, an increase of 45.9%. Such increase reflected improved foreign currencies translation in which certain of our bank deposits were denominated and controlled budget for operating and production costs. Profit attributable to shareholders was HK$59.6 million, an increase of 379.1% largely attributable to the increase in fair value changes of our investment properties and securities investments.

The Board proposes a final dividend of HK6.2 cents per share (2008: HK6.2 cents per share) and a special final dividend of HK2.5 cents per share (2008: Nil) subject to approval by shareholders at the forthcoming annual general meeting of the Company. These together with the interim dividends of HK6.65 cents per share (2008: HK5.8 cents per share) already declared, will make a total dividends of HK15.35 cents per share for 2009 (2008: HK12.0 cents per share).

The global economy was affected by the economic crisis in the first quarter of the year. Following different policy measures taken by governments worldwide, the global financial markets had generally become stable in the second quarter of the year. This further improved market sentiment in the second half of the year, leading to overall improvement of the financial and property markets. From this background, our revenue from sales of Hoe Hin brand of products for this year was moderately less than previous year, attributable to less contribution from Hong Kong and Mainland markets. During the year, while we maintained market penetration strategies on our existing products, with more marketing effort on Hoe Hin Strain Relief and Fúzăi 239 series (floral-scented White Flower Embrocation) which we saw increased consumer recognition, we started distributing Hoe Hin Strain Relief in Singapore this year as new market for this product. We also commenced a new sole distributorship in Canada this year, targeting to penetrate our products into mainstream market in a few years with an aim to extend our market presence there. Product licenses for White Flower Embrocation in Indonesia were still on its way, and upon approval obtained from local authority we expect to resume sales there in fall 2010. We had also submitted application of product licenses in Myanmar, a potential new market to start business.

Global financial and property markets experienced overall improvement in the second half of the year, which favourably affected the fair values of our properties and securities investments. Building on our current strategies to hold investment properties for long term, we maintained steady rental income, while we experienced an overall decline due to decrease in average exchange rate in translating foreign rental income.

OUTLOOK

Massive fiscal stimulus programmes and relaxed monetary policies adopted by different governments helped stabilise financial markets and improved market sentiment. The global economic outlook will remain uncertain and we will adhere to prudent management of our treasury investments and liquidity.

We adhere to our current strategies to penetrate markets and develop new markets for our existing products. For market penetration, we are considering to expand our distribution network in the United States, and believe that such expanded distribution would drive the channel growth. We also focus more on other regions in Mainland China beyond Guangdong province through participation in different exhibitions with direct consumer promotions and sampling in major cities. For market development, we have plans to launch Hoe Hin Strain Relief in Thailand, tentatively scheduled in fall 2010.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our dedicated staff for their hard work and to the investors and business partners for their continuous support. I would also like to extend my sincere gratitude to the late Mr. Robert Kwan Chiu Yin, who was a non-executive director of the Company and passed away in October 2009, for his invaluable contributions to the Company.

By order of the Board

GAN Wee Sean
Chairman

Hong Kong, 22 April 2010

Management Discussion and Analysis

RESULTS OVERVIEW

For the year ended 31 December 2009, the Group's turnover decreased by 5.1% to HK$107,959,000 (2008: HK$113,802,000) as a result of decreased contributions from sales of Hoe Hin brand of products, rental income and income derived from treasury investment.

Revaluation surplus of the Group's investment properties was HK$26,716,000 (2008: deficit of HK$32,128,000), including a surplus of HK$10,249,000 (2008: deficit of HK$23,897,000) which related to the Group's investment properties in the United Kingdom.

Despite contributions from all business segments decreased, the improvement in financial markets helped favourable market sentiment, which had positive effect on mark-to-market fair value movement of our listed investments.

Profit attributable to owners for the year ended 31 December 2009 was approximately HK$59,567,000 (2008: loss of HK$21,339,000 (as restated)).

The revaluation of other properties, which has been accounted for as other comprehensive income, due to early adoption of the Amendments to Hong Kong Accounting Standard 17 for current year has resulted in a net revaluation gain in this year of HK$29,357,000 (2008: loss of HK$12,220,000 (as restated)).

Total comprehensive income attributable to owners for the year ended 31 December 2009 was approximately HK$94,385,000 (2008: loss of HK$49,972,000 (as restated)).

MANUFACTURING AND SALES OF HOE HIN BRAND OF PRODUCTS

Revenue from sales of Hoe Hin brand of products decreased by 2.1% to HK$97,240,000 (2008: HK$99,301,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 53.8% (2008: 53.8%) of the segment revenue. Mainland China accounts for about 28.0% (2008: 30.8%). Both contributions from Hong Kong and Mainland China had been less than last year. Contribution from Philippines and the United States had been improved, while sales in other regions had no significant changes.

Segment profit increased by 12.0% to HK$37,646,000 (2008: HK$33,614,000 (as restated)), mainly due to decreased operating and production costs, especially advertising and promotion expenses.

PROPERTY INVESTMENT

Revenue for this segment decreased by 14.8% to HK$8,736,000 (2008: HK$10,249,000). This change mainly represents decreased average exchange rate in translating foreign rental income.

Net revaluation surplus in respect of the Group's investment properties of HK$26,716,000 (2008: deficit of HK$32,128,000) was recognised for the year as a result of recovering worldwide property markets. As a result, the segment result increased by 252.6% to a profit of HK$34,614,000 (2008: loss of HK$22,679,000 (as restated)).

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.

TREASURY INVESTMENT

Revenue derived from this segment decreased by 53.4% to HK$1,983,000 (2008: HK$4,252,000), primarily due to less interest income earned from debt securities, as well as decreased average exchange rate in translating foreign interest income. However, the improving financial markets led to a better performance in this segment. The segment result increased to a profit of HK$9,057,000 (2008: loss of HK$13,131,000), mainly attributable to favourable movement in fair value changes on listed investments and favourable changes in exchange rates of bank deposits denominated in foreign currencies, partly offset by the decrease in interest income as aforesaid.

FINANCE COSTS

The decrease of HK$5,230,000 (78.1%) to HK$1,464,000 was mainly due to repayment of bank loan during the year, and lower market interest rates and average exchange rates in translating foreign interest payments comparing to last year.

TAXATION

There was an increase in taxation from HK$2,247,000 (as restated) to HK$8,619,000 for the year, principally due to an increase in taxable operating profits of subsidiaries in Hong Kong, and an increase in deferred tax provision arising from revaluation of investment properties 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 2009 was 25.2% (2008: 45.3% (as restated)). Total bank borrowings of the Group amounted to HK$75,239,000 (2008: HK$107,853,000), mainly denominated in Pound Sterling, Japanese Yen and Hong Kong Dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 1.6 as at 31 December 2009 (2008: 1.1). 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 2009, 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. Other than United States dollars whose exchange rate remained relatively stable during the year and Japanese Yen whose the underlying assets are used for pledge of debt borrowings as described in the following paragraph, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2009 were approximately HK$34.8 million (2008: HK$74.6 million) in total, or about 8.1% (2008: 19.2% (as restated)) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debt borrowings) of approximately HK$57.4 million (2008: HK$8.4 million) relating to properties investments in the United Kingdom.

Debt borrowings were either denominated in Hong Kong dollars or the currencies of the underlying pledged assets. Net foreign exchange exposure, being foreign debt borrowings denominated in Japanese Yen in excess of their underlying assets, was approximately HK$11.9 million (2008: HK$12.7 million).

PLEDGE OF ASSETS

As at 31 December 2009, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with carrying value of approximately HK$192.7 million (2008: HK$151.9 million (as restated)) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$94.7 million (2008: HK$135.1 million), of which approximately HK$75.2 million (2008: HK$107.9 million) were utilised as at 31 December 2009.

In addition, certain bank deposits and financial assets at fair value through profit or loss with total carrying amount of HK$3.9 million (2008: HK$2.9 million) were pledged to secure standby banking facilities granted to the Group to the extent of HK$15.6 million (2008: HK$15.6 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had a total of 99 (2008: 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 63, 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 and shareholder of Hexagan Enterprises Limited, a substantial shareholder of the Company.

Mr. GAN Fock Wai, Stephen, aged 48, 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 and shareholder of Gan's Enterprises Limited, a substantial shareholder of the Company.

Independent Non-executive Directors

Mr. LEUNG Man Chiu, Lawrence, aged 62, 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 40 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 50, 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 47, 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 39, 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 45, 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 2009 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 have been shared with executive director to balance the power and authority. In addition, all major decisions have been 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.

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.

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.

Corporate Governance Report

The board held six regular board meetings at approximately quarterly intervals during the year 2009. 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 2009	
Number of meetings:	6
Executive directors	
Gan Wee Sean *(Chairman and acting Chief Executive Officer)*	4
Gan Fock Wai, Stephen	6
INEDs	
Lawrence Leung Man Chiu	6
Wong Ying Kay, Ada	4
Ip Tin Chee, Arnold	5

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 acting Chief Executive Officer since 21 April 2008.

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 2009:

- considered and approved the 2009 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 2008 and for the six months ended 30 June 2009; and

- considered and approved the scope of internal control review for the year 2009 and reviewed the results thereof conducted by auditor.

The Audit Committee held three 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 2009

Number of meetings:	3
INEDs	
Lawrence Leung Man Chiu *(Chairman)*	3
Wong Ying Kay, Ada	2
Ip Tin Chee, Arnold	2

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 2009:

- reviewed the remuneration of the executive directors, the INEDs and senior management for the year 2009; and
- reviewed the remuneration of the executive directors and senior management for the year 2010.

The Remuneration Committee held two 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 2009

Number of meetings:	2
Executive Director	
Gan Fock Wai, Stephen	2
INEDs	
Lawrence Leung Man Chiu *(Chairman)*	2
Wong Ying Kay, Ada	1
Ip Tin Chee, Arnold	1

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 2009.

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 2009.

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 auditor, Mazars CPA Limited in respect of audit and review services for the year ended 31 December 2009 amounted to HK$460,000. In respect of non-audit services, the fees paid to the Company's auditor amounted to HK$60,000.

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 2009, 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. The board also reviewed adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 2009, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. All resolutions were duly passed by shareholders of the Company by way of poll at the meeting. The chairman of the Board and the chairman of the audit committee and the remuneration committee attended the meetings to answer questions of shareholders. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

On 15 October, 2009, a special general meeting of the Company was held to consider and pass ordinary resolution approving the connected transaction, details of which was set out in a circular to shareholders of the Company dated 28 September 2009. An independent non-executive director was present and acted as chairman of the meeting to answer questions at the special general meeting. The ordinary resolution was duly passed by shareholders of the Company by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

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 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 21.

Interim dividends (as set out in note 10 to the financial statements) amounting to HK$17,270,000 were paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6.2 cents per share and a special final dividend of HK2.5 cents per share, amounting to a total sum of HK$22,593,900, to the shareholders of the Company whose names appear on the register of members on 21 June 2010.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 15 June 2010 to Monday, 21 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 June 2010.

DONATIONS

During the year, the Group made charitable donations amounting to HK$237,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 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 71.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are carried 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 72.

Directors' Report

DISCLOSEABLE AND CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the following connected transaction of the Group are required to be disclosed in the annual report of the Company:

On 8 September 2009, a subsidiary of the Company, Hoe Hin Pak Fah Yeow Manufactory, Limited and Mr. Gan Wee Sean entered into an agreement for trade marks assignment (the "Agreement for Trade Marks Assignment"), pursuant to which Mr. Gan Wee Sean agreed to assign all his rights, title and interest in and to the trade marks "白花油" and "白花膏" registered in Malaysia and Singapore under the name of Mr. Gan Wee Sean (the "Trade Marks") to Hoe Hin Pak Fah Yeow Manufactory, Limited at a consideration of HK$19,600,000, which will be satisfied in full by (1) the first instalment of HK$280,000 to be payable within ten business days after the date of issue of all the notices of assignment by the Malaysia and Singapore Trade Marks Offices acknowledging the assignment of the Trade Marks; and (2) upon completion of the assignment, thereafter an amount of HK$280,000 be payable within 20 business days after the end of each calendar year commencing in year 2011 until full settlement of the balances of the consideration.

The assignment of the Trade Marks will save the Group from further payment of licence fee paid to Mr. Gan Wee Sean and would allow the Company to apply and register other associated trade marks in Malaysia and Singapore (subject to the approval of the respective trade marks office) and prevent other similar trade marks from being registered by third parties. Moreover, the assignment would guarantee the use of the Trade Marks by the Company in Malaysia and Singapore and thus the continual sales of the Company's products (with such Trade Marks imprinted) in the territories concerned.

The Agreement for Trade Marks Assignment constitutes a discloseable transaction for the Company under the Listing Rules as one or more of the relevant percentage ratios exceeds 5% but is less than 25%. As Mr. Gan Wee Sean is the controlling shareholder of the Company and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, the Agreement for Trade Mark Assignment also constitutes a connected transaction of the Company.

For further information relating to the above transaction, please refer to the Company's announcement dated 8 September 2009 and circular dated 28 September 2009.

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors
Mr. Gan Wee Sean *(Chairman 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. Gan Wee Sean and Mr. Gan Fock Wai, Stephen will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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 2009, 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)*	30.46%
Mr. Gan Fock Wai, Stephen	8,252,400	–	52,106,600 *(Note 3)*	60,359,000 *(Note 3)*	23.24%

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 30.46 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 23.24 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 34 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 28 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 2009, 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 share 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 89.0 percent of the total sales of the Group in 2009 with the largest customer accounting for 49.1 percent.

The five largest suppliers of the Group accounted for 71.5 percent of the total purchases of the Group in 2009 with the largest supplier accounting for 36.4 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 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 have been shared with executive director to balance the power and authority. In addition, all major decisions have been 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.

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
Pak Fah Yeow International Limited

GAN Wee Sean
Chairman

Hong Kong, 22 April 2010

Independent Auditor's Report

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

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 70, which comprise the consolidated and the Company's statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit 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 2010

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Turnover	3	**107,959**	113,802
Other revenue	4	**632**	647
Other net income		**464**	286
Changes in inventories of finished goods		**238**	(944)
Raw materials and consumables used		**(21,245)**	(22,624)
Staff costs		**(23,374)**	(21,215)
Depreciation expenses		**(3,571)**	(3,584)
Net exchange gain (loss)		**3,649**	(10,455)
Gain on disposal of held-to-maturity financial assets		**755**	–
Other operating expenses		**(25,064)**	(28,191)
Profit from operations before fair value changes of financial assets through profit or loss and properties		**40,443**	27,722
Net gain (loss) on financial assets at fair value through profit or loss		**2,491**	(7,992)
Revaluation surplus (deficit) in respect of investment properties	12	**26,716**	(32,128)
Profit (Loss) from operations		**69,650**	(12,398)
Finance costs	5	**(1,464)**	(6,694)
Profit (Loss) before taxation	5	**68,186**	(19,092)
Taxation	8	**(8,619)**	(2,247)
Profit (Loss) for the year, attributable to owners of the Company	9	**59,567**	(21,339)
Other comprehensive income (loss)			
Change in fair value of available-for-sale financial assets		**736**	(1,355)
Revaluation surplus (deficit) of leasehold land and buildings, net of tax effect of HK$5,801,000 *(2008: HK$2,521,000)*		**29,357**	(12,220)
Exchange difference arising from translation of financial statements of overseas subsidiaries		**9,123**	(31,230)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries		**(4,398)**	16,172
Other comprehensive income (loss) for the year, net of tax, attributable to owners of the Company		**34,818**	(28,633)
Total comprehensive income (loss) for the year, attributable to owners of the Company		**94,385**	(49,972)
Earnings (Loss) per share			
Basic and diluted	11	**22.9 cents**	(8.2) cents

The notes on pages 26 to 70 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	At 31 December 2009 HK$'000	2008 HK$'000 (Restated)	At 1 January 2008 HK$'000 (Restated)
Non-current assets				
Investment properties	12	**168,577**	132,948	196,072
Property, plant and equipment	13	**135,839**	103,948	121,847
Held-to-maturity financial assets	14	**–**	33,578	–
Available-for-sale financial assets	14	**6,140**	5,691	6,111
		310,556	276,165	324,030
Current assets				
Inventories	16	**7,785**	9,573	13,720
Trade and other receivables	17	**42,587**	35,733	33,486
Financial assets at fair value through profit or loss	14	**31,320**	19,168	28,221
Pledged bank deposits	18	**6,969**	16,523	33,569
Cash and cash equivalents	18	**32,383**	31,761	17,815
		121,044	112,758	126,811
Current liabilities				
Short-term bank loans, secured	19	**54,897**	85,757	65,386
Current portion of long-term bank loan, secured	20	**1,790**	1,754	1,521
Current portion of deferred income	22	**29**	21	–
Trade and other payables	21	**12,915**	11,804	10,181
Tax payable		**3,103**	1,581	874
Dividends payable		**5,153**	4,199	6,766
		77,887	105,116	84,728
Net current assets		**43,157**	7,642	42,083
Total assets less current liabilities		**353,713**	283,807	366,113
Non-current liabilities				
Long-term bank loan, secured	20	**18,552**	20,342	22,246
Long-term portion of deferred income	22	**4,336**	3,108	–
Provision for long service payments	23	**2,150**	1,900	1,400
Provision for directors' retirement benefits	24	**9,212**	8,514	8,267
Deferred taxation	25	**20,443**	11,937	16,500
		54,693	45,801	48,413
NET ASSETS		**299,020**	238,006	317,700
Capital and reserves				
Share capital	26	**12,985**	12,985	13,000
Reserves	27	**286,035**	225,021	304,700
TOTAL EQUITY		**299,020**	238,006	317,700

Approved and authorised for issue by the Board of Directors on 22 April 2010.

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 26 to 70 form part of these financial statements.

Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	*15*	**84,340**	84,340
Current assets			
Deposits, prepayments and other debtors		**230**	210
Amounts due from subsidiaries	*29*	**144,244**	138,441
Cash and cash equivalents	*18*	**14,850**	329
		159,324	138,980
Current liabilities			
Accrued charges and other creditors		**1,605**	123
Amounts due to subsidiaries	*29*	**121,218**	104,158
Dividends payable		**5,153**	4,199
		127,976	108,480
Net current assets		**31,348**	30,500
Total assets less current liabilities		**115,688**	114,840
Non-current liabilities			
Provision for directors' retirement benefits	*24*	**9,212**	8,514
NET ASSETS		**106,476**	106,326
Capital and reserves			
Share capital	*26*	**12,985**	12,985
Reserves	*27*	**93,491**	93,341
TOTAL EQUITY		**106,476**	106,326

Approved and authorised for issue by the Board of Directors on 22 April 2010.

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 26 to 70 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Note	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated profits: Proposed dividends HK$'000	Accumulated profits: Undistributed profits HK$'000	Total HK$'000
At 1 January 2008									
– as previously reported		13,000	24,925	5,261	2,504	3,663	14,300	210,178	273,831
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	2	–	–	38,402	–	–	–	5,467	43,869
– as restated		13,000	24,925	43,663	2,504	3,663	14,300	215,645	317,700
Total comprehensive loss attributable to owners of the Company		–	–	(12,220)	(1,355)	(15,058)	–	(21,339)	(49,972)
Repurchase of shares:									
– Par value paid		(15)	–	–	–	–	–	–	(15)
– Premium paid		–	(331)	–	–	–	–	–	(331)
Interim dividends declared		–	–	–	–	–	–	(15,076)	(15,076)
Final dividends proposed		–	–	–	–	–	16,101	(16,101)	–
Final dividends in respect of previous years		–	–	–	–	–	(14,300)	–	(14,300)
At 31 December 2008, as restated		12,985	24,594	31,443	1,149	(11,395)	16,101	163,129	238,006
At 1 January 2009									
– as previously reported		12,985	24,594	5,705	1,149	(11,395)	16,101	160,812	209,951
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17		–	–	25,738	–	–	–	2,317	28,055
– as restated		12,985	24,594	31,443	1,149	(11,395)	16,101	163,129	238,006
Total comprehensive income attributable to owners of the Company		–	–	29,357	736	4,725	–	59,567	94,385
Interim dividends declared		–	–	–	–	–	–	(17,270)	(17,270)
Final dividends declared		–	–	–	–	–	22,594	(22,594)	–
Final dividends in respect of previous years		–	–	–	–	–	(16,101)	–	(16,101)
At 31 December 2009		**12,985**	**24,594**	**60,800**	**1,885**	**(6,670)**	**22,594**	**182,832**	**299,020**

The notes on pages 26 to 70 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	30	**37,235**	45,303
Interest received		**2,117**	3,652
Interest paid		**(1,464)**	(6,694)
Income taxes paid		**(4,409)**	(3,458)
Net cash generated from operating activities		**33,479**	38,803
INVESTING ACTIVITIES			
Dividends received from financial assets at fair value through profit or loss		**517**	634
Purchase of financial assets at fair value through profit or loss		**(26,826)**	(1,296)
Purchase of available-for-sale financial assets		**(468)**	(935)
Purchase of property, plant and equipment		**(304)**	(426)
Purchase of held-to-maturity financial assets		**–**	(45,712)
Proceeds from disposal of held-to-maturity financial assets		**38,241**	–
Proceeds from disposal of available-for-sale financial assets		**755**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**17,278**	2,357
Net cash generated from (used in) investing activities		**29,193**	(45,378)
FINANCING ACTIVITIES			
Net movement in short-term bank loans		**(38,471)**	37,983
Repurchase of shares		**–**	(346)
Repayment of long-term bank loan		**(1,754)**	(1,671)
Dividends paid		**(32,417)**	(31,943)
Net cash (used in) generated from financing activities		**(72,642)**	4,023
Net decrease in cash and cash equivalents		**(9,970)**	(2,552)
Cash and cash equivalents at beginning of the reporting period		**48,284**	51,384
Effect of foreign exchange rate changes		**1,038**	(548)
Cash and cash equivalents at end of the reporting period	18	**39,352**	48,284

The notes on pages 26 to 70 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2009

1. GENERAL

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

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 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 (the "Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2008 financial statements except for the adoption/early adoption of the following new/revised HKFRS.

Changes in accounting policy and disclosures

(a) *New and revised standards that are or have become effective for the current year*

HKAS 1 (Revised): *Presentation of Financial Statements*
HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). The Group has elected to prepare one statement. In addition, the revised Standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group has restated comparative information as a result of the early adoption of the Amendments to HKAS 17 (see note 2(b)), a statement of financial position of the Group as at 1 January 2008 is presented in the consolidated financial statements.

HKFRS 8: *Operating Segments*
The Standard, replacing HKAS 14: *Segment Reporting*, requires segment information to be reported based on internal information used by the Group's chief operating decision maker to evaluate the performance of operating segments and allocate resources to those segments and replaces the requirement to determine primary and secondary reporting segments previously identified under HKAS 14. The Group has determined that the operating segments to be reported under HKFRS 8 would be the business segments previously identified under HKAS 14. The adoption of this standard did not have any effect on the financial position or performance of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(a) New and revised standards that are or have become effective for the current year (Continued)

Amendments to HKFRS 7 *Financial Instruments: Disclosures*
Amendments to HKFRS 7 require additional disclosures about fair value measurements and liquidity risk. The fair value measurement disclosures are presented in note 35, and the liquidity risk disclosures are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

Improvements to HKFRS (2008)
Improvements to HKFRS (2008) contain improvements to a number of Standards aiming to remove inconsistencies and clarify wording in the Standards. The adoption of those improvements had resulted in a number of changes in the details of the Group's accounting policies. Of those changes, only the Amendments to HKAS 38: *Intangible Assets* as described below are considered more significant to the Group:

Amendments to HKAS 38: *Intangible Assets*
Amendments to HKAS 38 require expenditure on advertising and promotional activities to be recognised as an expense once the entity has the right to access the goods or receive the service. The adoption of these amendments had no significant impact on the financial statements.

(b) Early adoption of the applicable new/revised HKFRS

The HKICPA has issued new/revised HKFRS that are available for early adoption for the current accounting period of the Group. Of these, the Amendments to HKAS 17: *Leases – Classification of leases of land and buildings* made under "Improvement to HKFRS (2009)" ("Amendments to HKAS 17") are applicable to the Group's financial statements and the Group has elected to early adopt the amendments in the current accounting period.

The Amendments to HKAS 17 remove the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entities should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments on the basis of information existing at the inception of the lease. It shall recognise a lease newly classified as a finance lease retrospectively in accordance with HKAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* if the criteria of a finance lease is met.

On the early adoption of the Amendments to HKAS 17, the Group has made a reassessment of the existing land lease arrangement and concluded that such arrangement has substantially transferred all risks and rewards incidental to ownership of the leasehold land to the Group notwithstanding that at the end of the lease term, title will not be passed to the Group. As a result, prepaid lease payments for leasehold land of the Group have been reclassified to property, plant and equipment retrospectively. The leasehold land has been carried at fair value in accordance with the Group's accounting policies for leasehold land and buildings held for own use. Deferred tax provision has also been amended as a result of the movements of temporary differences arising from the changes in fair value of the leasehold land.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(b) Early adoption of the applicable new/revised HKFRS (Continued)

As a result of the early adoption of Amendments to HKAS 17 by the Group which has resulted in the retrospective application of an accounting policy and restatement of certain items in the financial statements, in accordance with HKAS 1 (Revised): *Presentation of Financial Statements*, the Group has presented an additional statement of financial position and related notes as at 1 January 2008 that reflect the financial position of the Group at the beginning of the earliest comparative period being presented.

The following tables disclose the adjustments that have been made in accordance with the amendments to each of the line items in the statements of financial position as previously reported as at 1 January 2008 and 31 December 2008 and in the statement of comprehensive income as previously reported for the year ended 31 December 2008.

(i) Effect on statements of financial position as at 1 January 2008 and 31 December 2008:

	At 31 December 2008			At 1 January 2008		
	As previously reported *HK$'000*	Effect of new policy *HK$'000*	As restated *HK$'000*	As previously reported *HK$'000*	Effect of new policy *HK$'000*	As restated *HK$'000*
Non-current assets						
Property, plant and equipment	32,548	71,400	103,948	30,897	90,950	121,847
Prepaid lease payments for leasehold land	39,097	(39,097)	–	39,585	(39,585)	–
Other non-current assets	172,217	–	172,217	202,183	–	202,183
	243,862	32,303	276,165	272,665	51,365	324,030
Current assets	112,758	–	112,758	126,811	–	126,811
Current liabilities	105,116	–	105,116	84,728	–	84,728
Net current assets	7,642	–	7,642	42,083	–	42,083
Total assets less current liabilities	251,504	32,303	283,807	314,748	51,365	366,113
Non-current liabilities						
Deferred taxation	7,689	4,248	11,937	9,004	7,496	16,500
Other non-current liabilities	33,864	–	33,864	31,913	–	31,913
	41,553	4,248	45,801	40,917	7,496	48,413
NET ASSETS	209,951	28,055	238,006	273,831	43,869	317,700
Capital and reserves						
Share capital	12,985	–	12,985	13,000	–	13,000
Reserves	196,966	28,055	225,021	260,831	43,869	304,700
TOTAL EQUITY	209,951	28,055	238,006	273,831	43,869	317,700

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(ii) Effect on statement of comprehensive income for the year ended 31 December 2008:

	As previously reported *HK$'000*	Effect of new policy *HK$'000*	As restated *HK$'000*
Profit from operations before fair value changes of financial assets through profit or loss and properties	27,722	–	27,722
Net loss on financial assets at fair value through profit or loss	(7,992)	–	(7,992)
Revaluation deficit in respect of investment properties	(32,128)	–	(32,128)
Reversal of revaluation deficit in respect of properties other than investment properties	3,789	(3,789)	–
Loss from operations	(8,609)	(3,789)	(12,398)
Finance costs	(6,694)	–	(6,694)
Loss before taxation	(15,303)	(3,789)	(19,092)
Taxation	(2,886)	639	(2,247)
Loss for the year, attributable to owners of the Company	(18,189)	(3,150)	(21,339)
Other comprehensive loss			
Change in fair value of available-for-sale financial assets	(1,355)	–	(1,355)
Revaluation surplus (deficit) of leasehold land and buildings, net of tax effect	444	(12,664)	(12,220)
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
Other comprehensive loss for the year, net of tax, attributable to owners of the Company	(15,969)	(12,664)	(28,633)
Total comprehensive loss for the year, attributable to owners of the Company	(34,158)	(15,814)	(49,972)
Loss per share			
Basic and diluted	(7.0) cents	(1.2) cents	(8.2) cents

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(iii) Effect on statement of financial position as at 31 December 2009 and statement of comprehensive income for the year then ended:

The early adoption of the Amendments to HKAS 17 has resulted in an increase in property, plant and equipment of HK$76,017,000, representing the reallocation from prepaid lease payments for leasehold land of HK$39,097,000 and the revaluation surplus on the land element of the leasehold land and buildings of HK$36,920,000, together with related deferred tax impact. There was no impact on the net profit for the year.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, leasehold land and buildings, 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 comprise the financial statements of the Company and all of its subsidiaries as at 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.

Investment properties

Investment properties are land and/or buildings that are held by owner or lessee under a 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 carry at fair value.

Investment properties are carried at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in the profit or loss. 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.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings held for own use, are carried 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 profit or loss during the year in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the leasehold land under a finance lease, the prepaid cost representing the fair value of the leasehold land is included in leasehold land and buildings held for own use under property, plant and equipment.

Leasehold land and buildings held for own use are carried 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 profit or loss. Any subsequent increases are credited to the profit or loss 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.

Leasehold land and buildings held for own use:	
Leasehold land	Over the relevant lease term
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

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 statement of financial position, the investments in subsidiaries are carried 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.

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets 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 incorporates any dividend or interest earned on the financial assets.

Financial assets 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 as effective hedging instruments.

Financial assets 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 recognising 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 carried 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 profit or loss.

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 profit or loss.

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 profit or loss. 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 carried at cost less impairment loss.

Impairment of financial assets

At the end of each reporting period, 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 and held-to-maturity financial assets
An allowance for impairment loss of a financial asset 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 the financial asset.

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 financial asset 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 profit or loss.

When a receivable is uncollectible, it is written off against the relevant allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (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 profit or loss. 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 profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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 carried 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 end of the reporting period.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For the purpose of the consolidated statement of cash flows, 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 classification in the statement of financial position, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Inventories

Inventories are carried 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 effective 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 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 profit or loss.

Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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 statement of financial position 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 end of the reporting period;

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

- 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 profit or loss when the gain or loss on disposal is recognised.

Impairment of investments in subsidiaries and non-financial assets

At the end of each reporting period, the Group and the Company review internal and external sources of information to determine whether its investments in subsidiaries and property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interim financial reporting and impairment

Under the Listing Rules, 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 and unlisted 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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

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 profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Defined contribution plans

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

Post-employment benefit obligation

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners 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 owners.

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 end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 recognised.

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 end of the reporting period. 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.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset against current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxable authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products or services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 the end of each reporting period, 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 receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Future changes in HKFRS

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 2009. Of these standards, the Group has early adopted the Amendments to HKAS 17 as mentioned in the section headed "Changes in accounting policy and disclosures" in this note.

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. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker – the executive directors that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations. The Group is currently organised into three operating businesses as follows:

a) Manufacturing and sale of Hoe Hin Brand of products – sales of Hoe Hin Brand of products

b) Property investment – rental income from the Group's investment properties located in Hong Kong, Singapore and United Kingdom

c) Treasury investment – interest income from the Group's bank deposits and debt securities

Each of the Group's operating businesses represents a strategic business unit subject to risks and returns that are different from those of the other operating business.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess segment profit or loss before income tax without allocation of finance costs, and the basis of preparing such information is consistent with that of the financial statements.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments

	Year ended 31 December 2009			
	Manufacturing and sales of Hoe Hin Brand of products *HK$'000*	Property investment – rental income *HK$'000*	Treasury investment – interest income *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	97,240	8,736	1,983	107,959
Segment results	37,646	34,614	9,057	81,317
Unallocated corporate expenses				(11,667)
Profit from operations				69,650
Finance costs				(1,464)
Profit before taxation				68,186
Taxation				(8,619)
Profit for the year				59,567
Assets				
Segment assets	197,919	169,206	64,063	431,188
Unallocated corporate assets				412
Consolidated total assets				431,600
Liabilities				
Segment liabilities	12,666	43,311	37,829	93,806
Unallocated corporate liabilities				38,774
Consolidated total liabilities				132,580
Other information				
Additions to non-current assets *(note)*	304	–	–	304
Depreciation expenses	3,571	–	–	3,571
Revaluation surplus in respect of investment properties	–	26,716	–	26,716
Revaluation surplus of leasehold land and buildings	35,158	–	–	35,158

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Year ended 31 December 2008			
	Manufacturing and sales of Hoe Hin Brand of products *HK$'000* *(Restated)*	Property investment – rental income *HK$'000* *(Restated)*	Treasury investment – interest income *HK$'000*	Consolidated *HK$'000* *(Restated)*
Revenue from external customers	99,301	10,249	4,252	113,802
Segment results	33,614	(22,679)	(13,131)	(2,196)
Unallocated corporate expenses				(10,202)
Loss from operations				(12,398)
Finance costs				(6,694)
Loss before taxation				(19,092)
Taxation				(2,247)
Loss for the year				(21,339)
Assets				
Segment assets	162,272	134,294	91,975	388,541
Unallocated corporate assets				382
Consolidated total assets				388,923
Liabilities				
Segment liabilities	12,280	71,652	40,645	124,577
Unallocated corporate liabilities				26,340
Consolidated total liabilities				150,917
Other information				
Additions to non-current assets *(note)*	426	–	–	426
Depreciation expenses	3,584	–	–	3,584
Revaluation deficit in respect of investment properties	–	(32,128)	–	(32,128)
Revaluation deficit of leasehold land and buildings	(14,741)	–	–	(14,741)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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 operating business is located in Hong Kong. Property investment and treasury investment operating businesses are in various locations.

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

	Revenue from external customers		**Results from operations**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong	**52,683**	54,049	**38,786**	10,453
Other regions in the PRC	**28,432**	31,806	**6,774**	6,502
Southeast Asia	**11,948**	11,704	**6,528**	(5,136)
North America	**6,423**	5,262	**2,978**	1,832
United Kingdom	**6,415**	7,886	**18,099**	(17,619)
Europe (excluding United Kingdom)	**1,223**	2,396	**6,690**	(608)
Other regions	**835**	699	**421**	1,440
Unallocated corporate expenses	**–**	–	**(10,626)**	(9,262)
	107,959	113,802	**69,650**	(12,398)

The following is an analysis of non-current assets by geographical locations:

	Non-current assets *(note)*	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**204,539**	156,448
Other regions in the PRC	**–**	–
Southeast Asia	**5,105**	4,838
North America	**–**	–
United Kingdom	**94,772**	75,610
Europe (excluding United Kingdom)	**–**	–
Other regions	**–**	–
	304,416	236,896

Note: Non-current assets exclude financial instruments, deferred tax assets and post-employment benefit assets.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Included in revenues arising from direct sales of Hoe Hin Brand of products of HK$97,240,000 *(2008: HK$99,301,000)* are revenues of approximately HK$69,226,000 *(2008: HK$75,752,000)* which arose from sales to the Group's two largest customers.

4. OTHER REVENUE

	2009	2008
	HK$'000	*HK$'000*
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	**517**	634
Others	**115**	13
	632	647

5. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**1,038**	6,127
Interest on bank loan wholly repayable more than five years	**426**	567
	1,464	6,694
(b) Other items		
Auditor's remuneration	**460**	500
Cost of inventories	**32,980**	35,119
Contributions to defined contribution plan	**487**	518
Operating lease charges on advertising spaces	**158**	196
Gross rental income from investment properties less outgoings of HK$278,000 (*2008: HK$581,000*)	**(8,458)**	(9,668)
Royalty charges	**242**	233
Interest income from bank deposits and debt securities	**(982)**	(1,994)
Interest income from held-to-maturity financial assets	**(1,001)**	(2,258)
	(1,983)	(4,252)

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 24)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2009 Total HK$'000
Executive directors							
Gan Wee Sean	**30**	**3,116**	**596**	**475**	**1,052**	**12**	**5,281**
Gan Fock Wai, Stephen	**30**	**2,008**	**596**	**223**	**571**	**12**	**3,440**
Independent non-executive directors							
Wong Ying Kay, Ada	**88**	**–**	**–**	**–**	**–**	**–**	**88**
Ip Tin Chee, Arnold	**88**	**–**	**–**	**–**	**–**	**–**	**88**
Leung Man Chiu, Lawrence	**88**	**–**	**–**	**–**	**–**	**–**	**88**
	324	**5,124**	**1,192**	**698**	**1,623**	**24**	**8,985**

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 24)	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

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 was payable to the directors of the Company in respect of the year ended 31 December 2008 as the Group incurred a loss for that year.

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two *(2008: two)* are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate emoluments of the other three *(2008: three)* individuals are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries	**2,212**	2,032
MPF contributions	**36**	36
	2,248	2,068

The three *(2008: three)* individuals with the highest emoluments are within the HK$Nil – HK$1 million band for the two years ended 31 December 2008 and 2009.

During the two years ended 31 December 2008 and 2009, 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 two years ended 31 December 2008 and 2009, no directors waived any of their emoluments.

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% *(2008: 16.5%)* 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.

	2009	2008
The charge comprises:	***HK$'000***	*HK$'000*
		(Restated)
Current tax		
Hong Kong Profits Tax	**4,939**	4,040
Overseas tax	**975**	249
	5,914	4,289
Deferred taxation *(note 25)*		
Current year	**2,705**	(1,100)
Attributable to a change in tax rate	**–**	(942)
	2,705	(2,042)
	8,619	2,247

8. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2009	2008
	%	%
		(Restated)
Applicable tax rate in Hong Kong	**16.5**	(16.5)
Effect of overseas tax rate differences	**0.8**	(6.6)
Non-deductible expenses and losses	**–**	39.6
Non-taxable revenue and gains	**(5.2)**	(0.1)
Utilisation of previously unrecognised tax losses	**–**	(0.7)
Unrecognised temporary differences	**0.6**	2.0
Effect of change in tax rate	**–**	(3.8)
Others	**(0.1)**	(2.1)
Effective tax rate for the year	**12.6**	11.8

9. PROFIT (LOSS) FOR THE YEAR

The consolidated profit (loss) attributable to owners of the Company for the year includes a profit of HK$33,521,000 *(2008: HK$28,834,000)* dealt with in the financial statements of the Company.

10. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividends of HK6.65 cents per share *(2008: HK5.80 cents)*	**17,270**	15,076
Final dividend of HK6.20 cents per share *(2008: HK6.20 cents)*	**16,101**	16,101
Special final dividend of HK2.50 cents per share *(2008: Nil)*	**6,493**	–
	39,864	31,177

The final dividend and special final dividend for 2009 proposed after the end of the reporting period are subject to shareholders' approval at the forthcoming annual general meeting. These have not been recognised as a liability at the end of the reporting period.

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to owners of the Company for the year of HK$59,567,000 *(2008 (restated): loss of HK$21,339,000)* and the weighted average number of shares of 259,700,000 *(2008: 259,929,000)* 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 2008 and 2009.

12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases HK$'000	Freehold investment properties in United Kingdom and Singapore HK$'000	Total HK$'000
Valuation			
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
At 1 January 2009	52,500	80,448	132,948
Exchange realignment	–	8,913	8,913
Revaluation surplus	16,200	10,516	26,716
At 31 December 2009	**68,700**	**99,877**	**168,577**

Investment properties in Hong Kong and Singapore were revalued respectively on a market value basis on 31 December 2009 by Memfus Wong Surveyors Limited and Equipnet Valuation Service Pte Ltd., independent professional valuers. Investment properties in United Kingdom were revalued on a market value basis by Cushman & Wakefield, independent professional valuers.

At the end of the reporting period, all of the investment properties of the Group was rented out under operating leases.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong under long leases HK$'000	Leasehold land and buildings in Hong Kong under medium-term leases HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2008						
At beginning of the reporting period						
– as previously reported	7,640	16,910	2,238	2,859	1,250	30,897
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	55,660	35,290	–	–	–	90,950
– as restated	63,300	52,200	2,238	2,859	1,250	121,847
Additions	–	–	317	109	–	426
Revaluation	(9,353)	(5,388)	–	–	–	(14,741)
Depreciation	(447)	(762)	(845)	(1,113)	(417)	(3,584)
At end of the reporting period	53,500	46,050	1,710	1,855	833	103,948
Reconciliation of carrying amount – year ended 31 December 2009						
At beginning of the reporting period						
– as previously reported	9,290	18,860	1,710	1,855	833	32,548
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	44,210	27,190	–	–	–	71,400
– as restated	53,500	46,050	1,710	1,855	833	103,948
Additions	–	–	246	58	–	304
Revaluation	22,447	12,711	–	–	–	35,158
Depreciation	(447)	(761)	(869)	(1,077)	(417)	(3,571)
At end of the reporting period	**75,500**	**58,000**	**1,087**	**836**	**416**	**135,839**
At 1 January 2009 *(Restated)*						
Cost	–	–	13,119	16,437	2,084	31,640
Valuation	53,500	46,050	–	–	–	99,550
Accumulated depreciation	–	–	(11,409)	(14,582)	(1,251)	(27,242)
	53,500	46,050	1,710	1,855	833	103,948
At 31 December 2009						
Cost	–	–	13,342	16,363	2,083	31,788
Valuation	75,500	58,000	–	–	–	133,500
Accumulated depreciation	–	–	(12,255)	(15,527)	(1,667)	(29,449)
	75,500	**58,000**	**1,087**	**836**	**416**	**135,839**

The leasehold land and buildings held for own use were valued on a market value basis on 31 December 2009 by Memfus Wong Surveyors Limited, independent professional valuers.

The carrying amount of the leasehold land and buildings held for own use as at 31 December 2009 would have been HK$66,788,000 *(2008 (restated): HK$67,996,000)* had they been carried at cost less accumulated depreciation and accumulated impairment losses.

14. 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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities:								
Listed								
Hong Kong	**–**	–	**2,932**	2,105	**–**	–	**2,932**	2,105
Overseas	**–**	–	**14,160**	12,676	**–**	–	**14,160**	12,676
Unlisted	**6,140**	5,691	**–**	–	**–**	–	**6,140**	5,691
	6,140	5,691	**17,092**	14,781	**–**	–	**23,232**	20,472
Debt securities, listed overseas	**–**	–	**11,148**	577	**–**	33,578	**11,148**	34,155
Dual currency deposits	**–**	–	**3,080**	3,810	**–**	–	**3,080**	3,810
	6,140	5,691	**31,320**	19,168	**–**	33,578	**37,460**	58,437
Carrying amount included in:								
Current assets	**–**	–	**31,320**	19,168	**–**	–	**31,320**	19,168
Non-current assets	**6,140**	5,691	**–**	–	**–**	33,578	**6,140**	39,269
	6,140	5,691	**31,320**	19,168	**–**	33,578	**37,460**	58,437

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	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	British Virgin Islands/United Kingdom	1 ordinary share of US$1	–	100	Property investment

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

16. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Finished goods	**945**	706
Raw materials	**4,371**	5,981
Bottles, caps and packing materials	**2,469**	2,886
	7,785	9,573

17. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables *(note 17(a))*	**19,206**	17,485
Bills receivable	**18,700**	14,140
Other receivables		
Deposits, prepayments and other debtors	**4,681**	4,108
	42,587	35,733

17(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:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**11,656**	9,937
31 – 60 days	**6,601**	2,702
61 – 90 days	**949**	4,845
More than 90 days	**–**	1
	19,206	17,485

As at 31 December 2009, there was no balance that was past due but not impaired.

As at 31 December 2008, the Group's trade receivable balance included debtors with a carrying amount of HK$172,000 which were past due but for which the Group did not consider as impaired. The Group did not hold any collateral over these balances and the average age of these receivables was 40 days.

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

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As stated in the statement of financial position				
Bank balances and cash	**32,383**	31,761	**14,850**	329
Pledged bank deposits *(note 31)*	**6,969**	16,523		
As stated in the consolidated statement of cash flows	**39,352**	48,284		

19. SHORT-TERM BANK LOANS, SECURED

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

	2009	2008
	HK$'000	*HK$'000*
Japanese Yen *(note 19(a))*	**17,487**	18,548
British Pound Sterling *(note 19(b))*	**37,410**	67,209
	54,897	85,757

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

19(b) The bank loan, which is denominated in British Pound Sterling, bears interest at the bank's cost of fund plus 0.95% per annum and is 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$94,772,000 *(2008: HK$75,610,000)* together with the assignment of rental monies derived from these investment properties.

20. LONG-TERM BANK LOAN, SECURED

The bank loan is repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 1 year	**1,790**	1,754
After 1 year but within 2 years	**1,826**	1,790
After 2 years but within 5 years	**5,703**	5,590
After 5 years	**11,023**	12,962
	18,552	20,342
	20,342	22,096

The maturity of the above borrowings is as follows:

	2009	2008
Wholly repayable within five years	**9,319**	9,134
Wholly repayable more than five years	**11,023**	12,962
	20,342	22,096

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 and buildings held for own use with a carrying value of HK$68,000,000 *(2008 (restated): HK$48,000,000)*.

21. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables *(note 21(a))*	**2,083**	1,988
Other payables		
Accrued charges and other creditors	**10,832**	9,816
	12,915	11,804

21. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**504**	1,646
31 – 60 days	**1,192**	342
61 – 90 days	**194**	–
More than 90 days	**193**	–
	2,083	1,988

22. 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 terms ranging from 152 to 153 years.

23. PROVISION FOR LONG SERVICE PAYMENTS

	2009	2008
	HK$'000	*HK$'000*
At beginning of the reporting period	**1,900**	1,400
Current year charge	**250**	500
At end of the reporting period	**2,150**	1,900

24. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS

	2009	2008
	HK$'000	*HK$'000*
At beginning of the reporting period	**8,514**	8,267
Current year charge	**698**	247
At end of the reporting period	**9,212**	8,514

25. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities:

	Accelerated depreciation allowances and revaluation of leasehold land and buildings *HK$'000* *(Restated)*	Revaluation of investment properties *HK$'000*	Total *HK$'000*
At 1 January 2008			
– as previously reported	1,856	7,148	9,004
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	7,496	–	7,496
– as restated	9,352	7,148	16,500
Recognised in profit or loss	142	(1,242)	(1,100)
Recognised in equity *(note 27)*	(2,521)	–	(2,521)
Effect of change in tax rate	(533)	(409)	(942)
At 31 December 2008	6,440	5,497	11,937
At 1 January 2009			
– as previously reported	2,192	5,497	7,689
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	4,248	–	4,248
– as restated	6,440	5,497	11,937
Recognised in profit or loss	(9)	2,714	2,705
Recognised in equity *(note 27)*	5,801	–	5,801
At 31 December 2009	**12,232**	**8,211**	**20,443**

25. DEFERRED TAXATION (CONTINUED)

The Group (Continued)

Unrecognised deferred tax assets arising from:

	2009	2008
	HK$'000	*HK$'000*
Deductible temporary differences	**13,969**	11,564
Tax losses	**5,867**	6,385
At end of the reporting period	**19,836**	17,949

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$3,273,000 *(2008: HK$2,962,000)* have not been recognised due to uncertainty of their recoverability.

The Company

Unrecognised deferred tax assets arising from:

	2009	2008
	HK$'000	*HK$'000*
Deductible temporary differences	**9,212**	8,514
Tax losses	**1,500**	2,025
At end of the reporting period	**10,712**	10,539

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,768,000 *(2008: HK$1,739,000)* have not been recognised due to uncertainty of their recoverability.

26. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
As at 31 December 2008 and 2009	**600,000,000**	**30,000**
Issued and fully paid:		
As at 1 January 2008	**260,000,000**	**13,000**
Repurchase of shares	**(300,000)**	**(15)**
As at 31 December 2008 and 2009	**259,700,000**	**12,985**

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 27)*.

27. RESERVES

The Group	Share premium HK$'000	Revaluation reserve: Properties HK$'000	Revaluation reserve: Investment HK$'000	Exchange reserve HK$'000	Accumulated profits: Proposed dividends HK$'000	Accumulated profits: Undistributed profits HK$'000	Total HK$'000
At 1 January 2008							
– as previously reported	24,925	5,261	2,504	3,663	14,300	210,178	260,831
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	–	38,402	–	–	–	5,467	43,869
– as restated	24,925	43,663	2,504	3,663	14,300	215,645	304,700
Loss for the year	–	–	–	–	–	(21,339)	(21,339)
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 deficit of leasehold land and buildings	–	(14,741)	–	–	–	–	(14,741)
Deferred tax *(note 25)*	–	2,521	–	–	–	–	2,521
Changes in fair value of available-for-sale financial assets	–	–	(1,355)	–	–	–	(1,355)
Premium paid for repurchase of shares *(note 26)*	(331)	–	–	–	–	–	(331)
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, as restated	24,594	31,443	1,149	(11,395)	16,101	163,129	225,021
At 1 January 2009							
– as previously reported	24,594	5,705	1,149	(11,395)	16,101	160,812	196,966
– prior year adjustment arising from the early adoption of the Amendments to HKAS 17	–	25,738	–	–	–	2,317	28,055
– as restated	24,594	31,443	1,149	(11,395)	16,101	163,129	225,021
Profit for the year	–	–	–	–	–	59,567	59,567
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	9,123	–	–	9,123
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	–	–	–	(4,398)	–	–	(4,398)
Revaluation surplus of leasehold land and buildings	–	35,158	–	–	–	–	35,158
Deferred tax *(note 25)*	–	(5,801)	–	–	–	–	(5,801)
Changes in fair value of available-for-sale financial assets	–	–	736	–	–	–	736
Interim dividends declared	–	–	–	–	–	(17,270)	(17,270)
Final dividends proposed	–	–	–	–	22,594	(22,594)	–
2008 final dividends transferred to dividends payable	–	–	–	–	(16,101)	–	(16,101)
At 31 December 2009	**24,594**	**60,800**	**1,885**	**(6,670)**	**22,594**	**182,832**	**286,035**

27. RESERVES (CONTINUED)

The Company	Share premium HK$'000	Contributed surplus HK$'000	Accumulated profits: Proposed dividends HK$'000	Accumulated profits: Undistributed profits (losses) HK$'000	Total HK$'000
At 1 January 2008	24,925	67,708	14,300	(12,719)	94,214
Premium paid for repurchase of shares *(note 26)*	(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
At 1 January 2009	24,594	67,708	16,101	(15,062)	93,341
Profit for the year	–	–	–	33,521	33,521
Interim dividends declared	–	–	–	(17,270)	(17,270)
Final dividends proposed	–	–	22,594	(22,594)	–
2008 final dividends transferred to dividends payable	–	–	(16,101)	–	(16,101)
At 31 December 2009	**24,594**	**67,708**	**22,594**	**(21,405)**	**93,491**

The share premium represents the excess of the net proceeds from the issue 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.

27. RESERVES (CONTINUED)

At the end of the reporting period, the Company's reserves available for distribution to shareholders are as follows:

	2009	2008
	HK$'000	*HK$'000*
Contributed surplus	**67,708**	67,708
Accumulated profits	**1,189**	1,039
	68,897	68,747

28. 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 a 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. 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.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

30. CASH GENERATED FROM OPERATIONS

	2009	2008
	HK$'000	HK$'000
		(Restated)
Profit (Loss) before taxation	68,186	(19,092)
Interest income	(1,983)	(4,252)
Interest expenses	1,464	6,694
Dividend income from financial assets at fair value through profit or loss	(517)	(634)
Revaluation (surplus) deficit in respect of investment properties	(26,716)	32,128
Gain on disposal of held-to-maturity financial assets	(755)	–
Gain on disposal of financial assets at fair value through profit or loss	(115)	(13)
Net (gain) loss on financial assets at fair value through profit or loss	(2,491)	7,992
Exchange differences	(1,359)	11,594
Depreciation expenses	3,571	3,584
Changes in working capital:		
Inventories	1,788	4,147
Trade and other receivables	(6,703)	(2,372)
Trade and other payables	1,035	1,651
Deferred income	882	3,129
Provision for long service payments	250	500
Provision for directors' retirement benefits	698	247
Cash generated from operations	**37,235**	45,303

31. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings, 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$94,651,000 *(2008: HK$135,086,000)*, of which HK$75,239,000 *(2008: HK$107,853,000)* was utilised at the end of the reporting period.

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Leasehold land and buildings	**68,000**	48,000
Investment properties	**94,772**	75,610
Financial assets at fair value through profit or loss	**23,409**	12,067
Bank deposits	**6,513**	16,199
	192,694	151,876

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK$456,000 *(2008: HK$324,000)* and HK$3,479,000 *(2008: HK$2,610,000)* respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK$15,600,000 *(2008: HK$15,600,000)*.

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group leased out all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease terms ranging from less than 1 year to 16 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**8,783**	6,640
In the second to fifth year inclusive	**21,524**	14,351
Over five years	**32,485**	26,113
	62,792	47,104

33. FINANCIAL GUARANTEES

At the end of the reporting period, 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$57,752,000 *(2008: HK$89,305,000)*. 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.

34. 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.

	2009	2008
	HK$'000	*HK$'000*
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**2,173**	1,959
– Contributions to defined contribution plan	**36**	36
Royalty paid to a director *(note)*	**242**	233

Note:

Mr. Gan Wee Sean was interested as a licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited (the "Subsidiary"), whereby the Subsidiary was granted a license to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore (the "Trademarks") for the period from 1 January 2008 to 30 June 2009 at a total royalty payment of HK$350,000.

On 8 September 2009, the Subsidiary entered into an agreement to acquire the Trademarks from Mr. Gan Wee Sean at a total consideration of HK$19,600,000 which is payable by 70 equal annual instalments of HK$280,000 each. The completion of the transaction is subject to obtaining notices of assignment to be issued by the Malaysia and Singapore Trade Mark Offices respectively. Before the completion of the transaction, the Subsidiary continues licensing the use of the Trademarks at an annual royalty payment of HK$250,000.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, time deposits, trade and bills receivables, 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 or loss, time deposits and bank balances.

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 end of the reporting period, the Group had a concentration of credit risk from trade and bills receivables as 46.1% *(2008: 53.1%)* and 99.2% *(2008: 99.5%)* 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 and financial assets at fair value through profit or loss are placed with banks of high credit ratings in Hong Kong or other jurisdictions.

At the end of the reporting period, the Group had a concentration of credit risk in respect of its financial assets placed with 4 banks in a total amount of HK$68,666,000 *(2008: HK$93,117,000)*.

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.

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 end of the reporting period are used to convert the cash flows into Hong Kong dollars.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	On demand	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2009							
Short-term bank loans	**2,245**	**52,671**	**–**	**–**	**–**	**54,916**	**54,897**
Long-term bank loan	**–**	**2,181**	**2,181**	**6,542**	**12,237**	**23,141**	**20,342**
Trade and other payables	**11,926**	**989**	**–**	**–**	**–**	**12,915**	**12,915**
Dividends payable	**5,153**	**–**	**–**	**–**	**–**	**5,153**	**5,153**
	19,324	**55,841**	**2,181**	**6,542**	**12,237**	**96,125**	**93,307**
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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank balances and debt borrowings. Details of interest rates of the Group's bank loans at the end of the reporting period are set out in notes 19 and 20. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's results and financial position arising from volatility.

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 50 basis points ("bps") *(2008: 100 bps)* was applied to the yield curves at the end of the respective reporting period, representing management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2008.

	2009		2008	
	50 bps increase	**50 bps decrease**	100 bps increase	100 bps Decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(Decrease) Increase in profit or loss	**(179)**	**179**	(596)	596

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Most of the Group's business transactions were conduced 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 2009, the carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pound Sterling	**18,813**	55,912	**–**	–
United States dollars	**15,857**	9,517	**755**	885
Euro	**9,466**	7,214	**–**	–
Japanese Yen	**5,610**	5,864	**17,487**	18,548
Others	**3,804**	2,359	**1,092**	874
	53,550	80,866	**19,334**	20,307

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.

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period 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 5% *(2008: 10%)* was applied at the end of the respective reporting period.

	2009		2008	
	5% increase	**5% decrease**	10% increase	10% decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (Decrease) in profit or loss	**956**	**(956)**	5,193	(5,193)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity/Debt price risk

The Group's equity and debt securities are measured at fair value at the end of each reporting period with reference to the market 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 end of the reporting period and had been applied to both the equity and debt securities that would have affected the profit or loss and equity. A change of 10% *(2008: 20%)* in stock price and 10% *(2008: 20%)* in debt price was applied at the end of respective reporting period.

	2009		2008	
	10% increase in stock price and debt price	**10% decrease in stock price and debt price**	20% increase in stock price and debt price	20% decrease in stock price and debt price
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (Decrease) in profit or loss	**2,824**	**(2,824)**	3,072	(3,072)

Fair value

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.

	2009		2008	
	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

The following presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Assets measured at fair value

	31 December 2009 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss				
Debt securities, listed overseas	**11,148**	11,148	–	–
Equity securities, listed in Hong Kong	**2,932**	2,932	–	–
Equity securities, listed overseas	**14,160**	14,160	–	–
Dual currency deposits	**3,080**	3,080	–	–
Available-for-sale financial assets				
Unlisted private equity fund	**2,194**	–	–	2,194
Other securities, unlisted	**3,946**	3,946	–	–
	37,460	35,266	–	2,194

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Assets measured at fair value based on Level 3

Fair value measurement at the end of the reporting period:

Description	**Unlisted private equity fund** ***HK$'000***
At 1 January 2009	**2,440**
Gains or losses recognised in:	
– profit or loss	**–**
– other comprehensive income	**41**
Additions	**468**
Disposals	**(755)**
At 31 December 2009	**2,194**

All of the above gains or losses are reported as changes of "investment revaluation reserve".

The unlisted private equity fund's assets mainly comprised investment in unlisted companies in various industries (the "Investment") and the fair value of the Investment is estimated by the management of the fund 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.

36. 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 2008 and 2009.

37. 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 2009, US$470,000 (equivalent to approximately HK$3,666,000) *(2008: US$410,000 (equivalent to approximately HK$3,198,000))* was called and paid up. The remaining US$530,000 (equivalent to approximately HK$4,134,000) *(2008: US$590,000 (equivalent to approximately HK$4,602,000))* would be payable upon receiving instructions from the bank.

38. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the retrospective application of new accounting policies as disclosed in note 2 to the financial statements.

Group Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2005 *HK$'000* *(Note)*	2006 *HK$'000* *(Note)*	2007 *HK$'000* *(Restated)*	2008 *HK$'000* *(Restated)*	**2009** ***HK$'000***
Turnover	96,208	100,090	101,456	113,802	**107,959**
Profit (Loss) before taxation	30,619	47,500	43,709	(19,092)	**68,186**
Taxation	(2,554)	(5,403)	(7,703)	(2,247)	**(8,619)**
Profit (Loss) after taxation	28,065	42,097	36,006	(21,339)	**59,567**
Dividends	46,020	49,920	37,700	31,177	**39,864**
Earnings (Loss) per share	10.8 cents	16.2 cents	13.8 cents	(8.2) cents	**22.9 cents**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2005 *HK$'000* *(Note)*	2006 *HK$'000* *(Note)*	2007 *HK$'000* *(Restated)*	2008 *HK$'000* *(Restated)*	**2009** ***HK$'000***
Non-current assets	224,212	256,272	324,030	276,165	**310,556**
Net current assets	82,516	58,968	42,083	7,642	**43,157**
Non-current liabilities	(35,795)	(39,677)	(48,413)	(45,801)	**(54,693)**
	270,933	275,563	317,700	238,006	**299,020**
Share capital	13,000	13,000	13,000	12,985	**12,985**
Reserves	257,933	262,563	304,700	225,021	**286,035**
	270,933	275,563	317,700	238,006	**299,020**

Note: The figures for the years ended 31 December 2005 and 2006 have not been restated for the effects of the early adoption of Amendments to HKAS 17.

Summary of Properties Owned by the Group

As at 31 December 2009

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

LEASEHOLD LAND AND BUILDINGS

	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