



**WHITE  
FLOWER**

**PAK FAH YEOW INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)  
Stock Code:239

Interim Report

**2010**



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## **CORPORATE INFORMATION**

### **DIRECTORS**

Executive Directors

Gan Wee Sean (*Chairman and acting  
Chief Executive Officer*)

Gan Fock Wai, Stephen (R)

Independent Non-executive Directors

Leung Man Chiu, Lawrence  
(*chairing A, chairing R*)

Wong Ying Kay, Ada (A, R)

Ip Tin Chee, Arnold (A, R)

### **COMPANY SECRETARY**

Lo Tai On

### **REGISTERED OFFICE**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

11th Floor, 200 Gloucester Road

Wanchai

Hong Kong

### **AUDITOR**

Mazars CPA Limited

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

Wanchai, Hong Kong

### **STOCK CODE**

239

### **HOME PAGE**

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### **EMAIL**

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### **TELEPHONE**

(852) 2881 7713

(A) *Audit Committee member*

(R) *Remuneration Committee member*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Results Overview**

For the six months ended 30 June 2010, the Group's turnover increased by 22.3% to HK\$46,308,000 (2009: HK\$37,876,000) mainly due to increased contributions from sales of Hoe Hin brand of products and rental income, but partly offset by decreased contributions from treasury investment.

Revaluation surplus of the Group's investment properties for the period was HK\$9,514,000 (2009: HK\$6,250,000), including a surplus of HK\$3,514,000 (2009: Nil) which related to the Group's investment properties in the United Kingdom.

Despite increased contributions from sales of Hoe Hin brand of products and rental income, the volatile financial markets and the weakening United States dollars, with which our reporting currency of Hong Kong dollars are pegged, had an unfavourable effect on mark-to-market fair value movement of our listed investments and bank deposits denominated in foreign currencies.

Net profit for the six months ended 30 June 2010 decreased by 15.5% to approximately HK\$15,334,000 (2009: HK\$18,143,000 (as restated)).

In 2009, the Group has early adopted the Amendments to Hong Kong Accounting Standard 17 for classification of leases of land and buildings, which had resulted in the retrospective application of an accounting policy and restatement of the revaluation gains of the Group's leasehold land and buildings in prior years. The revaluation of leasehold land and buildings, which has been accounted for as other comprehensive income, has resulted in a net revaluation surplus in this period of HK\$14,516,000 (2009: HK\$3,966,000 (as restated)).

### **Manufacturing and sales of Hoe Hin Brand of products**

Sales of Hoe Hin brand of products increased by 26.8% to HK\$41,212,000 (2009: HK\$32,492,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounted for about 49.5% (2009: 48.9%) of the total revenue. Mainland China accounted for about 24.7% (2009: 15.3%). Both contributions from Hong Kong and Mainland China had been more than the same period last year. Last year, to accommodate the sales plan and inventory management of our distributor in Mainland China, certain sales orders planned for the first half were rescheduled and delivered in the second half of the last year. Sales to the United States had been improved. Contribution from Philippines had been less than the same period last year while sales in other regions had no significant changes.

Segment profit increased by 53.3% to HK\$14,120,000 (2009: HK\$9,213,000), mainly due to more contributions from Hong Kong, Mainland China and United States, partly offset by slightly increased marketing and promotional expenses during the period.

### **Property investment**

Revenue for this segment increased by 8.4% to HK\$4,516,000 (2009: HK\$4,167,000). This change mainly represents increased average exchange rate in translating rental income from the Group's investment properties in the United Kingdom and increased monthly rental from the Group's investment properties in Hong Kong resulting from the favourable property market of Hong Kong.

Net revaluation surplus in respect of the Group's investment properties of HK\$9,514,000 (2009: 6,250,000) was recognised for the period.

As a result, the segment profit increased by 36.2% to HK\$12,971,000 (2009: HK\$9,523,000 (as restated)).

The Group owns several investment properties in United Kingdom, Singapore and Hong Kong. Rental income received from these properties will continue to provide a steady stream of turnover and profit for the Group.

### **Treasury investment**

Revenue derived from this segment decreased by 52.3% to HK\$580,000 (2009: HK\$1,217,000), primarily due to less interest income earned from debt securities. The segment results decreased to a loss of HK\$2,647,000 (2009: profit of HK\$7,738,000), mainly attributable to unfavourable movement in fair value changes on listed investments and unfavourable changes in exchange rates of bank deposits denominated in foreign currencies, as well as decreased interest income as aforesaid.

### **Finance costs**

The decrease of HK\$142,000 (20.1%) to HK\$563,000 was mainly due to lower bank loan balances during the period, and lower market interest rates comparing to the same period in previous year.

### **Taxation**

There was an increase in taxation from HK\$2,307,000 (as restated) to HK\$2,794,000 for the period, principally due to increased taxable operating profits for the period and increased deferred tax provision arising from revaluation on 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 30 June 2010 was 24.8% (31 December 2009: 25.2%). Total bank borrowings of the Group amounted to HK\$73.3 million (31 December 2009: HK\$75.2 million), mainly denominated in Pound Sterling, Japanese Yen and Hong Kong dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 1.2 as at 30 June 2010 (31 December 2009: 1.6).

### **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 30 June 2010, 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 period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2010 were approximately HK\$25.6 million (31 December 2009: HK\$34.8 million) in total, or about 5.6% (31 December 2009: 8.1%) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debts borrowings) of approximately HK\$57.4 million (31 December 2009: HK\$57.4 million) relating to properties investments in the United Kingdom.

Debts borrowings were either denominated in Hong Kong dollars or the currencies of the underlying pledged assets. Net foreign exchange exposure, being foreign debt borrowings in excess of their underlying assets, was approximately HK\$12.2 million (31 December 2009: HK\$11.9 million).

### **PLEDGE OF ASSETS**

As at 30 June 2010, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with carrying value of approximately HK\$202.0 million (31 December 2009: HK\$192.7 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$92.6 million (31 December 2009: HK\$94.7 million), of which HK\$73.3 million (31 December 2009: HK\$75.2 million) were utilised as at 30 June 2010.

In addition, certain bank deposits and financial assets at fair value through profit or loss with a total carrying amount of HK\$3.3 million (31 December 2009: HK\$3.9 million) were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15.6 million (31 December 2009: HK\$15.6 million).

## **HUMAN RESOURCES**

As at 30 June 2010, the Group had a total of 99 (31 December 2009: 99) employees. Fringe benefits such as tuition subsidies and medical allowances are offered to most employees. The Company 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.

## **OUTLOOK**

Despite uncertainty of global economic outlook, the Group's core businesses as the manufacturer of Hoe Hin brand of products and the lessor of investment properties are expected to be steady for the rest of the year. We are cautious of the instability arising from uncertain economic conditions and the consequential fluctuations in foreign currencies and will adhere to prudent management of our treasury investment and liquidity.

By Order of the Board  
**Pak Fah Yeow International Limited**  
**Gan Wee Sean**  
*Chairman*

Hong Kong, 27 August 2010



**REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**



**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 directors of  
**Pak Fah Yeow International Limited**  
*(incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 27, comprising the condensed consolidated statement of financial position as at 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim financial statements based on our review and report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 27 August 2010

**Yip Ngai Shing**

Practising Certificate number: P05163

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (unaudited) HK\$'000	2009 (unaudited) (Restated) HK\$'000
<b>Turnover</b>	3	<b>46,308</b>	37,876
Other revenue		612	467
Changes in inventories of finished goods		1,212	5,621
Raw materials and consumables used		(9,637)	(9,982)
Staff costs		(10,104)	(10,999)
Depreciation expenses		(1,117)	(1,766)
Net exchange (loss) gain		(2,903)	4,822
Net gain on disposal of financial assets at fair value through profit or loss		169	120
Gain on disposal of held-to-maturity financial assets		–	755
Other operating expenses		(13,778)	(13,095)
<b>Profit from operations before fair value changes of financial assets through profit or loss and properties</b>		<b>10,762</b>	13,819
Revaluation surplus in respect of investment properties		9,514	6,250
Net (loss) gain on financial assets at fair value through profit or loss		(1,585)	1,086
<b>Profit from operations</b>		<b>18,691</b>	21,155
Finance costs	4	(563)	(705)
<b>Profit before taxation</b>	4	<b>18,128</b>	20,450
Taxation	5	(2,794)	(2,307)
<b>Profit for the period, attributable to owners of the Company</b>		<b>15,334</b>	18,143

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(CONTINUED)

Six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (unaudited) HK\$'000	2009 (unaudited) (Restated) HK\$'000
<b>Other comprehensive income (loss)</b>			
Change in fair value of available-for-sale financial assets		–	(207)
Revaluation surplus in respect of leasehold land and buildings, net of deferred tax of HK\$2,868,000 (2009: HK\$977,000)		14,516	3,966
Exchange difference arising from translation of financial statements of overseas subsidiaries		(6,085)	11,607
Exchange difference arising from translation of inter-company balances with overseas subsidiaries		2,842	(5,826)
<b>Other comprehensive income for the period, net of tax, attributable to owners of the Company</b>		<b>11,273</b>	<b>9,540</b>
<b>Total comprehensive income for the period, attributable to owners of the Company</b>		<b>26,607</b>	<b>27,683</b>
<b>Earnings per share</b>			
Basic and diluted	7	5.9 cents	7.0 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2010

	Notes	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	8	172,334	168,577
Property, plant and equipment	8	152,404	135,839
Available-for-sale financial assets		6,140	6,140
		<b>330,878</b>	310,556
<b>Current assets</b>			
Inventories		10,991	7,785
Trade and other receivables	9	36,369	42,587
Financial assets at fair value through profit or loss		27,226	31,320
Pledged bank deposits		16,533	6,969
Cash and cash equivalents		35,722	32,383
		<b>126,841</b>	121,044
<b>Current liabilities</b>			
Short-term bank loans, secured		53,840	54,897
Current portion of long-term bank loan, secured		1,808	1,790
Current portion of deferred income		31	29
Trade and other payables	10	13,598	12,915
Tax payable		4,648	3,103
Dividends payable		30,725	5,153
		<b>104,650</b>	77,887
<b>Net current assets</b>		<b>22,191</b>	43,157
<b>Total assets less current liabilities</b>		<b>353,069</b>	353,713

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(CONTINUED)

At 30 June 2010

	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) HK\$'000
<b>Non-current liabilities</b>		
Long-term bank loan, secured	17,643	18,552
Long-term portion of deferred income	4,766	4,336
Provision for long service payments	1,760	2,150
Provision for directors' retirement benefits	9,341	9,212
Deferred taxation	24,317	20,443
	<b>57,827</b>	54,693
<b>NET ASSETS</b>	<b>295,242</b>	299,020
<b>Capital and reserves</b>		
Share capital	12,985	12,985
Reserves	282,257	286,035
<b>TOTAL EQUITY</b>	<b>295,242</b>	299,020

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six months ended 30 June 2010

	Share		Revaluation reserve		Exchange reserve	Accumulated profits		Total
	capital	premium	Properties	Investment		Proposed dividends	Undistributed profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	12,985	24,594	60,800	1,885	(6,670)	22,594	182,832	299,020
Total comprehensive income (loss) attributable to owners of the Company	-	-	14,516	-	(3,243)	-	15,334	26,607
Interim dividends declared	-	-	-	-	-	4,675	(12,466)	(7,791)
2009 final dividends transferred to dividends payable	-	-	-	-	-	(22,594)	-	(22,594)
<b>At 30 June 2010 (unaudited)</b>	<b>12,985</b>	<b>24,594</b>	<b>75,316</b>	<b>1,885</b>	<b>(9,913)</b>	<b>4,675</b>	<b>185,700</b>	<b>295,242</b>
At 1 January 2009 (audited)	12,985	24,594	31,443	1,149	(11,395)	16,101	163,129	238,006
Total comprehensive income (loss) attributable to owners of the Company (Restated)	-	-	3,966	(207)	5,781	-	18,143	27,683
Interim dividends declared	-	-	-	-	-	12,466	(12,466)	-
2008 final dividends transferred to dividends payable	-	-	-	-	-	(16,101)	-	(16,101)
<b>At 30 June 2009 (unaudited)</b>	<b>12,985</b>	<b>24,594</b>	<b>35,409</b>	<b>942</b>	<b>(5,614)</b>	<b>12,466</b>	<b>168,806</b>	<b>249,588</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>
<b>Net cash generated from operating activities</b>	<b>14,804</b>	20,082
<b>Net cash generated from investing activities</b>	<b>2,752</b>	18,588
<b>Net cash used in financing activities</b>	<b>(4,488)</b>	(44,571)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,068</b>	(5,901)
<b>Cash and cash equivalents at beginning of period</b>	<b>39,352</b>	48,284
Effect of foreign exchange rate changes	<b>(165)</b>	1,365
<b>Cash and cash equivalents at end of period</b>	<b>52,255</b>	43,748
<b>Analysis of the balances of cash and cash equivalents</b>		
Pledged bank deposits	<b>16,533</b>	8,606
Bank balances and cash	<b>35,722</b>	35,142
	<b>52,255</b>	43,748

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended 30 June 2010

### **1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

### **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009 ("2009 annual accounts").

The new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are effective from the current period does not have any significant effect on the financial position or performance of the Group.



**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

*Early adoption of applicable new/revised HKFRS in the 2009 annual accounts*

As disclosed in the 2009 annual accounts, the Group has early adopted the Amendments to HKAS 17: *Leases – Classification of leases of land and buildings* made under “Improvement to HKFRS (2009)” (“Amendments to HKAS 17”). The early adoption of Amendments to HKAS 17 by the Group has resulted in the retrospective application of an accounting policy and restatement of certain items in the condensed consolidated financial statements for the six months ended 30 June 2009 as follows:

(a) Condensed consolidated statement of comprehensive income

A reversal of revaluation deficit in respect of properties other than investment properties of HK\$2,117,000 together with the related deferred tax of HK\$65,000, resulting in an increase in net profit for the period of HK\$2,182,000, and an increase in other comprehensive income for the period of HK\$3,966,000 representing the revaluation surplus of leasehold land and buildings, net of deferred tax.

(b) Condensed consolidated statement of financial position

An increase in property, plant and equipment of HK\$78,660,000, representing the reallocation from prepaid lease payments for leasehold land of HK\$38,854,000 and the revaluation surplus on the land element of the leasehold land and buildings of HK\$39,806,000, and a corresponding increase in deferred taxation of HK\$5,159,000

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period. 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 is concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**3. SEGMENT INFORMATION**

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. SEGMENT INFORMATION (CONTINUED)

**Business segment**

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
<b>Six months ended 30 June 2010</b>					
<b>Segment revenue</b>					
External sales	41,212	4,516	580	–	46,308
<b>Segment results</b>	<b>14,120</b>	<b>12,971</b>	<b>(2,647)</b>	<b>–</b>	<b>24,444</b>
Unallocated corporate expenses					(5,753)
<b>Profit from operations</b>					<b>18,691</b>
Finance costs					(563)
<b>Profit before taxation</b>					<b>18,128</b>
	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) (Restated) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) (Restated) HK\$'000
<b>Six months ended 30 June 2009</b>					
<b>Segment revenue</b>					
External sales	32,492	4,167	1,217	–	37,876
<b>Segment results</b>	<b>9,213</b>	<b>9,523</b>	<b>7,738</b>	<b>(9)</b>	<b>26,465</b>
Unallocated corporate expenses					(5,310)
<b>Profit from operations</b>					<b>21,155</b>
Finance costs					(705)
<b>Profit before taxation</b>					<b>20,450</b>

## 3. SEGMENT INFORMATION (CONTINUED)

## Geographical information

	Hong Kong (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Southeast Asia (unaudited) HK\$'000	North America (unaudited) HK\$'000	United Kingdom (unaudited) HK\$'000	Europe (excluding United Kingdom) (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
<b>Six months ended 30 June 2010</b>								
<b>Geographical revenue</b>								
External sales	21,912	11,453	4,833	4,513	3,354	-	243	46,308
<b>Geographical results</b>	<b>11,924</b>	<b>3,670</b>	<b>1,441</b>	<b>1,151</b>	<b>6,198</b>	<b>(376)</b>	<b>265</b>	<b>24,273</b>
Unallocated corporate expenses								(5,582)
<b>Profit from operations</b>								<b>18,691</b>
Finance costs								(563)
<b>Profit before taxation</b>								<b>18,128</b>
<b>Six months ended 30 June 2009</b>								
<b>Geographical revenue</b>								
External sales	19,695	5,815	6,108	1,828	2,897	1,018	515	37,876
<b>Geographical results</b>	<b>10,054</b>	<b>1,178</b>	<b>4,850</b>	<b>521</b>	<b>7,240</b>	<b>1,931</b>	<b>328</b>	<b>26,102</b>
Unallocated corporate expenses								(4,947)
<b>Profit from operations</b>								<b>21,155</b>
Finance costs								(705)
<b>Profit before taxation</b>								<b>20,450</b>

Certain corporate expenses can be allocated by geographical regions but cannot be allocated by business segment.

4. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

Interest on bank loans, overdrafts and other borrowings wholly repayable within five years

Interest on bank loan wholly repayable more than five years

Six months ended 30 June

2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
363	488
200	217
<b>563</b>	<b>705</b>

(b) Other items

Cost of inventories

Dividend income from listed securities

Six months ended 30 June

2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
13,843	10,726
(373)	(326)

## 5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	(Restated)
		HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	<b>1,211</b>	760
Overseas tax	<b>577</b>	587
	<b>1,788</b>	1,347
<b>Deferred tax</b>		
Origination of temporary differences	<b>1,006</b>	960
	<b>2,794</b>	2,307

## 6. DIVIDENDS

### **Dividends attributable to the previous financial year, approved and paid during the period**

At the board meeting held on 22 April 2010, the directors proposed a final dividend of HK6.2 cents per share totalling HK\$16,101,000 for the year ended 31 December 2009 (*year ended 31 December 2008: HK6.2 cents per share totalling HK\$16,101,000*) and a special final dividend of HK2.5 cents per share totalling HK\$6,493,000 for the year ended 31 December 2009 (*no special final dividend for the year ended 31 December 2008*), which have been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 21 June 2010, the appropriation was transferred to dividends payable.

6. **DIVIDENDS (CONTINUED)**

**Dividends attributable to the period**

	<b>Six months ended 30 June</b>	
	<b>2010 (unaudited) HK\$'000</b>	2009 (unaudited) HK\$'000
First interim dividend	7,791	7,791
Second interim dividend	4,675	4,675
	<b>12,466</b>	12,466

On 21 June 2010, the directors declared a first interim dividend of HK3 cents per share totalling HK\$7,791,000 (2009: HK3 cents per share totalling HK\$7,791,000 declared on 7 August 2009), which is payable to the shareholders on the register of members of the Company on 16 July 2010.

On 27 August 2010, the directors declared a second interim dividend of HK1.8 cents per share totalling HK\$4,675,000 (2009: HK1.8 cents per share totalling HK\$4,675,000 declared on 21 September 2009), which is payable to the shareholders on the register of members of the Company on 29 September 2010.

7. **EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$15,334,000 (2009 (*Restated*): HK\$18,143,000) and the 259,700,000 (2009: 259,700,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2009 and 2010.

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

The Group's investment properties situated in Hong Kong and leasehold land and buildings situated in Hong Kong were stated at fair value as at 30 June 2010 as estimated by the directors with reference to the valuation provided by independent professional valuers. The Group recorded a surplus on revaluation of the investment properties situated in Hong Kong of HK\$6,000,000 during the period (2009: HK\$6,250,000), which was recognised in the profit from operation. In addition, the Group recorded a surplus on revaluation of the leasehold land and buildings situated in Hong Kong of HK\$17,384,000 during the period (2009: HK\$4,943,000), which was recognised in the properties revaluation reserve.

On the other hand, the Group's investment properties situated in United Kingdom were also stated at fair value as at 30 June 2010 as estimated by the directors with reference to the valuation provided by independent professional valuers, resulted in a surplus on revaluation of HK\$3,514,000 during the period (2009: Nil) which was recognised in the profit from operation. In the opinion of the directors, the fair value of the Group's investment properties situated in United Kingdom as at 30 June 2009 was not materially different from that as at 31 December 2008. During the period, the Group also recorded a deficit on exchange realignment of HK\$5,757,000 (2009: HK\$11,262,000) on the investment properties situated in United Kingdom which was recognised as part of the exchange difference arising from translation of financial statements of overseas subsidiaries in the exchange reserve.

In the opinion of the directors, the fair value of the Group's investment properties situated in the Singapore as at 30 June 2010 was not materially different from that as at 31 December 2009.

On 30 April 2010, a subsidiary, Pak Fah Yeow Investment (Hong Kong) Company, Limited, executed a deed with owners of other units in the same building to sell a property at a minimum sale price of HK\$45,000,000. All the units stated in the deed shall not be sold unless the total sale price shall be at or above the minimum sale price of all units. According to the deed, all the units in the same building shall first be sold by way of open tender. If the property is not successfully sold, the agent shall continue to be appointed as the sole agent for a further period of 3 months to sell the property by private contract. The open tender ended on 18 August 2010 and the resultant bid price was below the total minimum sale price of all the units in the building and therefore the property cannot be sold by way of open tender. Consequently, the agent shall continue to be appointed as the sole agent for a further period of 3 months to sell all the units by private contract. The proposed sale may or may not materialise.



9. TRADE AND OTHER RECEIVABLES

	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) HK\$'000
<b>Trade receivables</b>	<b>16,200</b>	19,206
<b>Bills receivables</b>	<b>16,018</b>	18,700
<b>Other receivables</b> Deposits, prepayments and other debtors	<b>4,151</b>	4,681
	<b>36,369</b>	42,587

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

	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) HK\$'000
Within 30 days	<b>16,200</b>	11,656
31 – 60 days	–	6,601
61 – 90 days	–	949
	<b>16,200</b>	19,206

**10. TRADE AND OTHER PAYABLES**

	<b>At 30 June 2010 (unaudited) HK\$'000</b>	At 31 December 2009 (audited) HK\$'000
<b>Trade payables</b>	2,555	2,083
<b>Other payables</b>		
Accrued charges and other creditors	<b>11,043</b>	10,832
	<b>13,598</b>	12,915

The ageing analysis of trade payables is as follows:

	<b>At 30 June 2010 (unaudited) HK\$'000</b>	At 31 December 2009 (audited) HK\$'000
Within 30 days	2,267	504
31 – 60 days	288	1,192
61 – 90 days	–	194
More than 90 days	–	193
	<b>2,555</b>	2,083

## 11. 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\$92,647,000 (31 December 2009: HK\$94,651,000), of which HK\$73,291,000 (31 December 2009: HK\$75,239,000) were utilised at the end of the reporting period.

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

	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) HK\$'000
Leasehold land and buildings	74,000	68,000
Investment properties	92,529	94,772
Financial assets at fair value through profit or loss	19,465	23,409
Bank deposits	16,027	6,513
	<b>202,021</b>	<b>192,694</b>

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK\$506,000 (31 December 2009: HK\$456,000) and HK\$2,794,000 (31 December 2009: HK\$3,479,000) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15,600,000 (31 December 2009: HK\$15,600,000).

## 12. RELATED PARTY TRANSACTIONS

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

	<b>Six month ended 30 June</b>	
	<b>2010 (unaudited) HK\$'000</b>	2009 (unaudited) HK\$'000
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	<b>987</b>	933
– Contributions to defined contribution plan	<b>18</b>	18
Royalty paid to a director ( <i>Note</i> )	<b>125</b>	117

*Note:*

On 8 September 2009, a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited (the “Subsidiary”) entered into an agreement to acquire certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore (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 notice of assignment to be issued by the Malaysia Trade Mark Offices. Before the completion of the transaction, the Subsidiary continues licensing the use of the Trademarks from Mr. Gan Wee Sean at an annual royalty payment of HK\$250,000.

## 13. 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 HK\$7.8 million) up to 31 December 2011. As at 30 June 2010, US\$470,000 (equivalent to approximately HK\$3,666,000) (31 December 2009: US\$470,000 (equivalent to approximately HK\$3,666,000)) was called and paid. The remaining US\$530,000 (equivalent to approximately HK\$4,134,000) (31 December 2009: US\$530,000 (equivalent to approximately HK\$4,134,000)) would be payable upon receiving instructions from the bank.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2010, 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 the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

#### (a) Long positions in shares of the Company

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

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

##### (i) Hoe Hin Pak Fah Yeow Manufactory, Limited ("HHPFY")

Name of director	Number of non-voting deferred shares of HK\$1,000 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,600	800 (Note 1)	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%

**DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)****DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)****(b) Long positions in non-voting deferred shares of associated corporations**

(Continued)

**(ii) Pak Fah Yeow Investment (Hong Kong) Company, Limited ("PFYI")**

Name of director	Number of non-voting deferred shares of HK\$1 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
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%

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 HHPFY and 711,111 non-voting deferred shares of PFYI.
2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,093,600 shares in aggregate represented approximately 30.5% 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%. The total number of 60,359,000 shares in aggregate represented approximately 23.2% of the issued share capital of the Company.

Other than as disclosed above, as at 30 June 2010, 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 period.

### **SUBSTANTIAL SHAREHOLDERS**

At 30 June 2010, no persons, other than the directors and companies controlled by them, whose names and interests are set out above, had notified an interest in the shares and underlying shares capital of the Company that was required to be recorded in the register maintained under section 336 of the SFO.

### **SHARE OPTION SCHEME**

On 27 June 2002, a share option scheme was approved at a special general meeting of the Company under which the directors may, at their discretion, invite employees, including executive directors, of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The scheme will remain in force for a period of 10 years from 27 June 2002. No option has been granted since the adoption of the share option scheme. Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **OTHER INFORMATION**

#### **SECOND INTERIM DIVIDEND**

The directors resolved to declare a second interim dividend of HK1.8 cents per share in respect of the year ending 31 December 2010 payable to the shareholders on the register of members of the Company on 29 September 2010. Dividends warrants will be dispatched to the shareholders on or about 5 November 2010.

### **CLOSING OF REGISTER OF MEMBERS**

The register of members will be closed from Friday, 24 September 2010 to Wednesday, 29 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all completed transfer forms 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 September 2010.

### **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

During the period, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted all the code provisions in the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30 June 2010, the Company has met with the code provisions as set out in the Code, except for the following deviation:

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



### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2010.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial report of the Company for the six months ended 30 June 2010 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 9 to page 27 have also been reviewed by the Company's auditor, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unmodified review report has been issued.