# Interim Report 2011

WHITE FLOWER

# PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

This Interim Report is printed on environmentally friendly paper

# Contents

# CORPORATE INFORMATION

## DIRECTORS

Executive Directors

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

Gan Fock Wai, Stephen (R)

Independent Non-executive Directors

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

Wong Ying Kay, Ada (A, R)

Ip Tin Chee, Arnold (A, R)

## COMPANY SECRETARY

Lo Tai On

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

11th Floor, 200 Gloucester Road
Wanchai
Hong Kong

## AUDITOR

Mazars CPA Limited
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

HSBC Securities Services (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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## 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 2011, the Group's turnover increased by 26.0% to HK$58,337,000 (2010: HK$46,308,000) mainly due to increased contributions from sales of Hoe Hin brand of products, slightly offset by decreased contributions from treasury investment.

Revaluation surplus of the Group's investment properties for the period was HK$13,506,000 (2010: HK$9,514,000), including a surplus of HK$1,876,000 (2010: HK$3,514,000) which related to the Group's investment properties in the United Kingdom.

Net profit for the six months ended 30 June 2011 increased by 76.8% to approximately HK$28,868,000 (2010: HK$16,324,000 (as restated)).

The revaluation of other properties, which has been accounted for as other comprehensive income, has resulted in a revaluation surplus (net of tax) in this period of HK$19,417,000 (2010: HK$14,516,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2011 was approximately HK$50,406,000 (2010: HK$27,597,000 (as restated)).

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

Sales of Hoe Hin brand of products increased by 29.5% to HK$53,362,000 (2010: HK$41,212,000). The increase in sales of Hoe Hin brand of products should not be used as projection for the sales of whole year as certain sales orders planned for the second half were rescheduled and delivered in the first half of the current year in order to accommodate the sales and marketing plans of our distributor in Hong Kong.

Hong Kong remained the major market of our Hoe Hin brand of products which accounted for about 54.9% (2010: 49.5%) of the segment revenue. Mainland China accounted for about 26.8% (2010: 24.7%). Both contributions from Hong Kong and Mainland China had been more than the same period of last year. Other than North America, contributions from other regions had been improved. A new distributor in Indonesia was appointed and sales to there were resumed in the second quarter.

Segment profit increased by 35.4% to HK$19,120,000 (2010: HK$14,120,000), mainly due to increased contributions from Hong Kong, Mainland China and Phillipines, partly offset by increased production costs during the period. Price increase in raw and packing materials, and the effect of minimum wages in Hong Kong had increased our production overhead during the period.

**Property investment**

Revenue for this segment slightly increased by 1.5% to HK$4,585,000 (2010: HK$4,516,000). This change mainly represents increased average exchange rate in translating rental income from the Group's investment properties in the United Kingdom.

Net revaluation surplus in respect of the Group's investment properties of HK$13,506,000 (2010: HK$9,514,000) was recognised for the period.

As a result, the segment profit increased by 34.2% to HK$17,408,000 (2010: HK$12,971,000).

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 32.8% to HK$390,000 (2010: HK$580,000), primarily due to less interest income earned from debt securities. The segment results increased to a profit of HK$980,000 (2010: loss of HK$2,647,000), 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 decreased interest income as aforesaid.

**Finance costs**

The increase of HK$24,000 (4.3%) to HK$587,000 was mainly due to higher market interest rates and average exchange rate in translating interest expenses of the bank loan for our investment property in the United Kingdom, partly offset by less interest expenses incurred as a result of lower bank loan balances.

### Taxation

There was an increase in taxation from HK$1,804,000 (as restated) to HK$2,779,000 for the period, principally due to increased taxable operating profits of subsidiaries in Hong Kong for the period.

## 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 2011 was 18.9% (31 December 2010: 20.2%). Total bank borrowings of the Group amounted to HK$71.7 million (31 December 2010: HK$72.5 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 1.0 as at 30 June 2011 (31 December 2010: 1.2).

## 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 2011, the Group's debt borrowings were mainly denominated in Pound Sterling, Japanese Yen and Hong Kong dollars. The Group also had equity securities and investment funds 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 2011 were approximately HK$26.9 million (31 December 2010: HK$29.7 million) in total, or about 5.0% (31 December 2010: 6.1%) 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$65.6 million (31 December 2010: HK$61.3 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$10.0 million (31 December 2010: HK$9.7 million).

## PLEDGE OF ASSETS

As at 30 June 2011, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with carrying value of approximately HK$232.1 million (31 December 2010: HK$208.2 million) were pledged to secure banking facilities granted to the Group to the extent of HK$96.5 million (31 December 2010: HK$93.7 million), of which HK$71.7 million (31 December 2010: HK$72.5 million) were utilised as at 30 June 2011.

In addition, certain bank deposits and certain financial assets at fair value through profit or loss with a carrying amount of HK$0.6 million (31 December 2010: HK$0.6 million) and nil (31 December 2010: HK$2.9 million) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK$15.6 million (31 December 2010: HK$15.6 million).

## HUMAN RESOURCES

As at 30 June 2011, the Group had a total of 99 (31 December 2010: 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

Financial markets and exchange rates will continue to be volatile. As Hong Kong dollar weakens in both short and medium terms, our underlying assets and liabilities denominated in foreign currencies would have an impact on our financial position and performance. We aim at reducing exchange rate exposure of our foreign currency loans by repayment gradually. Weaken Hong Kong dollar and general inflation would lead to price rise on supplies, particularly to those supplies from overseas. Through different measures taken for better procurement and inventory management, we aim at maintaining our production overhead at a reasonable level.

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

Hong Kong, 25 August 2011

## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

MAZARS

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 (together the "Group") set out on pages 9 to 29, comprising the condensed consolidated statement of financial position as at 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory information. 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 to 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 do not present fairly, in all material respects, the financial position of the Group as at 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with HKAS 34.

**Mazars CPA Limited**
*Certified Public Accountants*
Hong Kong, 25 August 2011

**Yip Ngai Shing**
Practising Certificate number: P05163

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(unaudited)** | (unaudited) |
| | | | (Restated) |
| | Notes | **HK$'000** | HK$'000 |
| **Turnover** | 3 | **58,337** | 46,308 |
| Other revenue | | **563** | 781 |
| Changes in inventories of finished goods | | **488** | 1,212 |
| Raw materials and consumables used | | **(13,925)** | (9,637) |
| Staff costs | | **(11,358)** | (10,104) |
| Depreciation expenses | | **(893)** | (1,117) |
| Net exchange gain (loss) | | **568** | (2,903) |
| Other operating expenses | | **(14,702)** | (13,778) |
| **Profit from operations before fair value changes of financial assets through profit or loss and of investment properties** | | **19,078** | 10,762 |
| Net loss on financial assets at fair value through profit or loss | | **(350)** | (1,585) |
| Revaluation surplus in respect of investment properties | | **13,506** | 9,514 |
| **Profit from operations** | | **32,234** | 18,691 |
| Finance costs | 4 | **(587)** | (563) |
| **Profit before taxation** | 4 | **31,647** | 18,128 |
| Taxation | 5 | **(2,779)** | (1,804) |
| **Profit for the period, attributable to owners of the Company** | | **28,868** | 16,324 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

Six months ended 30 June 2011

| | Notes | **Six months ended 30 June** **2011** **(unaudited)** **HK$'000** | 2010 (unaudited) (Restated) HK$'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Revaluation surplus in respect of leasehold land and buildings, net of tax effect of HK$3,837,000 (2010: HK$2,868,000) | | **19,417** | 14,516 |
| Exchange difference arising from translation of financial statements of overseas subsidiaries | | **4,307** | (6,085) |
| Exchange difference arising from translation of inter-company balances with overseas subsidiaries | | **(2,186)** | 2,842 |
| **Other comprehensive income for the period, net of tax, attributable to owners of the Company** | | **21,538** | 11,273 |
| **Total comprehensive income for the period, attributable to owners of the Company** | | **50,406** | 27,597 |
| **Earnings per share** | | | |
| Basic and diluted | 7 | **11.1 cents** | 6.3 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

| | Notes | At 30 June 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 8 | **210,558** | 193,083 |
| Property, plant and equipment | 8 | **202,713** | 179,670 |
| Available-for-sale financial assets | | **7,916** | 7,432 |
| | | **421,187** | 380,185 |
| **Current assets** | | | |
| Inventories | | **15,622** | 7,398 |
| Trade and other receivables | 9 | **38,128** | 34,982 |
| Financial assets at fair value through profit or loss | | **31,168** | 20,694 |
| Pledged bank deposits | | **10,763** | 21,232 |
| Bank balances and cash | | **21,799** | 22,832 |
| | | **117,480** | 107,138 |
| **Current liabilities** | | | |
| Bank borrowings, secured | | **71,749** | 72,472 |
| Current portion of deferred income | | **38** | 36 |
| Trade and other payables | 10 | **14,144** | 12,973 |
| Tax payable | | **2,755** | 1,285 |
| Dividends payable | | **30,765** | 5,312 |
| | | **119,451** | 92,078 |
| **Net current (liabilities) assets** | | **(1,971)** | 15,060 |
| **Total assets less current liabilities** | | **419,216** | 395,245 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2011

| | Notes | At 30 June 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long-term portion of deferred income | | **5,587** | 5,387 |
| Provision for long service payments | | **1,069** | 1,700 |
| Provision for directors' retirement benefits | | **9,999** | 9,471 |
| Deferred taxation | | **23,084** | 19,231 |
| | | **39,739** | 35,789 |
| **NET ASSETS** | | **379,477** | 359,456 |
| **Capital and reserves** | | | |
| Share capital | | **12,985** | 12,985 |
| Share premium and reserves | | **366,492** | 346,471 |
| **TOTAL EQUITY** | | **379,477** | 359,456 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2011

| | | | | | | Accumulated profits | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Properties revaluation reserve | Investment revaluation reserve | Exchange reserve | Proposed dividends | Undistributed profits | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2011 (audited) | 12,985 | 24,594 | 99,706 | 2,763 | (8,634) | 22,594 | 205,448 | 359,456 |
| Profit for the period | – | – | – | – | – | – | 28,868 | 28,868 |
| Other comprehensive income | – | – | 19,417 | – | 2,121 | – | – | 21,538 |
| Total comprehensive income attributable to owners of the Company | – | – | 19,417 | – | 2,121 | – | 28,868 | 50,406 |
| Interim dividends declared | – | – | – | – | – | 4,675 | (12,466) | (7,791) |
| 2010 final dividends transferred to dividends payable | – | – | – | – | – | (22,594) | – | (22,594) |
| **At 30 June 2011 (unaudited)** | **12,985** | **24,594** | **119,123** | **2,763** | **(6,513)** | **4,675** | **221,850** | **379,477** |
| At 1 January 2010 (audited) | 12,985 | 24,594 | 61,916 | 1,885 | (6,670) | 22,594 | 190,429 | 307,733 |
| Profit for the period (Restated) | – | – | – | – | – | – | 16,324 | 16,324 |
| Other comprehensive income | – | – | 14,516 | – | (3,243) | – | – | 11,273 |
| Total comprehensive income attributable to owners of the Company | – | – | 14,516 | – | (3,243) | – | 16,324 | 27,597 |
| Interim dividends declared | – | – | – | – | – | 4,675 | (12,466) | (7,791) |
| 2009 final dividends transferred to dividends payable | – | – | – | – | – | (22,594) | – | (22,594) |
| At 30 June 2010 (unaudited) | 12,985 | 24,594 | 76,432 | 1,885 | (9,913) | 4,675 | 194,287 | 304,945 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| **Net cash generated from operating activities** | **7,035** | 14,804 |
| **Net cash used in investing activities** | **(1,012)** | (6,812) |
| **Net cash used in financing activities** | **(7,125)** | (4,488) |
| **Net (decrease) increase in cash and cash equivalents** | **(1,102)** | 3,504 |
| **Cash and cash equivalents at beginning of period** | **22,832** | 32,383 |
| Effect of foreign exchange rate changes | **69** | (165) |
| **Cash and cash equivalents at end of period, represented by bank balances and cash** | **21,799** | 35,722 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

### 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 2010 ("2010 annual accounts").

### 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 2010 annual accounts.

The new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all 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 2010 annual accounts*

Amendments to HKAS 12: Deferred Tax: Recovery of Underlying Asset

As disclosed in the 2010 annual accounts, the Group has early adopted Amendments to HKAS 12: *Deferred Tax: Recovery of Underlying Asset* before their effective date. The early adoption of the Amendments 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 2010 as follows:

a) Condensed consolidated statement of comprehensive income

A decrease in taxation of HK$990,000, resulting in an increase in net profit for the period of HK$990,000.

b) Condensed consolidated statement of financial position

A decrease in deferred tax liabilities of HK$9,703,000 and a corresponding increase in property revaluation reserve and accumulated profits of HK$1,116,000 and HK$8,587,000 respectively.

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 for making 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.

b) Property investment.

c) Treasury investment.

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, directors' emoluments, and central administration costs and the basis of preparing such information is consistent with that of the consolidated 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$'000 | Consolidated (unaudited) HK$'000 |
|---|---|---|---|---|
| **Six months ended 30 June 2011** | | | | |
| **Revenue from external customers** | 53,362 | 4,585 | 390 | 58,337 |
| **Segment results** | 19,120 | 17,408 | 980 | 37,508 |
| Unallocated corporate expenses | | | | (5,274) |
| **Profit from operations** | | | | 32,234 |
| Finance costs | | | | (587) |
| **Profit before taxation** | | | | 31,647 |
| Taxation | | | | (2,779) |
| **Profit for the period** | | | | 28,868 |

**3. SEGMENT INFORMATION** (CONTINUED)

**Business segment** (Continued)

| | **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$'000 | **Consolidated** (unaudited) HK$'000 (Restated) |
|---|---|---|---|---|
| Six months ended 30 June 2010 | | | | |
| Revenue from external customers | 41,212 | 4,516 | 580 | 46,308 |
| Segment results | 14,120 | 12,971 | (2,647) | 24,444 |
| Unallocated corporate expenses | | | | (5,753) |
| Profit from operations | | | | 18,691 |
| Finance costs | | | | (563) |
| Profit before taxation | | | | 18,128 |
| Taxation | | | | (1,804) |
| Profit for the period | | | | 16,324 |

## 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 |
|---|---|---|---|---|---|---|---|---|
| **Six months ended 30 June 2011** | | | | | | | | |
| **Revenue from external customers** | 30,565 | 14,296 | 7,736 | 2,472 | 3,209 | – | 59 | 58,337 |
| **Geographical results** | 21,823 | 3,773 | 4,949 | 864 | 5,523 | 419 | (29) | 37,322 |
| Unallocated corporate expenses | | | | | | | | (5,088) |
| **Profit from operations** | | | | | | | | 32,234 |
| Finance costs | | | | | | | | (587) |
| **Profit before taxation** | | | | | | | | 31,647 |
| Taxation | | | | | | | | (2,779) |
| **Profit for the period** | | | | | | | | 28,868 |

| | 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 (Restated) |
|---|---|---|---|---|---|---|---|---|
| Six months ended 30 June 2010 | | | | | | | | |
| Revenue from external customers | 21,912 | 11,453 | 4,833 | 4,513 | 3,354 | – | 243 | 46,308 |
| Geographical results | 11,924 | 3,670 | 1,441 | 1,151 | 6,198 | (376) | 265 | 24,273 |
| Unallocated corporate expenses | | | | | | | | (5,582) |
| Profit from operations | | | | | | | | 18,691 |
| Finance costs | | | | | | | | (563) |
| Profit before taxation | | | | | | | | 18,128 |
| Taxation | | | | | | | | (1,804) |
| Profit for the period | | | | | | | | 16,324 |

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): | Six months ended 30 June 2011 (unaudited) HK$'000 | 2010 (unaudited) HK$'000 |
|---|---|---|
| **(a) Finance costs** | | |
| Interest on bank loans, overdrafts and other borrowings wholly repayable within five years | **406** | 363 |
| Interest on bank loan wholly repayable more than five years | **181** | 200 |
| | **587** | 563 |

| | Six months ended 30 June 2011 (unaudited) HK$'000 | 2010 (unaudited) HK$'000 |
|---|---|---|
| **(b) Other items** | | |
| Cost of inventories | **19,894** | 13,843 |
| Dividend income from listed securities | **(509)** | (373) |
| Net gain on disposal of financial assets at fair value through profit or loss | **–** | (169) |

## 5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(unaudited)** | (unaudited) |
| | | (Restated) |
| | **HK$'000** | HK$'000 |
| **Current tax** | | |
| Hong Kong Profits Tax | **2,157** | 1,211 |
| Overseas tax | **606** | 577 |
| | **2,763** | 1,788 |
| **Deferred tax** | | |
| Origination of temporary differences | **16** | 16 |
| | **2,779** | 1,804 |

## 6. DIVIDENDS

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

At the board meeting held on 23 March 2011, the directors proposed a final dividend of HK6.2 cents per share totalling HK$16,101,000 for the year ended 31 December 2010 (*year ended* 31 *December* 2009: 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 2010 (*year ended* 31 *December* 2009: HK2.5 *cents per share totalling* HK$6,493,000), which have been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 28 June 2011, the appropriation was transferred to dividends payable.

**6. DIVIDENDS** (CONTINUED)

**Dividends attributable to the period**

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| First interim dividend | **7,791** | 7,791 |
| Second interim dividend | **4,675** | 4,675 |
| | **12,466** | 12,466 |

On 28 June 2011, the directors declared the first interim dividend of HK3 cents per share totalling HK$7,791,000 (2010: HK3 *cents per share totalling* HK$7,791,000 *declared on* 21 *June* 2010), which is payable to the shareholders on the register of members of the Company on 22 July 2011.

On 25 August 2011, the directors declared the second interim dividend of HK1.8 cents per share totalling HK$4,675,000 (2010: HK1.8 *cents per share totalling* HK$4,675,000 *declared on* 27 *August* 2010), which is payable to the shareholders on the register of members of the Company on 30 September 2011.

**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$28,868,000 (2010 (*Restated*): HK$16,324,000) *and the* 259,700,000 (2010: 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 2010 and 2011.

## 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 2011 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$11,630,000 during the period (2010: HK$6,000,000), 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$23,254,000 during the period (2010: HK$17,384,000), 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 2011 as estimated by the directors with reference to the valuation provided by independent professional valuers, resulted in a surplus on revaluation of HK$1,876,000 during the period (2010: HK$3,514,000) which was recognised in the profit from operation. During the period, the Group also recorded a surplus on exchange realignment of HK$3,969,000 (2010: *deficit of* HK$5,757,000) 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 2011 was not materially different from that as at 31 December 2010.

## 9. TRADE AND OTHER RECEIVABLES

| | At 30 June 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|
| **Trade receivables** | **25,678** | 18,693 |
| **Bills receivables** | **10,928** | 13,603 |
| **Other receivables** | | |
| Deposits, prepayments and other debtors | **1,522** | 2,686 |
| | **38,128** | 34,982 |

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 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|
| Within 30 days | **13,454** | 10,452 |
| 31 – 60 days | **6,321** | 4,822 |
| 61 – 90 days | **5,896** | 3,419 |
| More than 90 days | **7** | – |
| | **25,678** | 18,693 |

## 10. TRADE AND OTHER PAYABLES

| | At 30 June 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|
| **Trade payables** | **5,592** | 2,370 |
| **Other payables** | | |
| Accrued charges and other creditors | **8,552** | 10,603 |
| | **14,144** | 12,973 |

The ageing analysis of trade payables is as follows:

| | At 30 June 2011 (unaudited) HK$'000 | At 31 December 2010 (audited) HK$'000 |
|---|---|---|
| Within 30 days | **5,476** | 1,409 |
| 31 – 60 days | **106** | 716 |
| 61 – 90 days | **–** | 242 |
| More than 90 days | **10** | 3 |
| | **5,592** | 2,370 |

## 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 borrowings, granted to the Group to the extent of HK$96,472,000 (31 December 2010: HK$93,743,000), of which HK$71,749,000 (31 December 2010: HK$72,472,000) were utilised at the end of the reporting period.

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

| | **At 30 June 2011 (unaudited) HK$'000** | At 31 December 2010 (audited) HK$'000 |
|---|---|---|
| Leasehold land and buildings | **89,000** | 80,000 |
| Investment properties | **103,146** | 97,301 |
| Financial assets at fair value through profit or loss | **29,866** | 10,217 |
| Bank deposits | **10,136** | 20,662 |
| | **232,148** | 208,180 |

In addition, certain bank deposits of HK$627,000 (31 December 2010: *certain bank deposits and financial assets at fair value through profit or loss of* HK$570,000 *and* HK$2,910,000 *respectively*) were pledged to secure standby banking facilities granted to the Group to the extent of HK$15,600,000 (2010: 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.

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Compensation paid to key management personnel, excluding directors: | | |
| – Salaries and other benefits | **1,092** | 987 |
| – Contributions to defined contribution plan | **18** | 18 |
| Royalty paid to a director (*Note*) | **125** | 125 |

*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 and Singapore Trade Mark Offices. Before the completion of the transaction, the Subsidiary continues licensing the use of the Trademarks 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 2011, US$622,000 (equivalent to approximately HK$4,852,000) (31 December 2010: US$560,000 (*equivalent to approximately* HK$4,368,000)) was called and paid. The remaining US$378,000 (equivalent to approximately HK$2,948,000) (31 December 2010: US$440,000 (*equivalent to approximately* HK$3,432,000)) would be payable upon receiving instructions from the bank.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2011, 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**

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

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

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

| | Number of non-voting deferred shares of HK$1,000 each held | | | | |
|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests | Corporate interests | Total | Percentage owned |
| 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")

| | Number of non-voting deferred shares of HK$1 each held | | | | |
|---|---|---|---|---|---|
| **Name of director** | **Personal interests** | **Family interests** | **Corporate interests** | **Total** | **Percentage owned** |
| 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 2011, 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

As at 30 June 2011, the interests or short positions of every person, other than the directors and their respective associates as disclosed in "DIRECTORS' INTEREST IN SECURITIES" above, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

**Long position in the shares and underlying shares of the Company**

| Name of shareholder | Nature of interest | Number of shares held | Percentage of issued share capital of the Company |
|---|---|---|---|
| Brook Capital Limited | Beneficial owner and investment manager | 20,790,000 (*note*) | 8.00% |
| East of Suez Fund | Beneficial owner | 13,700,000 | 5.27% |

*note*: As reported by Brook Capital Limited, these 20,790,000 shares included 15,580,000 shares interested by East of Suez Fund.

## 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 2011 payable to the shareholders on the register of members of the Company on 30 September 2011. Dividends warrants will be dispatched to the shareholders on or about 30 November 2011.

## CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 27 September 2011 to Friday, 30 September 2011, 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 Monday, 26 September 2011.

## 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 2011, 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 2011.

## 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 2011 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 9 to page 29 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.