Annual Report

2011

WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

85 YEARS CELEBRATED HISTORY
DEFINITE CHOICE

This Annual Report is printed on environmentally friendly paper

Contents

Corporate Information

DIRECTORS

Executive Directors	Gan Wee Sean *(Chairman and 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
SOLICITOR	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 Hong Kong
STOCK CODE	239
HOME PAGE	www.whiteflower.com/www.239.hk
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(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 2011 was HK$115.9 million, representing an increase of 7.5% over the previous year. Profit from operations before fair value changes of financial assets through profit or loss and of investment properties was HK$30.6 million, a decrease of 8.5%. Such decrease reflected inflationary pressure as there were significant price increase in raw materials as well as steady rise in production overheads and operating costs during the year. Profit attributable to shareholders was HK$46.2 million, a decrease of 16.0%, largely attributable to the unrealised holding loss on our securities investments and the lower revaluation surplus from investment properties as compared to previous year.

The Board proposes a final dividend of HK6.2 cents per share (2010: HK6.2 cents per share) and no special final dividend (2010: HK2.5 cents per share) subject to approval by shareholders at the forthcoming annual general meeting of the Company. These together with the interim dividends of HK6.7 cents per share (2010: HK6.7 cents per share) already declared, will make a total dividends of HK12.9 cents per share for 2011 (2010: HK15.4 cents per share). The dividend payout rate is in line with previous year at approximately 73%.

BUSINESS

2011 was a challenging year. The operating environment was filled with inflationary pressure as raw materials, wages, production overheads and other costs continued to rise. Economic uncertainties inevitably affected consumer spending in major markets. Competition was still fierce, not only among brands but also low-cost alternative products. Against this background, we saw improved contributions from sales of Hoe Hin brand of products in local and most of the overseas markets. Sales to Mainland China were slowed down, however, as restructuring process was underway for better inventory management and control. Such measure would affect our sales there in short term, but we believe we will benefit from it in long run for future growth.

Since we commenced a new sole distributorship in the United States a year ago, we had achieved an encouraging result with record growth this year. We now have more coverage and expansion of distribution networks and channels there to increase exposure to market. In addition, a new distributor was appointed in Australia. It is one of the largest Chinese drugs distributors in Australia which would definitely help along our business development in the region. For new markets, sales to Indonesia were resumed this year where business potential is considered promising in view of its huge population. In the last quarter of 2011, we also successfully launched our Pak Fah Yeow in Myanmar.

Financial markets and exchange rates were so volatile in 2011. To reduce foreign currency exposure on Japanese Yen, we had gradually reduced our borrowings in Japanese Yen and as a result, the foreign exchange exposure associated with it, net of its underlying assets, had been reduced from HK$9.7 million as at 31 December 2010 to HK$1.1 million as at 31 December 2011.

Property markets in Hong Kong and central London had been improving steadily, driven by domestic demands and overseas investments as an alternative to near historic-low interest rates. Property price in Hong Kong and United Kingdom in general remained stable and reflected slight growth in 2011, but still a lower revaluation surplus of our investment properties was recognised when compared to previous year, while maintaining steady rental income.

Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY

With commitment of being a supporter for environmental sustainability, we gave up the use of neon lights in our rooftop outdoor advertising at Gordon House and adopted the use of solar panels and LED lights to conserve energy. The heat produced by the LED light is 30% lower than that of neon lights and the use of LED lights would prevent mercury pollution resulting from dumped and abandoned neon lights. Having concerns for global warming, we continued to lower carbon emissions in the work place by monitoring the room temperature of its office, using FSC-certified paper, recycling and controlling paper consumption by printing on both sides, turning off excess lights to save energy and encouraging all employees to participate and do their part to contribute and save the earth. In order to save suppliers' wastage and materials costs, we resized our 10ml box of Pak Fah Yeow to a smaller size and removed bubble bag from the packing. The same resizing exercise may be applied to other packing if relevant safety tests are proved satisfactory. As you may have noticed, we have started using environmentally friendly paper since August 2011 for our interim and annual reports.

For community support, in addition to making donations we participated in a number of events co-organised by Society for Abandoned Animals, including charity booth for Chinese New Year which raised fund of HK$87,000, and school touring drama which promoted the message of "Love Animal, Respect Life, No Killing or Abandoning". Our products were given out and all costs associated with the events were borne by us. We also joined staff from UBS Private Bank to participate in home visit to the elderly living in Wong Tai Sin district as organised by Banyan Elderly Services Association Limited and donated our products to deliver our care during winter time.

OUTLOOK

We continue to pursue our core brand and core business to substantiate business growth, focusing on market penetration and market development for our existing products. Weakening Hong Kong dollar and general inflation would lead to price rise on supplies, particularly to those supplies from overseas. In view of the anticipated increase in materials costs and overheads, we have reviewed our pricing in most of the markets and will increase our selling price accordingly. Our products have been recognised in most of the markets as premium products among other brands. It reflects recognition of our brand as using top quality ingredients, good quality management and Hong Kong-made production. We will further build up our brand recognition by reiterating these messages to our customers and consumers.

Product registration and a new packaging design of Hoe Hin Strain Relief are in process for United States market. The product is tentatively expected to be launched this summer. In addition, we are considering to appoint a potential distributor in Vietnam, a new market to proceed with our sales of Hoe Hin Pak Fah Yeow and Hoe Hin Strain Relief. Hopefully distribution of our products in this new market can be commenced in 2012.

APPRECIATION

We are celebrating our 85th anniversary in 2012. On behalf of the Board, I would like to thank our management team and staff for their contribution and hard work, and to our investors and business partners for their continuous support.

By order of the Board
Pak Fah Yeow International Limited

GAN Wee Sean
Chairman

Hong Kong, 27 March 2012

Management Discussion and Analysis

RESULTS OVERVIEW

For the year ended 31 December 2011, the Group's turnover increased by 7.5% to HK$115,931,000 (2010: HK$107,889,000) as a result of increased contributions from sales of Hoe Hin brand of products and rental income, slightly offset by decreased income derived from treasury investment.

Revaluation surplus of the Group's investment properties was HK$24,853,000 (2010: HK$27,991,000), including a surplus of HK$7,941,000 (2010: HK$6,014,000) 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, inflationary pressure inevitably pushed up our production and operating costs, which in effect lessened our profit margin. Our results were also affected by the volatile financial markets which had an unfavourable effect on mark-to-market fair value movement of our listed investments.

Profit attributable to owners for the year ended 31 December 2011 was approximately HK$46,228,000 (2010: HK$55,013,000).

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation surplus in this year of HK$21,726,000 (2010: HK$37,790,000).

Total comprehensive income attributable to owners for the year ended 31 December 2011 was approximately HK$68,406,000 (2010: HK$91,717,000).

MANUFACTURING AND SALES OF HOE HIN BRAND OF PRODUCTS

Revenue from sales of Hoe Hin brand of products increased by 8.1% to HK$105,774,000 (2010: HK$97,819,000).

Hong Kong market accounts for about 54.7% (2010: 53.6%) of the segment revenue. Mainland China accounts for about 22.3% (2010: 28.3%). Other than Mainland China, contributions from other markets had been improved. Sales to Indonesia were resumed and to Myanmar were commenced during the year.

Despite such an increase in revenue, segment profit decreased by 7.9% to HK$34,827,000 (2010: HK$37,831,000). In 2011, price of raw materials was mounting significantly. Inflationary pressure also caused wages, fuel and other costs continued to rise. Coupled with the effect of minimum wages in Hong Kong, the overall production costs had been increased remarkably. In addition, higher payroll costs were incurred for annual salary increment and more advertising and promotional expenses were spent for overseas markets in 2011.

PROPERTY INVESTMENT

Revenue for this segment increased by 3.1% to HK$9,453,000 (2010: HK$9,170,000). 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$24,853,000 (2010: HK$27,991,000) was recognised for the year. As a result, the segment profit decreased by 8.6% to HK$32,843,000 (2010: HK$35,915,000).

The Group owns several investment properties in the 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 21.8% to HK$704,000 (2010: HK$900,000), primarily due to less interest income earned from debt securities. The segment result decreased to a loss of HK$4,220,000 (2010: HK$657,000). It reflected unfavourable impact of financial markets, mainly attributable to decline in market price on listed investments, partly offset by improved performance on foreign currency transactions.

Management Discussion and Analysis

FINANCE COSTS

The increase of HK$36,000 (3.1%) to HK$1,180,000 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 were incurred as a result of lower average bank loan balances.

TAXATION

There was a decrease in taxation from HK$5,365,000 to HK$4,852,000 for the year, principally due to a decrease in taxable operating profits of subsidiaries in Hong Kong.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2011 was 18.6% (2010: 20.2%). Total bank borrowings of the Group amounted to HK$72,321,000 (2010: HK$72,472,000), mainly denominated in Pound Sterling, Japanese Yen, United States Dollars and Hong Kong Dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 0.96 as at 31 December 2011 (2010: 1.16). 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 the United Kingdom and denominated in Pound Sterling. As at 31 December 2011, the Group's debt borrowings were mainly denominated in Pound Sterling, Japanese Yen, United States Dollars and Hong Kong Dollars. The Group also had equity 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 2011 were approximately HK$22.3 million (2010: HK$29.7 million) in total, or about 4.3% (2010: 6.1%) 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$69.2 million (2010: HK$61.3 million) relating to properties investments in the United Kingdom.

Debt borrowings were either denominated in Hong Kong Dollars or the currencies of the underlying assets. As at 31 December 2011, net foreign exchange exposure, being foreign assets denominated in Japanese Yen in excess of their underlying debt borrowings, was approximately HK$1.1 million. As at 31 December 2010, debt borrowings denominated in Japanese Yen in excess of their underlying assets, was approximately HK$9.7 million.

PLEDGE OF ASSETS

As at 31 December 2011, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with carrying value of approximately HK$228.0 million (2010: HK$208.2 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$93.5 million (2010: HK$93.7 million), of which approximately HK$72.3 million (2010: HK$72.5 million) were utilised as at 31 December 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had a total of 95 (2010: 99) 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 65, is the Chairman of the board, the 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 and the Chief Executive Officer on 1 September 2011. 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 50, 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 63, 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 an independent non-executive director of Safety Godown Company, Limited and was an independent non-executive director of Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Ltd.) until 18 May 2010. Both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. WONG Ying Kay, Ada, aged 52, 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 49, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee and remuneration committee. 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.

Biographical Information of Directors and Senior Management

Senior Management

Mr. TSANG Hung Kei, aged 41, 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 47, 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 2011 except for the following deviations:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the 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 balance 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 7 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 2012 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 four regular board meetings at approximately quarterly intervals during the year 2011. 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 2011	
Number of meetings:	4
Executive directors	
Gan Wee Sean *(Chairman and Chief Executive Officer)*	4
Gan Fock Wai, Stephen	4
INEDs	
Lawrence Leung Man Chiu	4
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	3

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 separated 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 it 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 other executive director and 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. He was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011.

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 auditor.

Set out below is the summary of work done in year 2011:

- considered and approved the 2011 audit fees and audit work;
- reviewed the auditor's report to the audit committee and the letters of representation;
- reviewed the consolidated financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011; and
- considered and approved the scope of internal control review for the year 2011 and reviewed the results thereof.

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 2011

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

Remuneration Committee

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

Set out below is the summary of work of the Remuneration Committee done in the year 2011:

– reviewed the remuneration of the executive directors, the INEDs and senior management for the year 2012; and

– reviewed the bonus to senior management.

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 2011	
Number of meetings:	2
Executive Director	
Gan Fock Wai, Stephen	2
INEDs	
Lawrence Leung Man Chiu *(Chairman)*	2
Wong Ying Kay, Ada	2
Ip Tin Chee, Arnold	2

Other information

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 2011. The board has established a nomination committee with effect from 1 April 2012.

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 2011.

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 2011 amounted to HK$500,000.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the consolidated 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 consolidated 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 consolidated financial statements is set out in the Independent Auditor's Report on page 20.

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 unauthorised 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 2011, the Company has engaged a professional firm to assist the board in conducting a review of certain key parts of the 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 read out by the Chairman at the general meeting.

At the annual general meeting held on 28 June 2011, 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.

Directors' Report

The directors have pleasure in submitting their report and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

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 consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 21.

Interim dividends (as set out in note 10 to the consolidated financial statements) amounting to HK$17,400,000 were paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6.2 cents per share, amounting to a total sum of approximately HK$16,101,000, to the shareholders of the Company whose names appear on the register of members on 12 July 2012.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 25 June 2012 to Thursday, 28 June 2012, both days inclusive, on which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, 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, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 22 June 2012.

The register of members of the Company will be closed from Tuesday, 10 July 2012 to Thursday, 12 July 2012, both days inclusive, on which no transfer of shares will be effected. To rank for the proposed final 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, Wanchai, Hong Kong for registration not later than 4:00p.m. on Monday, 9 July 2012.

DONATIONS

During the year, the Group made charitable donations amounting to HK$136,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the consolidated 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 67.

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 consolidated financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on page 68.

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 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 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

Mr Gan Wee Sean ceased to act as the acting Chief Executive Officer and was appointed as Chief Executive Officer on 1 September 2011.

In accordance with the Bye-Laws of the Company, Mr. Gan Fock Wai, Stephen and Mr. Leung Man Chiu, Lawrence will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Report

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 2010 to 30 September 2012.

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 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 Directors of Listed Issuers, were as follows:

Long positions in shares of the Company

	Number of shares held				Percentage of issued share capital of the Company
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	
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	8,342,400	–	52,106,600 *(Note 3)*	60,449,000 *(Note 3)*	23.28%

Long positions in non-voting deferred shares of associated corporations

	Number of shares held				Percentage of issued non-voting deferred share capital of the respective corporation
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	
(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 60,449,000 shares in aggregate represented approximately 23.28 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 33 to the accompanying consolidated 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 27 to the accompanying consolidated 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

As at 31 December 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	23,580,000 *(note)*	9.08%
East of Suez Fund	Beneficial owner	13,700,000	5.28%

note: As reported by Brook Capital Limited, these 23,580,000 shares included 15,580,000 shares interested by East of Suez Fund.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 79.7 percent of the total sales of the Group in 2011 with the largest customer accounting for 46.2 percent.

The five largest suppliers of the Group accounted for 90.0 percent of the total purchases of the Group in 2011 with the largest supplier accounting for 36.1 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 separated and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board of directors, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the 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 balance 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.

AUDITOR

The consolidated financial statements for the year ended 31 December 2011 have been audited by Mazars CPA Limited. 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, 27 March 2012

Independent Auditor's Report

MAZAR

Mazars CPA Limited
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, 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 (together the "Group") set out on pages 21 to 66, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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 2011 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
27 March 2012

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	3	**115,931**	107,889
Other revenue	4	**560**	1,142
Other net income		**250**	872
Changes in inventories of finished goods		**2,580**	(332)
Raw materials and consumables used		**(30,731)**	(21,437)
Staff costs		**(23,722)**	(22,462)
Depreciation expenses		**(1,887)**	(2,243)
Net exchange loss		**(2,107)**	(3,153)
Other operating expenses		**(30,265)**	(26,821)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		**30,609**	33,455
Net (loss) gain on financial assets at fair value through profit or loss		**(3,202)**	76
Revaluation surplus in respect of investment properties		**24,853**	27,991
Profit from operations		**52,260**	61,522
Finance costs	5	**(1,180)**	(1,144)
Profit before taxation	5	**51,080**	60,378
Taxation	8	**(4,852)**	(5,365)
Profit for the year, attributable to owners of the Company	9	**46,228**	55,013
Other comprehensive income			
Change in fair value of available-for-sale financial assets		**463**	878
Revaluation surplus of leasehold land and buildings, net of tax effect of HK$4,293,000 *(2010: HK$7,469,000)*		**21,726**	37,790
Exchange difference arising from translation of financial statements of overseas subsidiaries		**65**	(3,662)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries		**(76)**	1,698
Other comprehensive income for the year, net of tax, attributable to owners of the Company		**22,178**	36,704
Total comprehensive income for the year, attributable to owners of the Company		**68,406**	91,717
Earnings per share			
Basic and diluted	11	**17.8 cents**	21.2 cents

The notes on pages 26 to 66 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	12	**218,104**	193,083
Property, plant and equipment	13	**205,750**	179,670
Available-for-sale financial assets	14	**8,261**	7,432
		432,115	380,185
Current assets			
Inventories	16	**15,524**	7,398
Trade and other receivables	17	**28,410**	34,982
Financial assets at fair value through profit or loss	14	**22,838**	20,694
Pledged bank deposits		**13,585**	21,232
Cash and cash equivalents	18	**6,455**	22,832
		86,812	107,138
Current liabilities			
Bank borrowings, secured	19	**72,321**	72,472
Current portion of deferred income	21	**40**	36
Trade and other payables	20	**12,585**	12,973
Tax payable		**304**	1,285
Dividends payable		**5,368**	5,312
		90,618	92,078
Net current (liabilities) assets		**(3,806)**	15,060
Total assets less current liabilities		**428,309**	395,245
Non-current liabilities			
Long-term portion of deferred income	21	**5,958**	5,387
Provision for long service payments	22	**788**	1,700
Provision for directors' retirement benefits	23	**10,139**	9,471
Deferred taxation	24	**23,556**	19,231
		40,441	35,789
NET ASSETS		**387,868**	359,456
Capital and reserves			
Share capital	25	**12,985**	12,985
Share premium and reserves	26	**374,883**	346,471
TOTAL EQUITY		**387,868**	359,456

Approved and authorised for issue by the Board of Directors on 27 March 2012

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 26 to 66 form part of these consolidated financial statements.

Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'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	28	**150,402**	149,761
Cash and cash equivalents	18	**550**	1,386
		151,182	151,357
Current liabilities			
Accrued charges and other creditors		**1,528**	1,486
Amounts due to subsidiaries	28	**107,558**	108,237
Dividends payable		**5,368**	5,312
		114,454	115,035
Net current assets		**36,728**	36,322
Total assets less current liabilities		**121,068**	120,662
Non-current liabilities			
Provision for directors' retirement benefits	23	**10,139**	9,471
NET ASSETS		**110,929**	111,191
Capital and reserves			
Share capital	25	**12,985**	12,985
Share premium and reserves	26	**97,944**	98,206
TOTAL EQUITY		**110,929**	111,191

Approved and authorised for issue by the Board of Directors on 27 March 2012

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 26 to 66 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Exchange reserve	Accumulated profits Proposed dividends	Accumulated profits Undistributed profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	12,985	24,594	61,916	1,885	(6,670)	22,594	190,429	307,733
Profit for the year	–	–	–	–	–	–	55,013	55,013
Other comprehensive income	–	–	37,790	878	(1,964)	–	–	36,704
Total comprehensive income attributable to owners of the Company	–	–	37,790	878	(1,964)	–	55,013	91,717
Interim dividends declared	–	–	–	–	–	–	(17,400)	(17,400)
Final dividends declared	–	–	–	–	–	22,594	(22,594)	–
Final dividends in respect of previous years	–	–	–	–	–	(22,594)	–	(22,594)
At 31 December 2010	**12,985**	**24,594**	**99,706**	**2,763**	**(8,634)**	**22,594**	**205,448**	**359,456**
At 1 January 2011	12,985	24,594	99,706	2,763	(8,634)	22,594	205,448	359,456
Profit for the year	–	–	–	–	–	–	46,228	46,228
Other comprehensive income	–	–	21,726	463	(11)	–	–	22,178
Total comprehensive income attributable to owners of the Company	–	–	21,726	463	(11)	–	46,228	68,406
Interim dividends declared	–	–	–	–	–	–	(17,400)	(17,400)
Final dividends declared	–	–	–	–	–	16,101	(16,101)	–
Final dividends in respect of previous years	–	–	–	–	–	(22,594)	–	(22,594)
At 31 December 2011	**12,985**	**24,594**	**121,432**	**3,226**	**(8,645)**	**16,101**	**218,175**	**387,868**

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	29	**29,589**	42,181
Interest received		**704**	900
Interest paid		**(1,180)**	(1,144)
Income taxes paid		**(5,809)**	(7,118)
Net cash generated from operating activities		**23,304**	34,819
INVESTING ACTIVITIES			
Dividends received from financial assets at fair value through profit or loss		**560**	627
Purchase of financial assets at fair value through profit or loss		**(5,346)**	(7,380)
Purchase of available-for-sale financial assets		**(1,137)**	(702)
Purchase of property, plant and equipment		**(1,948)**	(906)
Proceeds from disposal of property, plant and equipment		**18**	697
Proceeds from disposal of available-for-sale financial assets		**771**	288
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	18,597
Increase (Decrease) in pledged deposits		**7,647**	(14,263)
Net cash generated from (used in) investing activities		**565**	(3,042)
FINANCING ACTIVITIES			
Net movement in bank borrowings		**(316)**	(1,394)
Dividends paid		**(39,938)**	(39,835)
Net cash used in financing activities		**(40,254)**	(41,229)
Net decrease in cash and cash equivalents		**(16,385)**	(9,452)
Cash and cash equivalents at beginning of the reporting period		**22,832**	32,383
Effect of foreign exchange rate changes		**8**	(99)
Cash and cash equivalents at end of the reporting period	18	**6,455**	22,832

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 consolidated 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 consolidated 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 consolidated financial statements except for the adoption of the following new/revised HKFRS effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRS

HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRS 2010 – *Improvements to HKFRS 2010*

The improvements comprise a number of improvements to HKFRS, of which the following is considered to be relevant to the Group:

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The adoption of these amendments does not have an impact on the consolidated financial statements of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of measurement

The measurement basis used in the preparation of these consolidated 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 building that are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease which satisfy the definition of investment property and carried at fair value.

Investment properties are stated at fair value at the 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 the profit or loss during the year in which they are incurred.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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 by independent valuers who hold 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. 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 profit or loss. Any subsequent increases are credited to 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 controlled by the Company and 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 stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only 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 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)

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

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 or loss recognised in profit or loss, which includes 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 only 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.

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 other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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
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.

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 borrowings. 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 payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

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

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

Cash equivalents

For the purpose of the consolidated 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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, which includes the disposal of the Group's entire interest in a foreign operation, the loss of control of a subsidiary that includes 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.

- On disposal or partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss.

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 assess whether there is any indication that its investments in subsidiaries and property, plant and equipment may be impaired 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).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of investments in subsidiaries and non-financial assets (Continued)

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 in profit or loss immediately, except where the relevant asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease in accordance to the accounting policy relevant to that asset.

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 in profit or loss immediately, except where the relevant asset is carried at revalued amount, in which case the reversal of impairment loss is treated as a revalued amount increase in accordance to the accounting policy relevant to that asset.

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 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 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 their 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 entity 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 consolidated 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 related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, namely, the executive directors, 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 consolidated 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 consolidated 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 consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the year ended 31 December 2011, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [1]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [2]
Amendments to HKAS 1 (Revised)	*Presentation of items of other comprehensive income* [3]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated financial statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosures of Interests with Other Entities* [4]
HKFRS 13	*Fair value measurement* [4]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [4]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [5]

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS (Continued)

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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 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 administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than corporate assets. All liabilities are allocated to reportable segments other than deferred taxation, provision for directors' retirement benefits, dividends payable and other corporate liabilities.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments

	Year ended 31 December 2011			
	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	105,774	9,453	704	115,931
Segment results	34,827	32,843	(4,220)	63,450
Unallocated corporate expenses				(11,190)
Profit from operations				52,260
Finance costs				(1,180)
Profit before taxation				51,080
Taxation				(4,852)
Profit for the year				46,228
Assets				
Segment assets	252,504	218,518	47,503	518,525
Unallocated corporate assets				402
Consolidated total assets				518,927
Liabilities				
Segment liabilities	27,454	43,849	19,393	90,696
Unallocated corporate liabilities				40,363
Consolidated total liabilities				131,059
Other information				
Additions to non-current assets *(note)*	1,948	–	–	1,948
Depreciation expenses	1,887	–	–	1,887
Revaluation surplus in respect of investment properties	–	24,853	–	24,853
Revaluation surplus of leasehold land and buildings	26,019	–	–	26,019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Year ended 31 December 2010			
	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	97,819	9,170	900	107,889
Segment results	37,831	35,915	(657)	73,089
Unallocated corporate expenses				(11,567)
Profit from operations				61,522
Finance costs				(1,144)
Profit before taxation				60,378
Taxation				(5,365)
Profit for the year				55,013
Assets				
Segment assets	238,300	193,583	55,058	486,941
Unallocated corporate assets				382
Consolidated total assets				487,323
Liabilities				
Segment liabilities	29,632	43,777	17,883	91,292
Unallocated corporate liabilities				36,575
Consolidated total liabilities				127,867
Other information				
Additions to non-current assets *(note)*	906	–	–	906
Depreciation expenses	2,243	–	–	2,243
Revaluation surplus in respect of investment properties	–	27,991	–	27,991
Revaluation surplus of leasehold land and buildings	45,259	–	–	45,259

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**60,476**	52,482	**35,428**	39,763
Other regions in the PRC	**23,702**	29,283	**2,334**	7,723
Southeast Asia	**14,813**	11,979	**7,094**	8,186
North America	**9,712**	6,897	**3,261**	3,363
United Kingdom	**6,596**	6,419	**14,822**	11,820
Europe (excluding United Kingdom)	**–**	–	**(653)**	431
Other regions	**632**	829	**156**	757
Unallocated corporate expenses	**–**	–	**(10,182)**	(10,521)
	115,931	107,889	**52,260**	61,522

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**310,360**	268,220
Other regions in the PRC	**–**	–
Southeast Asia	**8,084**	7,232
North America	**–**	–
United Kingdom	**105,410**	97,301
Europe (excluding United Kingdom)	**–**	–
Other regions	**–**	–
	423,854	372,753

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

Information about major customers

Included in revenues arising from direct sales of Hoe Hin Brand of products of HK$105,774,000 *(2010: HK$97,819,000)* are revenues of approximately HK$53,567,000 and HK$17,786,000 *(2010: HK$44,789,000 and HK$24,052,000)* which arose from sales to the Group's largest and second largest customers which contributed over 10% of the Group's revenue individually.

4. OTHER REVENUE

	2011 HK$'000	2010 HK$'000
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	**560**	627
Gain on disposal of financial assets at fair value through profit or loss	**–**	515
	560	1,142

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2011 HK$'000	2010 HK$'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	**826**	754
Interest on bank borrowings wholly repayable more than five years	**354**	390
	1,180	1,144

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed schedule repayment dates set out in the loan agreements. For the years ended 31 December 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$354,000 and HK$390,000 respectively.

	2011 HK$'000	2010 HK$'000
(b) Other items		
Auditor's remuneration	**500**	483
Cost of inventories	**40,417**	32,682
Contributions to defined contribution plan	**433**	547
Operating lease charges on advertising spaces	**401**	464
Gain on disposal of property, plant and equipment	**(18)**	(606)
Gross rental income from investment properties less outgoings of HK$299,000 *(2010: HK$266,000)*	**(9,154)**	(8,904)
Royalty charges	**250**	250
Interest income from bank deposits and debt securities	**(704)**	(900)

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 23)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2011 Total HK$'000
Executive directors							
Gan Wee Sean	30	3,230	462	451	1,090	8	5,271
Gan Fock Wai, Stephen	30	2,082	462	217	593	12	3,396
Independent non-executive directors							
Wong Ying Kay, Ada	93	–	–	–	–	–	93
Ip Tin Chee, Arnold	93	–	–	–	–	–	93
Leung Man Chiu, Lawrence	93	–	–	–	–	–	93
	339	5,312	924	668	1,683	20	8,946

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 23)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2010 Total HK$'000
Executive directors							
Gan Wee Sean	30	3,116	550	160	1,052	12	4,920
Gan Fock Wai, Stephen	30	2,008	550	99	572	12	3,271
Independent non-executive directors							
Wong Ying Kay, Ada	90	–	–	–	–	–	90
Ip Tin Chee, Arnold	90	–	–	–	–	–	90
Leung Man Chiu, Lawrence	90	–	–	–	–	–	90
	330	5,124	1,100	259	1,624	24	8,461

Management bonus is calculated at 1 percent of the consolidated net profit after taxation according to the terms specified in the executive directors' service agreements.

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two *(2010: two)* are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate of the emoluments of the other three *(2010: three)* individuals are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**2,300**	2,241
Contributions to defined contribution plan	**36**	36
	2,336	2,277

The three *(2010: three)* individuals with the highest emoluments are within the HK$Nil – HK$1 million band for the years ended 31 December 2010 and 2011.

During the years ended 31 December 2010 and 2011, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2010 and 2011, no directors waived any of their emoluments.

8. TAXATION

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

	2011	2010
The charge comprises:	*HK$'000*	*HK$'000*
Current tax		
Hong Kong Profits Tax	**3,757**	4,343
Overseas tax	**1,063**	990
	4,820	5,333
Deferred taxation *(note 24)*		
Current year	**32**	32
	4,852	5,365

8. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2011	2010
	%	%
Applicable tax rate in Hong Kong	**16.5**	16.5
Effect of overseas tax rate differences	**0.9**	0.6
Non-deductible expenses and losses	**0.1**	0.9
Non-taxable revenue and gains	**(7.8)**	(8.6)
Utilisation of previously unrecognised tax losses	**(0.3)**	(0.3)
Unrecognised temporary difference	**(0.5)**	(0.2)
Others	**0.6**	–
Effective tax rate for the year	**9.5**	8.9

9. PROFIT FOR THE YEAR

The consolidated profit attributable to owners of the Company for the year includes a profit of HK$39,732,000 *(2010: HK$44,709,000)* dealt with in the financial statements of the Company.

10. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividends of HK6.70 cents per share *(2010: HK6.70 cents)*	**17,400**	17,400
Final dividend of HK6.20 cents per share *(2010: HK6.20 cents)*	**16,101**	16,101
Special final dividend: Nil *(2010: HK2.50 cents per share)*	–	6,493
	33,501	39,994

The final dividend for 2011 proposed after the end of the reporting period is subject to shareholders' approval at the forthcoming annual general meeting. This dividend has not been recognised as a liability at the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$46,228,000 *(2010: HK$55,013,000)* and the weighted average number of shares of 259,700,000 *(2010: 259,700,000)* 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 2010 and 2011.

12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases	**Freehold investment properties in United Kingdom and Singapore**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Valuation			
At 1 January 2010	68,700	99,877	168,577
Exchange realignment	–	(3,485)	(3,485)
Revaluation surplus	19,850	8,141	27,991
At 31 December 2010	88,550	104,533	193,083
At 1 January 2011	88,550	104,533	193,083
Exchange realignment	–	168	168
Revaluation surplus	16,060	8,793	24,853
At 31 December 2011	**104,610**	**113,494**	**218,104**

Investment properties in Hong Kong were valued on a market value basis on 31 December 2011 by Memfus Wong Surveyors Limited, independent professional valuers. Investment properties in United Kingdom and Singapore were respectively valued on a market value basis by Cushman & Wakefield LLP and Hilco Appraisal Singapore Pte Limited, independent professional valuers.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings in Hong Kong under long leases *HK$'000*	Land and buildings in Hong Kong under medium-term leases *HK$'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 2010						
At beginning of the reporting period	75,500	58,000	1,087	836	416	135,839
Additions	–	–	564	52	290	906
Disposal	–	–	(2)	(1)	(88)	(91)
Revaluation	14,247	31,012	–	–	–	45,259
Depreciation	(447)	(762)	(331)	(321)	(382)	(2,243)
At end of the reporting period	89,300	88,250	1,318	566	236	179,670
Reconciliation of carrying amount – year ended 31 December 2011						
At beginning of the reporting period	89,300	88,250	1,318	566	236	179,670
Additions	–	–	199	1,467	282	1,948
Revaluation	8,147	17,872	–	–	–	26,019
Depreciation	(447)	(762)	(217)	(399)	(62)	(1,887)
At end of the reporting period	97,000	105,360	1,300	1,634	456	205,750
At 1 January 2011						
Cost	–	–	13,906	16,351	797	31,054
Valuation	89,300	88,250	–	–	–	177,550
Accumulated depreciation	–	–	(12,588)	(15,785)	(561)	(28,934)
	89,300	88,250	1,318	566	236	179,670
At 31 December 2011						
Cost	–	–	14,105	17,718	1,079	32,902
Valuation	97,000	105,360	–	–	–	202,360
Accumulated depreciation	–	–	(12,805)	(16,084)	(623)	(29,512)
	97,000	**105,360**	**1,300**	**1,634**	**456**	**205,750**

The leasehold land and buildings held for own use were valued on a market value basis on 31 December 2011 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 2011 would have been HK$64,371,000 *(2010: HK$65,580,000)* 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

	Available-for-sale financial assets		Financial assets at fair value through profit or loss		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities:						
Listed						
Hong Kong	**–**	–	**3,290**	4,281	**3,290**	4,281
Overseas	**–**	–	**12,418**	14,398	**12,418**	14,398
Unlisted	**8,261**	7,432	**–**	–	**8,261**	7,432
	8,261	7,432	**15,708**	18,679	**23,969**	26,111
Dual currency deposits	**–**	–	**7,130**	2,015	**7,130**	2,015
	8,261	7,432	**22,838**	20,694	**31,099**	28,126
Carrying amount included in:						
Current assets	**–**	–	**22,838**	20,694	**22,838**	20,694
Non-current assets	**8,261**	7,432	**–**	–	**8,261**	7,432
	8,261	7,432	**22,838**	20,694	**31,099**	28,126

Except for the short-term dual currency deposits which are designated at initial recognition as at fair value through profit or loss, all financial assets at fair value through profit or loss are held for trading.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**84,340**	84,340

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	*Indirectly*	
Biotech Marketing Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Advertising agency
Digi Star Advertising Company Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	–	100	Inactive
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 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

	2011	2010
	HK$'000	*HK$'000*
Finished goods	**3,193**	613
Raw materials	**8,066**	3,273
Bottles, caps and packing materials	**4,265**	3,512
	15,524	7,398

17. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables *(note 17(a))*	**20,978**	18,693
Bills receivable	**4,656**	13,603
Other receivables		
Deposits, prepayments and other debtors	**2,776**	2,686
	28,410	34,982

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

	2011 HK$'000	2010 HK$'000
Within 30 days	**20,977**	10,452
31 – 60 days	**1**	4,822
61 – 90 days	–	3,419
	20,978	18,693

The Group's trade receivables balance as at 31 December 2011 was neither past due nor impaired while HK$286,000 as at 31 December 2010 was past due for about 3 days but for which the Group did not consider them as impaired. The Group does not hold any collateral over these balances.

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

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Bank balances and cash	**6,455**	22,832	**550**	1,386

19. BANK BORROWINGS, SECURED

The analysis of the carrying amount of bank borrowings is as follows:

	2011	2010
	HK$'000	*HK$'000*
Term loans from banks due for repayment within one year	**57,459**	55,747
Term loan from a bank due for repayment after one year which contain a repayment on demand clause	**14,862**	16,725
	72,321	72,472

A term loan of HK$14,862,000 *(2010: HK$16,725,000)*, with a clause in their terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, are classified as current liabilities even though the directors do not expect that the lenders would exercise their rights to demand repayment.

The amounts due based on the scheduled repayment dates set out in the loan agreements ignoring the effect of any repayment on demand clause are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 1 year	**57,459**	55,747
After 1 year but within 2 years	**1,901**	1,863
After 2 years but within 5 years	**5,935**	5,818
After 5 years	**7,026**	9,044
	14,862	16,725
	72,321	72,472

The maturity of the above borrowings is as follows:

	2011	2010
Wholly repayable within five years	**65,295**	63,428
Wholly repayable more than five years	**7,026**	9,044
	72,321	72,472

The term loans are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
Japanese Yen *(note (i))*	**8,154**	15,416
United States dollars *(note (i))*	**4,666**	–
Norwegian Kroner	**–**	2,468
British Pound Sterling *(note (ii))*	**38,112**	36,037
Hong Kong dollars *(note (iii))*	**21,389**	18,551
	72,321	72,472

19. BANK BORROWINGS, SECURED (CONTINUED)

(i) The revolving bank loans are denominated in Japanese Yen and United States dollars, bear interest at the bank's cost of fund plus 0.75% per annum, repayable not exceeding one month after drawdown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss.

(ii) Included in the amount was a term loan of HK$36,203,000 *(2010:HK$: 36,037,000)*. The bank loan 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$105,410,000 *(2010: HK$97,301,000)* together with the assignment of rental monies derived from the investment properties. The remaining HK$1,909,000 *(2010: Nil)* is a revolving bank loan which bears interest at the banks' cost of fund plus 0.75% per annum, repayable not exceeding one month after the drawdown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss.

(iii) Included in the amount was a term loan of HK$16,725,000 *(2010: HK$18,551,000)* which bears interest at the Hong Kong prime rate minus 3% per annum and 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$87,000,000 *(2010: HK$80,000,000)*. The remaining HK$4,664,000 *(2010: HK$Nil)* bears interest at the bank's cost of fund plus 0.75% per annum, repayable not exceeding one month after drawdown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss.

20. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables *(note 20(a))*	**2,866**	2,370
Other payables		
Accrued charges and other creditors	**9,719**	10,603
	12,585	12,973

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

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,522**	1,409
31 – 60 days	**1,012**	716
61 – 90 days	**190**	242
More than 90 days	**142**	3
	2,866	2,370

21. 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 150 to 153 years.

22. PROVISION FOR LONG SERVICE PAYMENTS

	2011 HK$'000	2010 HK$'000
At beginning of the reporting period	**1,700**	2,150
Current year net credit	**(912)**	(450)
At end of the reporting period	**788**	1,700

23. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS

	2011 HK$'000	2010 HK$'000
At beginning of the reporting period	**9,471**	9,212
Current year charge	**668**	259
At end of the reporting period	**10,139**	9,471

24. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities:

	Accelerated depreciation allowances and revaluation of leasehold land and buildings *HK$'000*
At 1 January 2010	11,730
Recognised in profit or loss *(note 8)*	32
Recognised in equity *(note 26)*	7,469
At 31 December 2010	19,231
At 1 January 2011	19,231
Recognised in profit or loss *(note 8)*	32
Recognised in equity *(note 26)*	4,293
At 31 December 2011	**23,556**

24. DEFERRED TAXATION (CONTINUED)

The Group (Continued)

Unrecognised deferred tax assets arising from:

	2011	2010
	HK$'000	*HK$'000*
Deductible temporary differences	**11,859**	13,405
Tax losses	**4,188**	4,850
At end of the reporting period	**16,047**	18,255

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$2,648,000 *(2010: HK$3,012,000)* have not been recognised due to uncertainty of their recoverability.

The Company

Unrecognised deferred tax assets arising from:

	2011	2010
	HK$'000	*HK$'000*
Deductible temporary differences	**10,139**	9,471
Tax losses	**1,165**	1,219
At end of the reporting period	**11,304**	10,690

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,865,000 *(2010: HK$1,764,000)* have not been recognised due to uncertainty of their recoverability.

25. SHARE CAPITAL

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.05 each	**30,000**	30,000
Issued and fully paid		
259,700,000 ordinary shares of HK$0.05 each	**12,985**	12,985

26. SHARE PREMIUM AND RESERVES

The Group	Share premium	Revaluation reserve: Properties	Revaluation reserve: Investment	Exchange reserve	Accumulated profits: Proposed dividends	Accumulated profits: Undistributed profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	24,594	61,916	1,885	(6,670)	22,594	190,429	294,748
Profit for the year	–	–	–	–	–	55,013	55,013
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	(3,662)	–	–	(3,662)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	–	–	–	1,698	–	–	1,698
Revaluation surplus of leasehold land and buildings	–	45,259	–	–	–	–	45,259
Deferred tax *(note 24)*	–	(7,469)	–	–	–	–	(7,469)
Changes in fair value of available-for-sale financial assets	–	–	878	–	–	–	878
Other comprehensive income, net of tax, attributable to owners of the Company	–	37,790	878	(1,964)	–	–	36,704
Interim dividends declared	–	–	–	–	–	(17,400)	(17,400)
Final dividends proposed	–	–	–	–	22,594	(22,594)	–
2009 final dividends transferred to dividends payable	–	–	–	–	(22,594)	–	(22,594)
At 31 December 2010	**24,594**	**99,706**	**2,763**	**(8,634)**	**22,594**	**205,448**	**346,471**
At 1 January 2011	24,594	99,706	2,763	(8,634)	22,594	205,448	346,471
Profit for the year	–	–	–	–	–	46,228	46,228
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	65	–	–	65
Exchange difference arising from translation of inter-company balances with overseas subsidiaries	–	–	–	(76)	–	–	(76)
Revaluation surplus of leasehold land and buildings	–	26,019	–	–	–	–	26,019
Deferred tax *(note 24)*	–	(4,293)	–	–	–	–	(4,293)
Changes in fair value of available-for-sale financial assets	–	–	463	–	–	–	463
Other comprehensive income, net of tax, attributable to owners of the Company	–	21,726	463	(11)	–	–	22,178
Interim dividends declared	–	–	–	–	–	(17,400)	(17,400)
Final dividends proposed	–	–	–	–	16,101	(16,101)	–
2010 final dividends transferred to dividends payable	–	–	–	–	(22,594)	–	(22,594)
At 31 December 2011	**24,594**	**121,432**	**3,226**	**(8,645)**	**16,101**	**218,175**	**374,883**

26. SHARE PREMIUM AND 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 2010	24,594	67,708	22,594	(21,405)	93,491
Profit for the year	–	–	–	44,709	44,709
Interim dividends declared	–	–	–	(17,400)	(17,400)
Final dividends proposed	–	–	22,594	(22,594)	–
2009 final dividends transferred to dividends payable	–	–	(22,594)	–	(22,594)
At 31 December 2010	24,594	67,708	22,594	(16,690)	98,206
At 1 January 2011	24,594	67,708	22,594	(16,690)	98,206
Profit for the year	–	–	–	39,732	39,732
Interim dividends declared	–	–	–	(17,400)	(17,400)
Final dividends proposed	–	–	16,101	(16,101)	–
2010 final dividends transferred to dividends payable	–	–	(22,594)	–	(22,594)
At 31 December 2011	**24,594**	**67,708**	**16,101**	**(10,459)**	**97,944**

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

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

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	2011 ***HK$'000***	2010 *HK$'000*
Contributed surplus	**67,708**	67,708
Accumulated profits	**5,642**	5,904
	73,350	73,612

27. SHARE OPTION SCHEME

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

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

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

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 26,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. 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.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

29. CASH GENERATED FROM OPERATIONS

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**51,080**	60,378
Interest income	**(704)**	(900)
Interest expenses	**1,180**	1,144
Dividend income from financial assets at fair value through profit or loss	**(560)**	(627)
Revaluation surplus in respect of investment properties	**(24,853)**	(27,991)
Gain on disposal of financial assets at fair value through profit or loss	**–**	(515)
Gain on disposal of property, plant and equipment	**(18)**	(606)
Net loss (gain) on financial assets at fair value through profit or loss	**3,202**	(76)
Exchange differences	**9**	74
Depreciation expenses	**1,887**	2,243
Changes in working capital:		
Inventories	**(8,126)**	387
Trade and other receivables	**6,574**	7,582
Trade and other payables	**(413)**	61
Deferred income	**575**	1,218
Provision for long service payments	**(912)**	(450)
Provision for directors' retirement benefits	**668**	259
Cash generated from operations	**29,589**	42,181

30. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings, investment properties, financial assets at fair value through profit or loss and bank deposits were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK$93,544,000 *(2010: HK$93,743,000)*, of which HK$72,321,000 *(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:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Leasehold land and buildings	**87,000**	80,000
Investment properties	**105,410**	97,301
Financial assets at fair value through profit or loss	**22,007**	10,217
Bank deposits	**13,585**	20,662
	228,002	208,180

31. 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 1 year to 15 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**6,598**	8,120
In the second to fifth years inclusive	**17,344**	17,533
Over five years	**23,177**	28,528
	47,119	54,181

32. 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$72,321,000 *(2010: HK$72,472,000)*. 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.

33. RELATED PARTY TRANSACTIONS

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

	2011	2010
	HK$'000	*HK$'000*
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**2,272**	2,206
– Contributions to defined contribution plan	**36**	36
Royalty paid to a director *(Note)*	**250**	250

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 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.

34. 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 borrowings 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 76.25% *(2010: 52.49%)* and 99.68% *(2010: 97.41%)* 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$43,788,000 *(2010: HK$59,778,000)*.

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

Liquidity risk

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

The following tables detail the remaining contractual maturity of the Group and the Company 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 and the Company are 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk (Continued)

Specifically, for term loans which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke their unconditional rights to call the loan with immediate effect.

	On demand	Less than 1 year	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
At 31 December 2011				
Bank borrowings	**72,321**	**–**	**72,321**	**72,321**
Trade and other payables	**10,820**	**1,765**	**12,585**	**12,585**
Dividends payable	**5,368**	**–**	**5,368**	**5,368**
	88,509	**1,765**	**90,274**	**90,274**
At 31 December 2010				
Bank borrowings	72,472	–	72,472	72,472
Trade and other payables	10,657	2,316	12,973	12,973
Dividends payable	5,312	–	5,312	5,312
	88,441	2,316	90,757	90,757

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	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*
At 31 December 2011	**–**	**57,801**	**2,181**	**6,542**	**7,269**	**73,793**	**72,321**
At 31 December 2010	–	56,127	2,181	6,542	9,449	74,299	72,472

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	On demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
The Company			
At 31 December 2011			
Accrued changes and other creditors	**1,528**	**1,528**	**1,528**
Amount due to subsidiaries	**107,558**	**107,558**	**107,558**
Dividends payable	**5,368**	**5,368**	**5,368**
	114,454	**114,454**	**114,454**
Financial guarantees	**72,321**	**72,321**	**–**
At 31 December 2010			
Accrued changes and other creditors	1,486	1,486	1,486
Amount due to subsidiaries	108,237	108,237	108,237
Dividends payable	5,312	5,312	5,312
	115,035	115,035	115,035
Financial guarantees	72,472	72,472	–

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank balances and bank borrowings. Details of interest rates of the Group's bank borrowings at the end of the reporting period are set out in note 19. 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") *(2010: 50 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 2010.

	2011		2010	
	50 bps increase	**50 bps decrease**	50 bps increase	50 bps Decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(Decrease) Increase in profit	**(261)**	**261**	(142)	142

34. 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 the United Kingdom and denominated in British Pounds Sterling. The Group also had equity securities denominated in foreign currencies. As at 31 December 2011, the carrying amounts of the Group's financial assets and financial liabilities denominated in a currency other than the functional currency of the group entities are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
British Pounds Sterling	**6,424**	7,828	**1,909**	–
United States dollars	**4,874**	17,989	**5,857**	863
Euro	**5,231**	11,798	**–**	–
Japanese Yen	**9,262**	5,670	**8,154**	15,416
Norwegian Kroner	**946**	5,435	**–**	2,468
Canadian dollars	**2,386**	756	**–**	–
Swiss Franc	**3,214**	–	**–**	–
Others	**3,460**	2,228	**883**	1,130
	35,797	51,704	**16,803**	19,877

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% *(2010: 5%)* was applied at the end of the respective reporting period.

	2011		2010	
	5% increase	**5% decrease**	5% increase	5% decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (Decrease) in profit	**999**	**(999)**	735	(735)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

The Group's listed equity 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 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 prices had occurred at the end of the reporting period and had been applied to the equity securities that would have affected the profit or loss and equity. A change of 10% *(2010: 10%)* in stock price was applied at the end of respective reporting period.

	2011		2010	
	10% increase in stock price *HK$'000*	**10% decrease in stock price** *HK$'000*	10% increase in stock price *HK$'000*	10% decrease in stock price *HK$'000*
Increase (Decrease) in profit or loss	**1,571**	**(1,571)**	1,868	(1,868)

Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

The following presents the carrying value of financial instruments measured at fair value at 31 December 2011 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value (Continued)

Assets measured at fair value

	31 December 2011 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Financial assets at fair value through profit or loss				
Equity securities, listed in Hong Kong	**3,290**	**3,290**	**–**	**–**
Equity securities, listed overseas	**12,418**	**12,418**	**–**	**–**
Dual currency deposits	**7,130**	**7,130**	**–**	**–**
Available-for-sale financial assets				
Unlisted private equity fund	**3,063**	**–**	**–**	**3,063**
Other securities, unlisted	**5,198**	**5,198**	**–**	**–**
	31,099	**28,036**	**–**	**3,063**

	31 December 2010 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Financial assets at fair value through profit or loss				
Equity securities, listed in Hong Kong	4,281	4,281	–	–
Equity securities, listed overseas	14,398	14,398	–	–
Dual currency deposits	2,015	2,015	–	–
Available-for-sale financial assets				
Unlisted private equity fund	2,810	–	–	2,810
Other securities, unlisted	4,622	4,622	–	–
	28,126	25,316	–	2,810

During the years ended 31 December 2011 and 2010, 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value (Continued)

Assets measured at fair value based on Level 3

Fair value measurement at the end of the reporting period:

Description	**Unlisted private equity fund**	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the reporting period	**2,810**	2,194
Gains or losses recognised in:		
– profit or loss	**–**	–
– other comprehensive income	**(113)**	202
Additions	**1,137**	702
Disposals	**(771)**	(288)
At end of the reporting period	**3,063**	2,810

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 fund manager 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.

35. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group'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 2010 and 2011.

The Group monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity at the end of the reporting period, as follows:

	2011	2010
	HK$'000	*HK$'000*
Bank borrowings, secured	**72,321**	72,472
Trade and other payables	**12,585**	12,973
Tax payable	**304**	1,285
Dividends payable	**5,368**	5,312
Less: Cash and cash equivalents	**(6,455)**	(22,832)
Pledged bank deposits	**(13,585)**	(21,232)
Net debts	**70,538**	47,978
Total equity	**387,868**	359,456
Net-debt-to-equity ratio	**18%**	13%

36. CAPITAL COMMITMENT

In 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with maximum capital injection of US$1 million *(equivalent to approximately HK$7.8 million)*. As at 31 December 2011, US$706,000 (equivalent to approximately HK$5,507,000) *(2010: US$560,000 (equivalent to approximately HK$4,368,000))* was called and paid up. Since the commitment period ended on 31 December 2011, the remaining US$294,000 (equivalent to approximately HK$2,293,000) would only be payable in limited situations stipulated in the master agreement.

37. OUTSTANDING LITIGATION

During the year, the mother and a sister of one of the executive directors of the Company made a claim against three Taiwan registered companies (together the "defendant"), claiming that the defendant has no right to use the English and Chinese names and the portrait of Mr. Gan Geok Eng, the founder of our core product Hoe Hin Whiteflower Embrocation, as trade marks and to sell any products associated with such trade marks in Taiwan. There have been several hearings held in respect of the case during the year ended 31 December 2011 and the related legal costs and expenses incurred and borne by the Group during the year amounted to HK$129,000. Despite that the Group is not a party of the litigation, i.e. neither a plantiff nor a defendant, and the litigation is not initiated by the Group, management considers that the litigation is brought for the interest of the Group and if won, the Group's interest would be protected. Therefore, the Board of Directors of the Company has approved that the Group should bear the costs and expenses in relation to the case. Although the final outcome of the case is still uncertain at the moment, the financial impact is not expected to be significant to the Group.

Group Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	101,456	113,802	107,959	107,889	**115,931**
Profit (Loss) before taxation	43,709	(19,092)	68,186	60,378	**51,080**
Taxation	(7,703)	(3,940)	(5,946)	(5,365)	**(4,852)**
Profit (Loss) after taxation	36,006	(23,032)	62,240	55,013	**46,228**
Dividends	37,700	31,177	39,864	39,994	**33,501**
Earnings (Loss) per share	13.8 cents	(8.9) cents	24.0 cents	21.2 cents	**17.8 cents**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	324,030	276,165	310,556	380,185	**432,115**
Net current assets (liabilities)	42,083	(12,700)	24,605	15,060	**(3,806)**
Non-current liabilities	(48,413)	(19,419)	(27,428)	(35,789)	**(40,441)**
	317,700	244,046	307,733	359,456	**387,868**
Share capital	13,000	12,985	12,985	12,985	**12,985**
Share premium and reserves	304,700	231,061	294,748	346,471	**374,883**
	317,700	244,046	307,733	359,456	**387,868**

Summary of Properties Owned by the Group

As at 31 December 2011

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 Wan Chai 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 Chai Wan Hong Kong	Lease from 29 May 1987 to 30 June 2047	133 sq.ft.	Carpark	100