Interim Report

2012

WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

85 YEARS CELEBRATED HISTORY
DEFINITE CHOICE

This Interim 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 *and chairing* N)

Wong Ying Kay, Ada (A, R *and* N)

Ip Tin Chee, Arnold (A, R *and* N)

COMPANY SECRETARY

Lo Tai On

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, 200 Gloucester Road
Wanchai
Hong Kong

AUDITOR

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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
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Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Standard Limited
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STOCK CODE

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Overview

For the six months ended 30 June 2012, the Group's turnover increased by 23.5% to HK$72,029,000 (2011: HK$58,337,000) mainly due to increased contributions from sales of Hoe Hin brand of products (the "Hoe Hin Products"), slightly offset by decreased contributions from treasury investment.

Net revaluation surplus of the Group's investment properties for the period was HK$6,296,000 (2011: HK$13,506,000), including a deficit of HK$2,394,000 (2011: a surplus of HK$1,876,000) which related to the Group's investment properties in the United Kingdom.

Net profit for the six months ended 30 June 2012 increased by 4.7% to approximately HK$30,226,000 (2011: HK$28,868,000).

The revaluation of other properties, which has been accounted for as other comprehensive income, has resulted in a revaluation surplus (net of tax) in this period of HK$19,409,000 (2011: HK$19,417,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2012 was approximately HK$51,088,000 (2011: HK$50,406,000).

Manufacturing and sales of Hoe Hin Brand of products

Sales of Hoe Hin Products increased by 25.0% to HK$66,700,000 (2011: HK$53,362,000).

Hong Kong remained the major market of the Hoe Hin Products which accounted for about 68.4% (2011: 54.9%) of the segment revenue. Mainland China accounted for about 18.7% (2011: 26.8%). Other than Mainland China, North America and Indonesia, contributions from other regions were more than the same period last year. In particular, sales in Hong Kong surged about 55% in anticipation of increasing prices of the Hoe Hin Products. Such increase in sales should not be used as projection for the sales of whole year. Sales in Mainland China, however, declined about 45% as restructuring process carried out for better inventory management and control as disclosed in the chairman's statement for 2011. Sales in the United States slowed down during the period for maintaining a healthy stock level of the distributor.

Segment profit increased by 58.0% to HK$30,211,000 (2011: HK$19,120,000), mainly due to increased contributions from Hong Kong and Philippines, partly offset by increased production costs during the period.

Property investment

Revenue for this segment increased by 12.3% to HK$5,151,000 (2011: HK$4,585,000). This change mainly represents increased rental income from the Group's investment properties in Hong Kong and the United Kingdom as a result of rent review, partly offset by decreased average exchange rate in translating rental income derived in the United Kingdom.

Net revaluation surplus in respect of the Group's investment properties of HK$6,296,000 (2011: HK$13,506,000) was recognised for the period.

As a result, the segment profit decreased by 40.2% to HK$10,411,000 (2011: HK$17,408,000).

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

Treasury investment

Revenue derived from this segment decreased by 54.4% to HK$178,000 (2011: HK$390,000), primarily due to less interest income earned from debt securities. The segment results decreased to a profit of HK$778,000 (2011: HK$980,000), mainly attributable to unfavourable changes in exchange rates of bank deposits denominated in foreign currencies and decreased interest income as aforesaid, partly offset by favourable movement in fair value changes on listed investments.

Finance costs

The decrease of HK$31,000 (5.3%) to HK$556,000 was mainly due to lower bank loan balances.

Taxation

There was an increase in taxation of HK$1,852,000 to HK$4,631,000 for the period, principally due to increased taxable operating profits of subsidiaries in Hong Kong for the period.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 30 June 2012 was 13.7% (31 December 2011: 18.6%). Total bank borrowings of the Group amounted to HK$56.9 million (31 December 2011: HK$72.3 million), 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 0.99 as at 30 June 2012 (31 December 2011: 0.96).

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 30 June 2012, 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 period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2012 were approximately HK$26.3 million (31 December 2011: HK$22.3 million) in total, or about 4.6% (31 December 2011: 4.3%) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debts borrowings) of approximately HK$70.0 million (31 December 2011: HK$69.2 million) relating to properties investments in the United Kingdom.

Debts borrowings were either denominated in Hong Kong Dollars or the currencies of the underlying pledged assets. Net foreign exchange exposure, being foreign assets denominated in Japanese Yen in excess of their underlying debt borrowings, was approximately HK$2.6 million (31 December 2011: HK$1.1 million).

PLEDGE OF ASSETS

As at 30 June 2012, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with carrying value of approximately HK$235.6 million (31 December 2011: HK$228.0 million) were pledged to secure banking facilities granted to the Group to the extent of HK$94.5 million (31 December 2011: HK$93.5 million), of which HK$56.9 million (31 December 2011: HK$72.3 million) were utilised as at 30 June 2012.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 87 (31 December 2011: 95) employees. Fringe benefits such as tuition subsidies and medical allowances are offered to most employees. The Company has a share option scheme for the benefit of its directors and eligible employees of the Group until 26 June 2012. No option has been granted under the scheme since its adoption.

OUTLOOK

The restructuring of inventory management in the Mainland China is still underway and the sales there are expected to be slowed down or suspended in the second half of the year. The progress on the distributorship in Vietnam is expected to be postponed, pending satisfactory review of the potential distributor. Despite comparably less impact than last year, inflationary pressure and rising wages still pose strong challenges to operating overheads. We will monitor it closely to protect margins through cautious pricing strategy and effective cost management.

The present uncertain global economic conditions will continue. Property markets in Hong Kong and London, United Kingdom, however, are expected to remain stable in general. The performance of our existing property leasing would continue to be steady during the second half of the year.

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

Hong Kong, 31 August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

MAZARS

MAZARS CPA LIMITED
瑪澤 會計師事務所有限公司
42nd Floor, Central Plaza,
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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)

Introduction

We have reviewed the interim financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 9 to 28, comprising the condensed consolidated statement of financial position as at 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory information. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

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

Scope of review

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

Conclusion

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 31 August 2012

Yip Ngai Shing
Practising Certificate number: P05163

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	3	**72,029**	58,337
Other revenue		**412**	563
Changes in inventories of finished goods		**(493)**	488
Raw materials and consumables used		**(14,874)**	(13,925)
Staff costs		**(12,369)**	(11,358)
Depreciation expenses		**(1,052)**	(893)
Net exchange (loss) gain		**(71)**	568
Other operating expenses		**(14,803)**	(14,702)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		**28,779**	19,078
Net gain (loss) on financial assets at fair value through profit or loss		**338**	(350)
Revaluation surplus in respect of investment properties		**8,690**	13,506
Revaluation deficit in respect of investment properties		**(2,394)**	–
Profit from operations		**35,413**	32,234
Finance costs	4	**(556)**	(587)
Profit before taxation	4	**34,857**	31,647
Taxation	5	**(4,631)**	(2,779)
Profit for the period, attributable to owners of the Company		**30,226**	28,868

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (unaudited) HK$'000	2011 (unaudited) HK$'000
Other comprehensive income			
Change in fair value of available-for-sale financial assets		**1,031**	–
Revaluation surplus in respect of leasehold land and buildings, net of tax effect of HK$3,835,000 (2011: HK$3,837,000)		**19,409**	19,417
Exchange difference arising from translation of financial statements of overseas subsidiaries		**950**	4,307
Exchange difference arising from translation of inter-company balances with overseas subsidiaries		**(528)**	(2,186)
Other comprehensive income for the period, net of tax, attributable to owners of the Company		**20,862**	21,538
Total comprehensive income for the period, attributable to owners of the Company		**51,088**	50,406
Earnings per share			
Basic and diluted	7	**11.6 cents**	11.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Non-current assets			
Investment properties	8	**225,273**	218,104
Property, plant and equipment	8	**228,429**	205,750
Available-for-sale financial assets		**9,868**	8,261
		463,570	432,115
Current assets			
Inventories		**12,267**	15,524
Trade and other receivables	9	**36,358**	28,410
Financial assets at fair value through profit or loss		**28,745**	22,838
Pledged bank deposits		**8,810**	13,585
Bank balances and cash		**26,179**	6,455
		112,359	86,812
Current liabilities			
Bank borrowings, secured	10	**56,899**	72,321
Current portion of deferred income		**59**	40
Trade and other payables	11	**27,516**	12,585
Tax payable		**4,443**	304
Dividends payable		**24,576**	5,368
		113,493	90,618
Net current liabilities		**(1,134)**	(3,806)
Total assets less current liabilities		**462,436**	428,309

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2012

	Notes	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Non-current liabilities			
Long-term portion of deferred income		**8,644**	5,958
Provision for long service payments		**949**	788
Provision for directors' retirement benefits		**10,632**	10,139
Deferred taxation		**27,407**	23,556
		47,632	40,441
NET ASSETS		**414,804**	387,868
Capital and reserves			
Share capital		**12,985**	12,985
Share premium and reserves		**401,819**	374,883
TOTAL EQUITY		**414,804**	387,868

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

						Accumulated profits		
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Exchange reserve	Proposed dividends	Undistributed profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012 (audited)	12,985	24,594	121,432	3,226	(8,645)	16,101	218,175	387,868
Profit for the period	–	–	–	–	–	–	30,226	30,226
Other comprehensive income	–	–	19,409	1,031	422	–	–	20,862
Total comprehensive income attributable to owners of the Company	–	–	19,409	1,031	422	–	30,226	51,088
Interim dividends declared	–	–	–	–	–	4,675	(12,726)	(8,051)
2011 final dividends transferred to dividends payable	–	–	–	–	–	(16,101)	–	(16,101)
At 30 June 2012 (unaudited)	**12,985**	**24,594**	**140,841**	**4,257**	**(8,223)**	**4,675**	**235,675**	**414,804**
At 1 January 2011 (audited)	12,985	24,594	99,706	2,763	(8,634)	22,594	205,448	359,456
Profit for the period	–	–	–	–	–	–	28,868	28,868
Other comprehensive income	–	–	19,417	–	2,121	–	–	21,538
Total comprehensive income attributable to owners of the Company	–	–	19,417	–	2,121	–	28,868	50,406
Interim dividends declared	–	–	–	–	–	4,675	(12,466)	(7,791)
2010 final dividends transferred to dividends payable	–	–	–	–	–	(22,594)	–	(22,594)
At 30 June 2011 (unaudited)	12,985	24,594	119,123	2,763	(6,513)	4,675	221,850	379,477

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**41,869**	7,035
Net cash used in investing activities	**(1,492)**	(1,012)
Net cash used in financing activities	**(20,659)**	(7,125)
Net increase (decrease) in cash and cash equivalents	**19,718**	(1,102)
Cash and cash equivalents at beginning of period	**6,455**	22,832
Effect of foreign exchange rate changes	**6**	69
Cash and cash equivalents at end of period, represented by bank balances and cash	**26,179**	21,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011 ("2011 annual accounts").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties, leasehold land and buildings, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the 2011 annual accounts.

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

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period. The Group is in the process of making an assessment of what the impact of these HKFRS is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

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

a) Manufacturing and sale of Hoe Hin Brand of products.

b) Property investment.

c) Treasury investment.

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

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

3. SEGMENT INFORMATION (CONTINUED)

Business segment

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK$'000	Property investment – rental income (unaudited) HK$'000	Treasury investment – interest income (unaudited) HK$'000	Consolidated (unaudited) HK$'000
Six months ended 30 June 2012				
Revenue from external customers	66,700	5,151	178	72,029
Segment results	30,211	10,411	778	41,400
Unallocated corporate expenses				(5,987)
Profit from operations				35,413
Finance costs				(556)
Profit before taxation				34,857
Taxation				(4,631)
Profit for the period				30,226

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK$'000	Property investment – rental income (unaudited) HK$'000	Treasury investment – interest income (unaudited) HK$'000	Consolidated (unaudited) HK$'000
Six months ended 30 June 2011				
Revenue from external customers	53,362	4,585	390	58,337
Segment results	19,120	17,408	980	37,508
Unallocated corporate expenses				(5,274)
Profit from operations				32,234
Finance costs				(587)
Profit before taxation				31,647
Taxation				(2,779)
Profit for the period				28,868

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Hong Kong (unaudited) HK$'000	Other regions in the PRC (unaudited) HK$'000	Southeast Asia (unaudited) HK$'000	North America (unaudited) HK$'000	United Kingdom (unaudited) HK$'000	Europe (excluding United Kingdom) (unaudited) HK$'000	Others (unaudited) HK$'000	Consolidated (unaudited) HK$'000
Six months ended 30 June 2012								
Revenue from external customers	47,109	12,516	8,580	130	3,611	–	83	72,029
Geographical results	29,340	4,334	6,430	129	1,166	(97)	(59)	41,243
Unallocated corporate expenses								(5,830)
Profit from operations								35,413
Finance costs								(556)
Profit before taxation								34,857
Taxation								(4,631)
Profit for the period								30,226

	Hong Kong (unaudited) HK$'000	Other regions in the PRC (unaudited) HK$'000	Southeast Asia (unaudited) HK$'000	North America (unaudited) HK$'000	United Kingdom (unaudited) HK$'000	Europe (excluding United Kingdom) (unaudited) HK$'000	Others (unaudited) HK$'000	Consolidated (unaudited) HK$'000
Six months ended 30 June 2011								
Revenue from external customers	30,565	14,296	7,736	2,472	3,209	–	59	58,337
Geographical results	21,823	3,773	4,949	864	5,523	419	(29)	37,322
Unallocated corporate expenses								(5,088)
Profit from operations								32,234
Finance costs								(587)
Profit before taxation								31,647
Taxation								(2,779)
Profit for the period								28,868

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

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
This is stated after charging (crediting):	**HK$'000**	HK$'000
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**393**	406
Interest on bank loan wholly repayable more than five years	**163**	181
	556	587

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
(b) Other items		
Cost of inventories	**21,447**	19,894
Dividend income from listed securities	**(337)**	(509)
Net gain on disposal of financial assets at fair value through profit or loss	**12**	–

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	**3,922**	2,157
Overseas tax	**693**	606
	4,615	2,763
Deferred tax		
Origination of temporary differences	**16**	16
	4,631	2,779

6. DIVIDENDS

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

At the board meeting held on 27 March 2012, the directors proposed a final dividend of HK6.2 cents per share totalling HK$16,101,000 for the year ended 31 December 2011 (*year ended* 31 *December* 2010: HK6.2 *cents per share totalling* HK$16,101,000) and no special final dividend for the year ended 31 December 2011 (*year ended* 31 *December* 2010: HK2.5 *cents per share totalling* HK$6,493,000), which had been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 28 June 2012, the appropriation was transferred to dividends payable.

6. DIVIDENDS (CONTINUED)

Dividends attributable to the period

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
First interim dividend	**8,051**	7,791
Second interim dividend	**4,675**	4,675
	12,726	12,466

On 28 June 2012, the directors declared the first interim dividend of HK3.1 cents per share totalling HK$8,051,000 (2011: HK3 *cents per share totalling* HK$7,791,000 *declared on* 28 *June* 2011), which is payable to the shareholders on the register of members of the Company on 10 August 2012.

On 31 August 2012, the directors declared the second interim dividend of HK1.8 cents per share totalling HK$4,675,000 (2011: HK1.8 *cents per share totalling* HK$4,675,000 *declared on* 25 *August* 2011), which is payable to the shareholders on the register of members of the Company on 12 October 2012.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period of HK$30,226,000 (2011: HK$28,868,000) and the 259,700,000 (2011: 259,700,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2011 and 2012.

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

The Group's investment properties situated in Hong Kong and leasehold land and buildings situated in Hong Kong were stated at fair value as at 30 June 2012 as estimated by the directors with reference to the valuation provided by independent professional valuers. The Group recorded a surplus on revaluation of the investment properties situated in Hong Kong of HK$8,690,000 during the period (2011: HK$11,630,000), which was recognised in the profit from operations. In addition, the Group recorded a surplus on revaluation of the leasehold land and buildings situated in Hong Kong of HK$23,244,000 during the period (2011: HK$23,254,000), which was recognised in the properties revaluation reserve.

On the other hand, the Group's investment properties situated in London, the United Kingdom were also stated at fair value as at 30 June 2012 as estimated by the directors with reference to the valuation provided by independent professional valuers, resulted in a deficit on revaluation of HK$2,394,000 during the period (2011: surplus of HK$1,876,000), which was recognised in the profit from operations. During the period, the Group also recorded a surplus on exchange realignment of HK$873,000 (2011: HK$3,969,000) on the investment properties situated in the United Kingdom which was recognised as part of the exchange difference arising from translation of financial statements of overseas subsidiaries in the exchange reserve.

In the opinion of the directors, the change in fair value of the Group's investment properties situated in the Singapore for the period was not material to the results of the Group.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Trade receivables	34,096	20,978
Bills receivables	566	4,656
Other receivables		
Deposits, prepayments and other debtors	1,696	2,776
	36,358	28,410

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:

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Within 30 days	10,249	20,977
31 – 60 days	18,871	1
61 – 90 days	4,976	–
	34,096	20,978

10. BANK BORROWINGS, SECURED

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

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Term loans from banks due for repayment within one year	**42,983**	57,459
Term loan from a bank due for repayment after one year which contain a repayment on demand clause	**13,916**	14,862
	56,899	72,321

A term loan of HK$13,916,000 (31 December 2011: HK$14,862,000), 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.

10. BANK BORROWINGS, SECURED (CONTINUED)

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:

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Within 1 year	**42,983**	57,459
After 1 year but within 2 years	**1,920**	1,901
After 2 years but within 5 years	**5,995**	5,935
After 5 years	**6,001**	7,026
	13,916	14,862
	56,899	72,321
The maturity of the above borrowings is as follows:		
Wholly repayable within five years	**50,898**	65,295
Wholly repayable more than five years	**6,001**	7,026
	56,899	72,321

11. TRADE AND OTHER PAYABLES

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Trade payables	**2,698**	2,866
Other payables		
Accrued charges and other creditors	**9,798**	9,719
Advance receipt from customers	**15,020**	–
	24,818	9,719
	27,516	12,585

The ageing analysis of trade payables is as follows:

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Within 30 days	**1,047**	1,522
31 – 60 days	**604**	1,012
61 – 90 days	**370**	190
More than 90 days	**677**	142
	2,698	2,866

12. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings, investment properties, bank deposits and financial assets at fair value through profit or loss were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK$94,509,000 (31 December 2011: HK$93,544,000), of which HK$56,899,000 (31 December 2011: HK$72,321,000) were utilised at the end of the reporting period.

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

	At 30 June 2012 (unaudited) HK$'000	At 31 December 2011 (audited) HK$'000
Leasehold land and buildings	**95,000**	87,000
Investment properties	**103,889**	105,410
Financial assets at fair value through profit or loss	**27,932**	22,007
Bank deposits	**8,810**	13,585
	235,631	228,002

13. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2012 (unaudited) HK$'000	2011 (unaudited) HK$'000
Compensation paid to key management personnel, including directors:		
– Salaries and other benefits	**5,900**	5,537
– Contributions to defined contribution plan	**24**	30
Royalty paid to a director (*Note*)	**125**	125

13. RELATED PARTY TRANSACTIONS (CONTINUED)

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. Before the completion of the transaction, the Subsidiary continues licensing the use of the Trademarks at an annual royalty payment of HK$250,000.

14. CAPITAL COMMITMENT

In 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with commitment of maximum capital injection of US$1 million (equivalent to HK$7.8 million). As at 30 June 2012, US$786,000 (equivalent to approximately HK$6,129,000) (31 December 2011: US$706,000 (equivalent to approximately HK$5,507,000)) was called and paid up. Since the commitment period ended on 31 December 2011, the remaining US$214,000 (equivalent to approximately HK$1,671,000) (31 December 2011: US$294,000 (equivalent to approximately HK$2,293,000)) would only be payable under limited situations stipulated in the master agreement.

15. OUTSTANDING LITIGATION

In 2011, 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 up to 30 June 2012 and the related legal expenses incurred and borne by the Group in 2011 amounted to HK$129,000 and no such expense was incurred during the period ended 30 June 2012. Despite that the Group is not a party of the litigation, i.e. neither a plaintiff 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.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2012, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in shares of the Company

	Number of shares held				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%

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

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

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

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

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

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

Name of director	Number of non-voting deferred shares of HK$1 each held Personal interests	Family interests	Corporate interests	Total	Percentage owned
Mr. Gan Wee Sean	8,244,445	711,111 (*Note* 1)	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 shares of the Company, 800 non-voting deferred shares of HHPFY and 711,111 non-voting deferred shares of PFYI.

2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,093,600 shares in aggregate represented approximately 30.46 of the issued share capital of the Company.

3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32%. The total number of 60,449,000 shares in aggregate represented approximately 23.28% of the issued share capital of the Company.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Other than as disclosed above, as at 30 June 2012, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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.

SHARE OPTION SCHEME

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

The share option scheme was expired on 27 June 2012.

OTHER INFORMATION

SECOND INTERIM DIVIDEND

The directors resolved to declare a second interim dividend of HK1.8 cents per share in respect of the year ending 31 December 2012 payable to the shareholders on the register of members of the Company on 12 October 2012. The second interim dividend will be dispatched to the shareholders on or about 30 November 2012.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 9 October 2012 to Friday, 12 October 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 8 October 2012.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2012 except the following deviation.

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

One independent non-executive director did not attend the annual general meeting of the Company held on 28 June 2012 due to other commitment. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, independent non-executive directors and other non-executive directors to attend general meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial report of the Company for the six months ended 30 June 2012 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 9 to page 28 have also been reviewed by the Company's auditor, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unmodified review report has been issued.