



PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 239)

ANNOUNCEMENT OF 2004 ANNUAL RESULTS

The Board of Directors of Pak Fah Yeow International Limited (the “Company”) announces as follows the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004.

	Year ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Turnover (<i>Note 2</i>)	89,383	83,773
Other revenue	745	1,080
Other net income	538	2,178
Changes in inventories of finished goods	1,782	(1,411)
Raw materials and consumables used	(15,977)	(11,577)
Staff costs	(21,418)	(19,285)
Depreciation expenses	(2,540)	(2,503)
Gain on disposal of investment properties	1,213	–
Revaluation surplus in respect of investment properties	10,408	–
Reversal of revaluation deficit in respect of properties other than investment properties	15,545	2,551
Net exchange (loss) gain	(1,423)	2,981
Net unrealised holding gain on investments in securities	1,629	4,726
Other operating expenses	(26,254)	(23,304)
Profit from operations (<i>Note 3</i>)	53,631	39,209
Finance costs	(3,115)	(2,574)
Profit before taxation	50,516	36,635
Taxation (<i>Note 4</i>)	(6,846)	(3,408)
Net profit for the year	43,670	33,227
Interim dividend and special interim dividend paid	18,200	6,500
Final dividend and special final dividend proposed	19,500	13,000
	37,700	19,500
Basic earnings per share (<i>Note 5</i>)	33.59 cents	25.56 cents

Notes:

1. Changes in accounting policies

The Group has early adopted Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” and HKAS Interpretation 21 “Incomes taxes-recovery of revalued non-depreciable assets” (“HKAS-Int 21”) issued by the Hong Kong Institute of Certified Public Accountants before their effective dates.

In prior years, investment properties were stated in the balance sheet at open market value. Surplus and deficit arising on revaluation of investment properties were recognised on a portfolio basis. The net surplus was credited to the investment properties revaluation reserve. The net deficit was first set off against any investment properties revaluation reserve and any resulting debit balance was thereafter charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation surplus subsequently arose, this surplus was credited to the income statement to the extent of the deficit previously charged. In order to comply

with HKAS 40, the Group has adopted new accounting policies for investment properties whereas, inter alia, any gain or loss arising from a change in market value is recognised in the income statement.

In addition, deferred tax was previously provided on the basis that the carrying amounts of investment properties will be recovered through sale. However, following the adoption of HKAS-Int 21, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use.

The effect of adopting HKAS 40 and HKAS-Int 21 was adjusted to the opening balance of 1 January 2004 in accordance with the transitional provisions of HKAS 40. As a result, comparative information has not been restated.

As a result of the adoption of these new accounting policies, the Group's profit for the year has been increased by HK\$9,349,000, net of deferred tax of HK\$1,059,000, and the net assets of the Group as at 1 January 2004 and 31 December 2004 have been reduced by HK\$1,776,000 and HK\$2,835,000 respectively. In addition, the balance of investment properties revaluation reserve as at 1 January 2004 of HK\$65,783,000 has been transferred to accumulated profits.

2. Turnover

Turnover represents the aggregate of net amounts received and receivable for goods sold, rental and interest income of the Group. All intra-group transactions are excluded.

The Group is currently organised into three operating divisions – manufacturing and sale of Hoe Hin Brand of products, treasury investment and property investment.

The Group's operations are located in The Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC"), other regions in the PRC, Southeast Asia, Northern America, United Kingdom and Europe (excluding United Kingdom). The Group's manufacturing division is located in Hong Kong. Treasury investment and property investment are carried out in various locations.

These geographical locations of customers are the basis on which the Group reports its primary segment information.

The Group's segment revenue and segment results analysed by geographical segments are as follows:

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Southeast Asia HK\$'000	Northern America HK\$'000	United Kingdom HK\$'000	Europe (excluding) United Kingdom) HK\$'000	Others HK\$'000	Consolidated HK\$'000
Year ended 31st December, 2004								
Segment revenue	40,160	19,853	13,977	4,455	10,451	-	487	89,383
Segment results	35,326	3,913	5,954	1,645	13,447	685	79	61,049
Unallocated corporate expenses								(7,418)
Profit from operations								53,631
Finance costs								(3,115)
Profit before taxation								50,516
Taxation								(6,846)
Net profit for the year								43,670

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Southeast Asia HK\$'000	Northern America HK\$'000	United Kingdom HK\$'000	Europe (excluding) United Kingdom) HK\$'000	Others HK\$'000	Consolidated HK\$'000
Year ended 31st December, 2003								
Segment revenue	38,953	20,126	11,253	4,379	8,063	56	943	83,773
Segment results	18,085	3,791	9,181	2,254	9,050	2,213	1,014	45,588
Unallocated corporate expenses								(6,379)
Profit from operations								39,209
Finance costs								(2,574)
Profit before taxation								36,635
Taxation								(3,408)
Net profit for the year								33,227

The following table provides an analysis of the Group's revenue by business segment:

	Revenue by business segment	
	Year ended 31.12.2004 HK\$'000	Year ended 31.12.2003 HK\$'000
Manufacturing and sale of Hoe Hin Brand of products	75,279	71,765
Property investment	11,324	7,814
Treasury investment	2,776	4,180
Others	4	14
	89,383	83,773
3. Profit from operations		
	Year ended 31st December,	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Cost of inventories	24,905	23,663
Dividend income from listed investments	(394)	(289)
Gain on disposal of other investments, listed	(293)	(705)
Interest on bank loans and overdrafts wholly repayable within five years	3,115	2,574
	24,905	23,663
4. Taxation		
	Year ended 31st December,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	2,560	3,324
– Under (Over) provision in prior years	173	(224)
	2,733	3,100
Overseas Tax		
– Current year	1,596	700
– Under (Over) provision in prior years	585	(30)
	2,181	670
Deferred taxation	1,932	(362)
	6,846	3,408

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. Basic earnings per share

The calculation of earnings per share is based on the Group's net profit for the year of HK\$43,670,000 (2003: HK\$33,227,000) and on 130,000,000 ordinary shares in issue during the two years.

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board of Directors has proposed a final dividend of HK6 cents (2003: HK6 cents) and a special final dividend of HK9 cents (2003: HK4 cents) per share for the year ended 31st December, 2004 (subject to approval by the shareholders in the Annual General Meeting) payable to shareholders on the register of members of the Company on 28th June, 2005. Dividend warrants will be despatched to the shareholders on or about 6th July, 2005.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 22nd June, 2005 to Tuesday, 28th June, 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and special final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21st June, 2005.

PLEDGE OF ASSETS

At 31st December, 2004, certain of the Group's investment properties with carrying amount of HK\$108,478,000 (2003: HK\$118,723,000) were pledged to secure a bank loan of the Group of HK\$59,850,000 (2003: HK\$55,220,000).

In addition, certain bank deposits and securities with an aggregate value of HK\$113,658,000 (2003: HK\$52,795,000) at 31st December, 2004 were pledged to secure banking facilities granted to the Group to the extent of HK\$85,800,000 (2003: HK\$31,200,000) of which HK\$2,180,000 (2003: nil) were utilised at the balance sheet date. The carrying amounts of the Group's investment properties, bank deposits and investments in securities pledged as at 31st December are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investment properties	108,478	118,723
Bank deposits	85,800	31,200
Investments in securities	27,858	21,595
	<u>222,136</u>	<u>171,518</u>

CONTINGENT LIABILITIES

During the year ended 31st December, 2003, the Group made a claim against a company in the US and others for, among others, damages (amount to be determined by the Court) in respect of "White Flower" trade mark infringement, trade dress infringement and trademark dilution. A counterclaim was filed against the Group by the same companies for, among others, damages (amount to be determined by the Court) in respect of the loss of reputation as a result of allegedly defamatory information provided by the Group to a magazine in Hong Kong. As at the date of this report, the litigation is still outstanding. The Group has seen positive developments regarding its claims and no substantive evidence for the counterclaim. No provision in respect of the counterclaim has been made in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited consolidated net profit for the year amounted to HK\$43,670,000, increased by HK\$10,443,000 (approximately 31.4% increment) from last year's HK\$33,227,000.

As mentioned in note 1 above, a net increase of HK\$9,349,000 in the Group's profit was recorded from the early adoption of two new accounting standards. Moreover, HK\$15,545,000 (2003: HK\$2,551,000) reversal of revaluation deficit in respect of properties other than investment properties was also recorded. These amounts had improved the geographical segment results of "Hong Kong" from previous year's profit of HK\$18,085,000 to this year's HK\$35,326,000. Gain on disposal of one of the Group's investment properties located in United Kingdom also credited HK\$1,213,000 into this year's profit and loss account.

On the other hand, the unrealized holding gain recorded on investment in securities has dropped from 2003's HK\$4,726,000 to 2004's HK\$1,629,000. Another significant change is the exchange loss of HK\$1,423,000 recorded for 2004 compared to the exchange gain of HK\$2,981,000 recorded for 2003. Other operating expenses also increased from HK\$23,304,000 to HK\$26,254,000 because of increased expenditure in advertising and promotion.

Manufacturing and sales of Hoe Hin Brand of products

Turnover increased because of increment of sales in the local market, Thailand, Indonesia and Philippines. The segment revenue of these respective geographical location therefore also improved.

However, segment results for Southeast Asia is dropped because of the increased advertising support given to Thailand, Indonesia, Malaysia and Philippines. Professional fees spent in this region also increased in order to protect intellectual property rights and to prepare product registration for new markets.

Results for Northern America also declined due to the increased legal fee expenditure in connection with the Group's trademark infringement claims in the US.

Property investment

Turnover increased due to the implementation of some significant rental review on the Group's investment properties located in the United Kingdom. Improvement in segment results of United Kingdom is further enhanced by the upward appreciation of the property value in 2004.

Treasury investment

Turnover decreased because of drop in interest income received during the year.

Other business activities

This segment represents the sales of other healthcare goods. Segment revenue and results were immaterial comparing to other business segments.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies.

Gearing ratio (Non-current liabilities divided by total Shareholders funds) as at the balance date was 22.6% and 20.8% for 2004 and 2003 respectively. Current ratio (Current assets divided by Current liabilities) as at the balance sheet date was 20.2 and 17.9 for 2004 and 2003 respectively.

The Group's secured bank loan represents a GBP4 million loan which is secured by a first legal charge over the investment properties located in the United Kingdom and a corporate guarantee given by the Company. Exposure to fluctuation in exchange rate of the British Pound loan is countered by the valuation of the property itself plus the Group's holding in British Pound deposits.

As at the year end date and throughout the year, the Group maintained sufficient cash and marketable securities on hand to meet its liabilities, commitments and working capital demand. At 31st December, 2004, the Group had total bank balances and cash of HK\$122 million of which HK\$7 million were held in Hong Kong dollars; HK\$111 million were held in US dollars; HK\$3 million were held in British Pounds and HK\$1 million were held in Euro and other foreign currencies.

OUTLOOK

Additional expenditure in advertising and promotion for the launch of two new products in Hong Kong (Hoe Hin Essential Oil and Hoe Hin Aromatic Spray) have been incurred to build a more long term strategy in rejuvenating the corporate image and to expand into the other segment.

With plans to explore further into the other provinces in the PRC, we have signed a new spokesperson for both Hong Kong and PRC with Mr. Peng Bo – Gold Medalist of 2004 Athens Olympic Games, paving our presence to the 2008 Olympic Games in Beijing.

Commencing in 2005, we will start to invite application for licensing use of our new icons “FúZǎi” and “BóBó” on other merchandise. Our selection criteria, among other things, will be those applications that touch upon promotion of good health and positive values.

STAFF

The Group employed 101 staff as at 31st December, 2004. Salaries are adjusted annually on a performance related basis and fringe benefits such as tuition subsidies and medical allowances are offered to most employees. The Company has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the Scheme since its adoption in 2002.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

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

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save that, prior to 31st December 2004, the independent non-executive directors of the Company were not appointed for a fixed term, but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. Each of the independent non-executive directors of the Company was on 31st December, 2004 appointed for a fixed term of two years.

BOARD OF DIRECTORS

The existing Board of Directors of the Company comprises three executive directors, namely Mr. GAN Wee Sean, Mr. GAN Fock Wai, Stephen and Mr. CHIU Sin Kuen and three independent non-executive directors, namely Mr. Robert KWAN Chiu Yin, Ms. Ada WONG Ying Kay and Mr. Arnold IP Tin Chee.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The 2004 Annual Report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31st March, 2004 and applicable to this announcement under the transitional arrangement will publish on the website of the Stock Exchange in the due course.

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 19th April, 2005

Please also refer to the published version of this announcement in China Daily.