PAK FAH YEOW INTERNATIONAL LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of directors of Pak Fah Yeow International Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively referred as the "Group") for the six months ended 30 June 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2005

		Six months ended 30th June	
		2005	2004
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**43,203**	40,239
Other revenue		**383**	564
Changes in inventories of finished goods		**(357)**	1,331
Raw materials and consumables used		**(8,407)**	(7,712)
Staff costs		**(10,199)**	(9,437)
Depreciation expenses		**(897)**	(942)
Net exchange gain		**2,219**	102
Gain on disposal of financial assets at fair value through profit or loss		**58**	89
Net unrealised holding (loss) gain on financial assets at fair value through profit or loss		**(1,838)**	952
Revaluation surplus in respect of investment properties		**5,500**	–
Other operating expenses		**(14,530)**	(12,187)
Profit from operations		**15,135**	12,999
Finance costs	*4*	**(1,801)**	(1,367)
Profit before taxation	*4*	**13,334**	11,632
Taxation	*5*	**(2,283)**	(1,816)

	Notes	Six months ended 30th June **2005** **(unaudited)** ***HK$'000***	2004 (unaudited) *HK$'000*
Profit for the period, attributable to equity holders of the Company		**11,051**	9,816
Dividends	*6*	**26,000**	18,200
Earnings per share	*7*		
Basic		**8.5 cents**	7.6 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	Notes	**At 30 June 2005 (unaudited)** ***HK$'000***	At 31 December 2004 (audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	*8*	**131,254**	132,431
Property, plant and equipment	*8*	**97,843**	59,584
Available-for-sale investments		**1,345**	1,345
		230,442	193,360
Current assets			
Inventories		**11,073**	11,835
Trade receivables	*9*	**14,126**	21,142
Bills receivable		**7,438**	9,330
Deposits, prepayments and other debtors		**5,459**	2,958
Financial assets at fair value through profit or loss		**50,756**	35,925
Tax recoverable		**213**	913
Pledged bank deposits		**63,025**	81,900
Cash and cash equivalents		**39,594**	35,762
		191,684	199,765

	Notes	At 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Current liabilities			
Short-term bank loans, secured		**1,413**	2,180
Current portion of long-term bank loans, secured		**1,453**	–
Trade payables	*10*	**1,655**	984
Accrued charges and other creditors		**4,796**	4,057
Tax payable		**1,518**	2,539
Dividend payable		**19,500**	–
Unclaimed dividends		**145**	147
		30,480	9,907
Net current assets		**161,204**	189,858
Total assets less current liabilities		**391,646**	383,218
Non-current liabilities			
Provision for long service payments		**2,496**	2,496
Provision for directors' retirement scheme benefits		**3,239**	3,196
Long-term bank loans, secured		**81,862**	59,850
Deferred taxation		**6,217**	5,173
		93,814	70,715
NET ASSETS		**297,832**	312,503
CAPITAL AND RESERVES			
Issued capital		**13,000**	13,000
Reserves		**284,832**	299,503
		297,832	312,503

NOTES:

1. **Basis of preparation**

   The interim financial information has 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").

2. Principal accounting policies

The interim financial information has been prepared under the historical cost convention except for certain financial instruments, land and buildings and investment properties, which are measured at fair values.

The accounting policies and basis of preparation adopted in this financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2005. The New HKFRSs which have an impact on the Group are as follows:

HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

3. Turnover and segment information

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 eliminated on consolidation.

Segment information is presented in respect of the geographical segments and business segments.

An analysis of the Group's revenue and segment results for the period is as follows:

Geographical segments

	Hong Kong (unaudited) *HK$'000*	Other regions in the PRC (unaudited) *HK$'000*	Southeast Asia (unaudited) *HK$'000*	Northern America (unaudited) *HK$'000*	United Kingdom ("UK") (unaudited) *HK$'000*	Europe other than UK (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Consolidated (unaudited) *HK$'000*
Six months ended 30 June 2005								
Segment revenue								
External sales	**21,249**	**8,805**	**6,531**	**2,235**	**4,318**	**–**	**65**	**43,203**
Segment results	**8,461**	**757**	**1,510**	**1,209**	**3,964**	**(247)**	**(420)**	**15,234**
Unallocated corporate expenses								**(99)**
Profit from operations								**15,135**
Six months ended 30 June 2004								
Segment revenue								
External sales	16,891	6,936	7,494	2,251	6,377	–	290	40,239
Segment results	2,735	969	5,286	1,043	6,055	(146)	170	16,112
Unallocated corporate expenses								(3,113)
Profit from operations								12,999

Business segments

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) *HK$'000*	Property investment (unaudited) *HK$'000*	Treasury investment (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Consolidated (unaudited) *HK$'000*
Six months ended 30 June 2005					
Segment revenue					
External sales	**36,608**	**4,718**	**1,877**	**–**	**43,203**
Segment results	**7,783**	**9,877**	**(639)**	**(8)**	**17,013**
Unallocated corporate expenses					**(1,878)**
Profit from operations					**15,135**
Six months ended 30 June 2004					
Segment revenue					
External sales	32,130	6,805	1,302	2	40,239
Segment results	8,268	6,604	2,347	(9)	17,210
Unallocated corporate expenses					(4,211)
Profit from operations					12,999

4. Profit before taxation

	Six months ended 30th June **2005** (unaudited) *HK$'000*	2004 (unaudited) *HK$'000*
This is stated after charging (crediting):		
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	**1,801**	1,367
(b) Other items		
Cost of inventories	**14,240**	12,099
Dividend income from listed investments	**(351)**	(224)

5. Taxation

	Six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**700**	1,203
Overseas	**539**	1,043
	1,239	2,246
Deferred tax		
Origination (Reversal) of temporary differences in respect of depreciation allowances	**1,044**	(430)
	2,283	1,816

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

6. Dividends

	Six months ended 30th June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend declared	**6,500**	5,200
Special interim dividend declared	**19,500**	13,000
	26,000	18,200

At the board meeting held on 19 April 2005, the directors proposed a final dividend of HK6 cents per share totaling HK$7,800,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK6 cents per share totaling HK$7,800,000) and a special final dividend of HK9 cents per share totaling HK$11,700,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK4 cents per share totaling HK$5,200,000), which has been reflected as an appropriation of accumulated profits for the period. Upon the approval by shareholders on 28 June 2005, the appropriation was transferred to dividend payable.

On 23 September 2005, the directors declared the payment of an interim dividend of HK5 cents per share totaling HK$6,500,000 (2004: HK4 cents per share totaling HK$5,200,000) and a special interim dividend of HK15 cents per share totaling HK$19,500,000 (2004: HK10 cents per share totaling HK$13,000,000) in respect of the six months ended 30 June 2005.

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK$11,051,000 (2004: HK$9,816,000) and the 130,000,000 ordinary shares in issue during the two periods.

Diluted earnings per share has not been presented as there was no dilutive events during the two periods.

8. Movements in investment properties and property, plant and equipment

During the period, the Group entered into a sale and purchase agreement with an independent third party to purchase a property in Hong Kong at a consideration of HK$39,156,000.

The Group's investment properties and property, plant and equipment were stated at fair value as at 30 June 2005. A revaluation surplus of HK$5,500,000 has been recognised in respect of the investment properties of the Group. In addition, the Group recorded a deficit on exchange realignment of HK$6,677,000 on the investment properties situated in UK, which has been recognised as a movement in reserves.

9. Trade receivables

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

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Within 30 days	**3,852**	3,534
31 – 60 days	**5,325**	5,404
61 – 90 days	**3,459**	3,507
More than 90 days	**1,490**	8,697
	14,126	21,142

10. Trade payables

The aged analysis of trade payables is as follows:

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Within 30 days	**1,392**	617
31 – 60 days	**163**	71
More than 60 days	**100**	296
	1,655	984

11. Pledge of assets

At 30 June 2005, certain of the Group's investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK$169,366,000 (31 December 2004: HK$145,650,000) of which HK$84,728,000 (31 December 2004: HK$62,030,000) were utilised at the balance sheet date.

The carrying amounts of the Group's investment properties, bank deposits and financial assets at fair value through profit or loss pledged are as follows:

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Investment properties	**141,027**	108,478
Pledged bank deposits	**63,025**	81,900
Financial assets at fair value through profit or loss	**47,009**	31,758
	251,061	222,136

12. Contingent liabilities

During the year ended 31 December 2003, the Group made a claim against a company in the United States ("US") and others ("US Parties") for "White Flower" trade mark infringement, trade dress infringement and trademark dilution. However, a counterclaim was filed against the Group by the same company for suffering the loss of their reputation as a result of the defamatory information provided by the Group to a magazine in Hong Kong.

On 8 June 2005, the Group and the US Parties agreed to settle the claims whereby the US Parties have to pay a total sum of HK$2.4m to the Group. The amount has been recognised as a receivable in the interim financial statements and was received by the Group in late July 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2005, the Group's turnover was up 7.4% to HK$43,203,000 (2004: HK$40,239,000) as increased contributions from sales of Hoe Hin brand of products, partly offset by the decrease in rental income. Income derived from treasury investment was, however, higher, in the light of generally higher market interest rates.

There was a significant increase in staff costs and marketing and advertising expenses. However, the Group has managed to keep its other operating expenses for the six-month period at a similar level to that of the same period last year.

Net profit for the six months ended 30 June 2005 increased by 12.6% to approximately HK$11,051,000 (2004: HK$9,816,000).

Manufacturing and sales of Hoe Hin Brand of products

Sales of Hoe Hin brand of products continued to be the major source of revenue for the Group. Sales increased by 13.9% to HK$36,608,000 (2004: HK$32,130,000). The increase in sales from Hong Kong (22.4%) and Mainland China (27.3%) markets have partly balanced off the decrease of 19.4% in sales from other geographical regions.

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 50% of the total revenue. Mainland China accounts for about 20%. Growth in other foreign countries has been slowed down during the period.

Segment profit decreased by 5.9% to HK$7,783,000 (2004: HK$8,268,000), largely due to the increase in staff costs as a result of pay rise in line with market trend, and the increase in expenses incurred for launching marketing and advertising campaigns to reinforce our brand both in Hong Kong and Mainland China. The expenditure spent is expected to strengthen our brand's market sentiment and is beginning to show some results.

The litigation in US in respect of the "White Flower" trade mark infringement has been settled and the Group has recovered most of the associated legal costs.

Property investment

Revenue for this segment decreased by 30.7% to HK$4,718,000 (2004: HK$6,805,000). This change mainly represents the decrease in rental income as a result of disposal of an investment property in the United Kingdom in September 2004.

The Group's investment properties were stated at fair value as at 30 June 2005, resulting in a valuation gain of HK$5,500,000 which has now been taken through income statement as required under the new applicable accounting standards.

As a result, the segment profit increased by 49.6% to HK$9,877,000 (2004: HK$6,604,000).

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

Treasury investment

The Group continued the prudent management to its fund and continues to maintain a strong liquidity with sufficient cash.

Revenue derived from this segment increased to HK$1,877,000 (2004: HK$1,302,000), primarily due to higher interest income arising from increase in interest rate during the first half of 2005. The segment results declined to a loss of HK$639,000 (2004: profit of HK$2,347,000), mainly attributable to the net unrealised fair value loss on listed investments as a result of devaluation of foreign currencies in which most of our investments in securities were denominated.

Others

This segment represents sales of other healthcare goods and its revenue and results were not material when comparing to other business segments.

Finance costs

The increase of HK$434,000 to HK$1,801,000 was mainly due to the new mortgage loan borrowed for the acquisition of the Group's new office in Wanchai.

Taxation

There was an increase in tax provision from HK$1,816,000 to HK$2,283,000 for the period, principally due to deferred tax provision relating to valuation gains on investment properties, partly offset by a decrease in taxable operating profit.

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 2005 was 28.4% (31 December 2004: 19.2%). Total bank borrowings of the Group amounted to HK$84,728,000 (31 December 2004: HK$62,030,000), mainly denominated in British pound and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to the new mortgage loan for the Group's new office.

Current ratio (current assets divided by current liabilities) was 6.3 as at 30 June 2005 (31 December 2004: 20.2). The Group holds sufficient cash and marketable securities on hand to meet its 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. The foreign exchange risk for bank borrowings was minimal as they were either denominated in Hong Kong dollars or the currency of the underlying assets. 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 2005 were approximately HK$44.1 million in total, or about 10.4% of the Group's total assets.

The Group may use suitable financial instruments to protect the downside risks associated with the price movement due to the timing of anticipated expenditure.

Pledge of Assets

As at 30 June 2005, certain of the Group's investment properties, bank deposits and securities with carrying value of approximately HK$251.1 million (31 December 2004: HK$222.1 million) were pledged to secure banking facilities granted to the Group to the extent of HK$169.4 million (31 December 2004: HK$145.7 million), of which HK$84.7 million (31 December 2004: HK$62.0 million) were utilised as at 30 June 2005.

Human Resources

As at 30 June 2005, the Group had a total of 96 employees. Fringe benefits such as tuition subsidies and medical allowance are offered to most employees. The Company has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.

Outlook

As one of the well-known brands of medicated embrocation, the Group's revenue is closely correlated with marketing activities through different distribution channels and markets. Apart from various marketing and advertising campaigns in local market, which is one of the major contributing factors, the Group's performance is also subject to growth in Mainland China and other geographical regions. One of our priorities is to further enhance the vitality of the "Hoe Hin" brand in Mainland China by allocating more resources in marketing initiatives. The Group will continue building on its strength and developing markets in other provinces in the Mainland China for future growth. The new icons, "FúZǎi" and "BóBó", have been used on different merchandises, which will strengthen our brand's market presence for younger customers.

DIVIDENDS

The directors resolved to declare an interim dividend of HK5 cents per share and a special interim dividend of HK15 cents per share in respect of the six months ended 30 June 2005 payable to the shareholders on the register of members of the Company on 21 October 2005. Dividends warrants will be dispatched to the shareholders on or about 27 October 2005.

The directors further resolved that starting from the second half of 2005, the directors will consider and, if thought fit, declare/recommend payment of dividends four times a year at approximately quarterly intervals in lieu of the existing practice of two times a year at approximately half year intervals.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 17 October 2005 to Friday, 21 October 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim 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 Friday, 14 October 2005.

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

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. During the six months ended 30 June 2005, the Company has met with the code provisions (those which became effective for accounting period beginning on 1 January 2005) as set out in the Code except as disclosed below.

On 23 September 2005, the board of directors of the Company approved the procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses and formalised the functions reserved to the board and those delegated to management of the Company. The Company considers that this measure meet the code provisions A.1.7 and D.1.2 of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2005.

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 2005 has been reviewed by the audit committee. At the request of the directors, the interim financial statements have also been reviewed by the Company's auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the HKICPA and an unmodified review report has been issued.

PUBLICATION OF INTERIM REPORT

The interim report for the six months ended 30 June 2005 containing all information of the Company required by paragraphs 37 to 44 inclusive of Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (http://www.hkex.com.hk) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, (i) the executive directors of the Company are Messrs. Gan Wee Sean, Gan Fock Wai, Stephen and Chiu Sin Kuen; and (ii) the independent non-executive directors of the Company are Mr. Robert Kwan Chiu Yin, Ms. Ada Wong Ying Kay and Mr. Arnold Ip Tin Chee.

APPRECIATION

I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued trust and support. I also wish to thank our directors and staff for their commitment and good work that are crucial to the success of the Group.

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 23 September 2005

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