WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2006

	Notes	**Six months ended 30 June** **2006** **(unaudited)** ***HK$'000***	2005 (unaudited) *HK$'000* (restated)
Turnover	*3*	**50,105**	43,203
Other revenue		**1,070**	383
Changes in inventories of finished goods		**29**	(357)
Raw materials and consumables used		**(8,221)**	(8,407)
Staff costs		**(10,146)**	(10,199)
Depreciation expenses		**(1,744)**	(897)
Net exchange gain (loss)		**1,529**	(982)
(Loss) Gain on disposal of financial assets at fair value through profit or loss		**(54)**	58
Net loss on financial assets at fair value through profit or loss		**(17)**	(1,838)
Revaluation surplus in respect of investment properties		**–**	5,500
Other operating expenses		**(9,595)**	(14,530)
Profit from operations		**22,956**	11,934
Finance costs	*4*	**(2,155)**	(1,801)
Profit before taxation	*4*	**20,801**	10,133
Taxation	*5*	**(3,090)**	(2,283)
Profit for the period, attributable to equity holders of the parent		**17,711**	7,850
Dividends	*6*	**26,000**	26,000
Earnings per share	*7*		
Basic		**6.8 cents**	3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	At 30 June 2006 (unaudited) HK$'000	At 31 December 2005 (audited) HK$'000
Non-current assets			
Investment properties	8	**159,979**	153,302
Property, plant and equipment	8	**28,581**	27,689
Prepaid lease payments		**40,315**	40,559
Available-for-sale financial assets		**2,662**	2,662
		231,537	224,212
Current assets			
Inventories		**9,868**	11,379
Trade receivables	9	**21,585**	19,207
Bills receivable		**11,778**	7,976
Deposits, prepayments and other debtors		**2,920**	4,343
Financial assets at fair value through profit or loss		**30,790**	41,310
Tax recoverable		**144**	416
Pledged bank deposits		**62,400**	57,480
Cash and cash equivalents		**22,674**	15,122
		162,159	157,233
Current liabilities			
Short-term bank loan, secured	10	**56,780**	832
Current portion of long-term bank loan, secured	10	**1,305**	54,742
Trade payables	11	**1,713**	3,746
Accrued charges and other creditors		**3,277**	7,661
Tax payable		**3,287**	453
Unclaimed dividends		**26,256**	7,283
		92,618	74,717
Net current assets		**69,541**	82,516
Total assets less current liabilities		**301,078**	306,728
Non-current liabilities			
Provision for long service payments		**2,496**	2,496
Provision for directors' retirement scheme benefits		**3,197**	3,197
Long-term bank loan, secured		**24,512**	25,157
Deferred taxation		**4,945**	4,945
		35,150	35,795
Net assets		**265,928**	270,933
Equity and reserves			
Share capital		**13,000**	13,000
Reserves		**252,928**	257,933
		265,928	270,933

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 on The Stock Exchange of Hong Kong Limited ("the Listing Rules") 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 investment properties, leasehold buildings, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been 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 Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied for the first time, the HKAS 21 (Amendment) "The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation" issued by the HKICPA, which is effective for accounting periods beginning on or after 1 January 2006. The effects of adoption of this standard are detailed below:

HKAS 21 (Amendment) "The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation"

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation were recognised in a separate component of equity in the consolidated financial statements only when (1) the monetary item was denominated in the functional currency of either the reporting entity or the foreign operation; and (2) the monetary item arose directly between the reporting entity and the foreign operation. Following the adoption of HKAS 21 (Amendment), such treatment is also required in respect of exchange differences arising on balances between group entities which are denominated in a currency other than the functional currency of either the reporting entity or the foreign operation.

As a result of the adoption of HKAS 21 (Amendment), an exchange loss arising on balances between two subsidiaries of the Company of HK$3,170,000 (2005: an exchange gain of HK$3,201,000) has been recognised in exchange reserve in the consolidated financial statements and the Group's profit for the period has been increased by HK$3,170,000 (2005: decreased by HK$3,201,000) accordingly. In addition, the cumulative exchange losses of HK$572,000 and HK$6,142,000 as at 1 January 2006 and 2005 have been transferred from accumulated profits to exchange reserve. Prior period adjustments have been made and comparative figures have been restated accordingly.

At the date of authorisation of this interim financial information, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective. The Group has not early adopted these new accounting standards and interpretations and the directors anticipate that their adoption in the future periods will have no material impact on the results of the Group.

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 segment revenue and segment results for the period is as follows:

Geographical segments

	Hong Kong (unaudited) *HK$'000*	Other regions in the People's Republic of China (the "PRC") (unaudited) *HK$'000*	Southeast Asia (unaudited) *HK$'000*	Northern America (unaudited) *HK$'000*	United Kingdom ("UK") (unaudited) *HK$'000*	Europe (excluding UK) (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Consolidated (unaudited) *HK$'000*
Six months ended 30 June 2006								
Segment revenue								
External sales	**24,374**	**10,733**	**6,300**	**4,667**	**3,835**	**75**	**121**	**50,105**
Segment results	**10,972**	**4,420**	**5,417**	**3,443**	**4,066**	**11**	**(43)**	**28,286**
Unallocated corporate expenses								**(5,330)**
Profit from operations								**22,956**
Six months ended 30 June 2005								(Restated)
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								(3,300)
Profit from operations								11,934

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 2006					
Segment revenue					
External sales	**43,805**	**4,343**	**1,957**	**–**	**50,105**
Segment results	**21,552**	**3,137**	**3,698**	**(4)**	**28,383**
Unallocated corporate expenses					**(5,427)**
Profit from operations					**22,956**
Six months ended 30 June 2005					(Restated)
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					(5,079)
Profit from operations					11,934

4. Profit before taxation

This is stated after charging (crediting):

	Six months ended 30 June 2006 (unaudited) HK$'000	2005 (unaudited) HK$'000
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**1,501**	1,801
Interest on bank loan wholly repayable more than five years	**654**	–
	2,155	1,801

	Six months ended 30 June 2006 (unaudited) HK$'000	2005 (unaudited) HK$'000
(b) Other items		
Cost of inventories	**14,122**	14,240
Dividend income from listed securities	**(295)**	(351)
Gain on disposal of property, plant and equipment	**783**	–

5. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 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 of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	Six months ended 30 June 2006 (unaudited) HK$'000	2005 (unaudited) HK$'000
Current tax		
Hong Kong Profits Tax	**2,647**	700
Overseas tax	**443**	539
	3,090	1,239
Deferred tax		
Origination of temporary differences in respect of depreciation allowances	**–**	1,044
	3,090	2,283

6. Dividends

	Six months ended 30 June 2006 (unaudited) HK$'000	2005 (unaudited) HK$'000
Interim dividend declared	**6,500**	6,500
Special interim dividend declared	**19,500**	19,500
	26,000	26,000

At the board meeting held on 20 April 2006, the directors proposed a final dividend of HK3 cents per share after subdivision of shares totaling HK$7,800,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK6 cents per share before subdivision of shares totaling HK$7,800,000) and a special final dividend of HK2 cents per share after subdivision of shares totaling HK$5,200,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK9 cents per share before subdivision of shares totaling HK$11,700,000), which have been reflected as an appropriation of accumulated profits for the year ended 31 December 2005. Upon the approval by shareholders on 27 June 2006, the appropriation was transferred to dividends payable.

On 27 June 2006, the directors declared a first special interim dividend of HK5 cents per share totalling HK$13,000,000 (2005: Nil). On 25 September 2006, the directors declared the payment of an interim dividend of HK2.5 cents per share totaling HK$6,500,000 (2005: HK5 cents per share before subdivision of shares totaling HK$6,500,000) and a special interim dividend of HK2.5 cents per share totaling HK$6,500,000 (2005: HK15 cents per share before subdivision of shares totaling HK$19,500,000) in respect of the six months ended 30 June 2006 payable to the shareholders on the register of members of the Company on 20 October 2006. Dividend warrants will be dispatched to the shareholders on or about 26 October 2006.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK$17,711,000 (2005 (as restated): HK$7,850,000) and the 260,000,000 (2005: 260,000,000 after adjustment for the subdivision of shares in 2005) ordinary shares in issue during the period.

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

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

During the period, the Group purchased two motor vehicles at a consideration of HK$1,874,000.

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 2006 (unaudited)	At 31 December 2005 (audited)
	HK$'000	*HK$'000*
Within 30 days	**8,206**	9,331
31 – 60 days	**7,467**	3,941
61 – 90 days	**5,778**	5,770
More than 90 days	**134**	165
	21,585	19,207

10. Short-term bank loan, secured

As at 31 December 2005, the Group had a 3-year term loan denominated in Pound Sterling amounting to HK$53,442,000, which was repayable in full in June 2006. On 5 July 2006, the Group agreed with the bank to renew the loan as a revolving bank loan which bears interest at the Bank's Cost of Fund plus 0.95% per annum and is repayable on demand. The loan is secured by the Group's investment properties with an aggregate carrying value of HK$113,560,000 (31 December 2005: HK$106,884,000) together with assignment of rental monies derived from the investment properties under charge. The change in the carrying amount of the bank loan during the period was due to exchange realignment.

11. Trade payables

The aged analysis of trade payables is as follows:

	At 30 June 2006 (unaudited)	At 31 December 2005 (audited)
	HK$'000	*HK$'000*
Within 30 days	**239**	1,956
31 – 60 days	**1,083**	1,790
More than 60 days	**391**	–
	1,713	3,746

12. Pledge of assets

At 30 June 2006, certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK$146,580,000 (31 December 2005: HK$166,642,000) of which HK$82,597,000 (31 December 2005: HK$80,731,000) was utilised.

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

	At 30 June 2006 (unaudited) *HK$'000*	At 31 December 2005 (audited) *HK$'000*
Leasehold buildings	**7,734**	7,920
Lease premium for land	**31,134**	31,264
Investment properties	**113,560**	106,884
Bank deposits	**62,400**	57,480
Investments in securities	**17,808**	36,835
	232,636	240,383

13. Contingent liabilities

In November 2005, the Group received a letter from the incorporated owners of Hennessy Apartments (the "Incorporated Owners") demanding the removal of a neon-light sign ("Signboard") from the exterior wall of the building, which was declined by the Group. The Incorporated Owners initiated legal proceedings against the Group in late March 2006 demanding for the removal of the Signboard, reinstatement of the external wall of the building and damages for trespassing to be assessed on the basis of rental income of the use of the external wall of the building. A writ of summons was served upon the Group on 29 March 2006. The Group filed defence documents on 1 June 2006 and other supporting evidence in early August 2006. The hearing will be held on 16 October 2006.

Whilst the outcome is uncertain, the directors, having considered the opinion of the lawyers, are of the opinion that there would not be significant adverse financial impact on the Group and the Group has made appropriate provision in respect of the case in the interim financial statements for the period ended 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary

For the six months ended 30 June 2006, the Group's turnover was up 16.0% to HK$50,105,000 (2005: HK$43,203,000) due to increased contributions from sales of Hoe Hin brand of products, slightly offset by the decrease in rental income. Income derived from treasury investment was, however, higher, in light of generally higher market interest rates.

Net profit for the six months ended 30 June 2006 increased by 125.6% to approximately HK$17,711,000 (2005: HK$7,850,000 as restated).

As a result of adoption of the amended accounting standard, an exchange loss of HK$3,170,000 (2005: an exchange gain of HK$3,201,000) arising on balances between two subsidiaries has been recognised in exchange reserve and the Group's profit for the period has been increased by HK$3,170,000 accordingly. Prior period adjustments have been made to reflect a decrease in profit of HK$3,201,000 for the same period of last year.

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 19.7% to HK$43,805,000 (2005: HK$36,608,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 53% of the total revenue. Mainland China accounts for about 21%. Other than Philippines and US markets, which have in total contributed approximately 14.7% of the total revenue, growth in other foreign countries has been static during the period. The litigation in the US in respect of the "White Flower" trade mark infringement was settled in 2005 and the Group has regained its sales in the US after the settlement.

Segment profit increased by 176.9% to HK$21,552,000 (2005: HK$7,783,000), largely due to increased contribution in sales, and reduction in production costs and marketing expenses. The Group has taken a number of cost-saving measures to reduce its production costs, which has improved the profitability of the Group. In addition, certain promotional and advertising activities for the year 2006 have been rescheduled to be held in the second half of the year. Coupled with mild increase in the average selling price, this business segment has been able to achieve remarkable results even under a challenging operating environment.

Property investment

Revenue for this segment slightly decreased by 7.9% to HK$4,343,000 (2005: HK$4,718,000). This change mainly represents the foreign exchange difference as a result of a decrease in average exchange rate in translating foreign rental income, partly offset by increased rental income derived in Hong Kong.

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 in last year. No material valuation gain was recorded for the six-month period this year in view of a relatively static property market during the period.

As a result, the segment profit decreased by 68.2% to HK$3,137,000 (2005: HK$9,877,000).

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$1,957,000 (2005: HK$1,877,000), primarily due to higher interest income arising from increase in interest rate during the first half of 2006. The segment results increased to a profit of HK$3,698,000 (2005: loss of HK$639,000), mainly attributable to improved results on foreign exchange transactions, and a decrease in loss from the net unrealised fair value changes on listed investments as a result of appreciation of foreign currencies, in which most of our listed investments were denominated.

Finance costs

The increase of HK$354,000 to HK$2,155,000 was mainly due to higher market interest rates comparing to the same period in previous year, and an additional bank loan arranged for financing the purchase of the Group's office premise.

Taxation

There was an increase in tax provision from HK$2,283,000 to HK$3,090,000 for the period, principally due to an increase 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 2006 was 31.1% (31 December 2005: 29.8%). Total bank borrowings of the Group amounted to HK$82,597,000 (31 December 2005: HK$80,731,000), mainly denominated in Pound Sterling and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to foreign exchange translation difference.

Current ratio (current assets divided by current liabilities) was 1.8 as at 30 June 2006 (31 December 2005: 2.1). 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 2006 were approximately HK$49.4 million in total, or about 12.6% 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 2006, certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities with carrying value of approximately HK$232.6 million (31 December 2005: HK$240.4 million) were pledged to secure banking facilities granted to the Group to the extent of HK$146.6 million (31 December 2005: HK$166.6 million), of which HK$82.6 million (31 December 2005: HK$80.7 million) were utilised as at 30 June 2006.

Human resources

As at 30 June 2006, the Group had a total of 99 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

Building on a well-recognised brand reputation and solid business foundation, the Group will continue focusing on brand building and market development in other geographical markets. We have repacked one of our products, white flower ointment, into a 10-gram tube form which has been launched to market since July 2006. This change would make it available to capture different segments of customers.

An upgraded factory operated by our distributor in Philippines will be integrated and be ready in November to carry out production. We shall be able to have additional capacity to cover sales within the South East Asia.

DIVIDENDS

The directors resolved to declare an interim dividend of HK2.5 cents per share and a special interim dividend of HK2.5 cents per share in respect of the six months ended 30 June 2006 payable to the shareholders on the register of members of the Company on 20th October, 2006. Dividends warrants will be dispatched to the shareholders on or about 26 October 2006.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 17 October 2006 to Friday, 20 October 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 October 2006.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions in the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30 June 2006, the Company has met with the code provisions as set out in 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 2006.

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 results of the Company for the six months ended 30 June 2006 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 2006 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://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 Ms. Ada Wong Ying Kay, Mr. Arnold Ip Tin Chee and Mr. Leung Man Chiu, Lawrence.

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 25 September 2006

Please also refer to the published version of this announcement in The Standard.