PAK FAH YEOW INTERNATIONAL LIMITED

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

ANNOUNCEMENT OF ANNUAL RESULTS 2006

The board of directors (the "Board") of Pak Fah Yeow International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2006** *HK$'000*	2005 *HK$'000* (Restated)
Turnover	*2*	**100,090**	96,208
Other revenue	*3*	**656**	736
Other net income		**1,329**	86
Changes in inventories of finished goods		**(593)**	(1,746)
Raw materials and consumables used		**(17,471)**	(19,263)
Staff costs		**(22,019)**	(21,034)
Depreciation and amortisation expenses		**(3,544)**	(3,502)
Revaluation surplus in respect of investment properties		**15,694**	13,530
Reversal of revaluation deficit in respect of properties other than investment properties		**737**	2,891
Revaluation deficit in respect of properties other than investment properties		**(62)**	(1,207)
Net exchange gain (loss)		**1,992**	(2,736)
Net gain (loss) on financial assets at fair value through profit or loss		**957**	(798)
Other operating expenses		**(25,728)**	(28,707)
Profit from operations		**52,038**	34,458
Finance costs	*4*	**(4,538)**	(3,839)
Profit before taxation	*4*	**47,500**	30,619
Taxation	*5*	**(5,403)**	(2,554)
Profit for the year, attributable to equity holders of the parent		**42,097**	28,065
Dividends	*6*	**49,920**	46,020
Earnings per share	*7*		
Basic		**16.2 cents**	10.8 cents

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Investment properties		**185,278**	153,302
Property, plant and equipment		**27,994**	27,689
Prepaid lease payments for leasehold land		**40,072**	40,559
Available-for-sale financial assets		**2,928**	2,662
		256,272	224,212
Current assets			
Inventories		**13,021**	11,379
Trade receivables	*8*	**15,042**	19,207
Bills receivable		**14,376**	7,976
Deposits, prepayments and other debtors		**3,537**	4,343
Financial assets at fair value through profit or loss		**26,963**	41,310
Tax recoverable		**–**	416
Pledged bank deposits		**40,711**	57,480
Cash and cash equivalents		**26,512**	15,122
		140,162	157,233
Current liabilities			
Short-term bank loans, secured		**60,960**	832
Current portion of long-term bank loans, secured		**1,386**	54,742
Trade payables	*9*	**1,502**	3,746
Accrued charges and other creditors		**6,552**	7,661
Tax payable		**3,545**	453
Unclaimed dividends		**7,249**	7,283
		81,194	74,717
Net current assets		**58,968**	82,516
Total assets less current liabilities		**315,240**	306,728
Non-current liabilities			
Provision for long service payments		**2,496**	2,496
Provision for directors' retirement benefits		**8,020**	3,197
Long-term bank loans, secured		**23,777**	25,157
Deferred taxation		**5,384**	4,945
		39,677	35,795
NET ASSETS		**275,563**	270,933
CAPITAL AND RESERVES			
Issued capital		**13,000**	13,000
Reserves		**262,563**	257,933
		275,563	270,933

Notes:

1. **Changes in accounting policies**

Exchange difference arising from inter-company balances (Amendment to HKAS 21, 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), the exchange loss arising on balances between two subsidiaries of the Company of HK$7,141,000 (2005: gain of HK$5,570,000) has been recognised in exchange reserve in the consolidated financial statements instead of in the Group's income statement as in the previous year. 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. Earnings per share has been increased by HK2.7 cents to HK16.2 cents (2005: decreased by HK2.1 cents to HK10.8 cents). Prior year adjustments have been made and comparative figures have been restated accordingly.

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement and HKFRS 4 Insurance contracts: Financial guarantee contracts)

Under the amendments, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37.

2. **Segment information**

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

Geographical segments

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

	Year ended 31 December 2006							
	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*
Segment revenue	46,376	24,694	11,798	9,023	7,787	243	169	100,090
Segment results	24,742	7,091	8,271	5,990	18,981	779	(232)	65,622
Unallocated corporate expenses								(13,584)
Profit from operations								52,038
Finance costs								(4,538)
Profit before taxation								47,500
Taxation								(5,403)
Profit for the year								42,097

	Year ended 31 December 2005							
	Hong Kong *HK$'000*	Other regions in the PRC *HK$'000*	Southeast Asia *HK$'000*	Northern America *HK$'000*	United Kingdom *HK$'000* (Restated)	Europe (excluding United Kingdom) *HK$'000*	Others *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue	48,580	21,133	13,282	4,986	8,043	–	184	96,208
Segment results	17,355	(187)	4,448	2,680	12,080	160	(392)	36,144
Unallocated corporate expenses								(1,686)
Profit from operations								34,458
Finance costs								(3,839)
Profit before taxation								30,619
Taxation								(2,554)
Profit for the year								28,065

Business segments

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

	Segment revenue		Segment results	
	Year ended 31.12.2006 ***HK$'000***	Year ended 31.12.2005 *HK$'000*	**Year ended 31.12.2006** ***HK$'000***	Year ended 31.12.2005 *HK$'000* (Restated)
Manufacturing and sale of Hoe Hin Brand of products	**87,532**	83,344	**36,067**	20,003
Property investment	**9,129**	8,910	**23,757**	21,270
Treasury investment	**3,428**	3,952	**6,826**	1,174
Others	**1**	2	**(58)**	(26)
Unallocated corporate expenses	**–**	–	**(14,554)**	(7,963)
	100,090	96,208	**52,038**	34,458

3. Other revenue

	2006 ***HK$'000***	2005 *HK$'000*
Dividend income from listed securities	**499**	519
Gain on disposal of financial assets at fair value through profit or loss	**157**	217
	656	736

4. Profit before taxation

This is stated after charging (crediting):

(a) Finance costs

	2006 ***HK$'000***	2005 *HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**3,239**	3,222
Interest on bank loan wholly repayable more than five years	**1,299**	617
	4,538	3,839

(b) **Other items**

	2006 *HK$'000*	2005 *HK$'000*
Auditor's remuneration		
Current year	**580**	538
Underprovision in prior year	**6**	40
Cost of inventories	**31,485**	31,639
Contributions to defined contribution plan	**504**	484
Operating lease charges on land and buildings and advertising spaces	**132**	249
Provision for directors' retirement benefits	**4,823**	–
Gross rental income from investment properties less outgoings of HK$452,000 (2005: HK$378,000)	**(8,677)**	(8,531)
Royalty charges	**185**	185
Gain on disposal of property, plant and equipment	**(783)**	–
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	**3,057**	3,007
Amortisation of prepaid lease payments for leasehold land	**487**	495
	3,544	3,502

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 year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	2006 *HK$'000*	2005 *HK$'000*
Current tax		
Hong Kong Profits Tax		
Current year	**4,487**	1,890
Over provision in prior years	**(187)**	(255)
	4,300	1,635
Overseas tax		
Current year	**674**	846
Over provision in prior years	**(10)**	(748)
	664	98
Deferred taxation	**439**	821
	5,403	2,554

6. **Dividends**

	2006 *HK$'000*	2005 *HK$'000*
Interim dividend of HK10.2 cents per share (2005: HK5 cents per share before subdivision of shares and HK2.7 cents per share after subdivision of shares)	**26,520**	13,520
Special interim dividend of HK2.5 cents per share (2005: HK15 cents per share before subdivision of shares)	**6,500**	19,500
Final dividend of HK3 cents per share (2005: HK3 cents per share after subdivision of shares)	**7,800**	7,800
Special final dividend of HK3.5 cents per share (2005: HK2 cents per share after subdivision of shares)	**9,100**	5,200
	49,920	46,020

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 year of HK$42,097,000 (2005 (restated): HK$28,065,000) and the 260,000,000 (2005: 260,000,000) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as there were no dilutive events during the two years ended 31 December 2005 and 2006.

8. Trade receivables

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

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**8,508**	9,331
31 – 60 days	**5,620**	3,941
61 – 90 days	**896**	5,770
More than 90 days	**18**	165
	15,042	19,207

9. Trade payables

The aged analysis of trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**1,104**	1,956
31 – 60 days	**–**	1,790
61 – 90 days	**248**	–
More than 90 days	**150**	–
	1,502	3,746

10. Pledge of assets

Certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties, bank deposits and securities were pledged to secure banking facilities, including bank loans, granted to the Group to the extent of HK$150,760,000 (2005: HK$166,642,000) of which HK$86,123,000 (2005:HK$80,731,000) were utilised at the balance sheet date.

The carrying amounts of the Group's buildings situated on leasehold land, leasehold land interests, investment properties, bank deposits and investments in securities pledged are as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Buildings situated on leasehold land	**7,840**	7,920
Prepaid lease payments for leasehold land	**31,004**	31,264
Investment properties	**134,112**	106,884
Bank deposits	**40,711**	57,480
Financial assets at fair value through profit or loss	**17,696**	36,835
	231,363	240,383

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

General

The Group's total turnover for the year ended 31 December 2006 reached HK$100.1 million, representing an increase of 4.0% over the previous year. Profit attributable to shareholders was HK$42.1 million.

As you may recall, in order to enhance shareholders' value, we adopted in 2005 a special dividends policy for the financial years 2005 and 2006. We are proposing a final dividend of HK3 cents per share (2005: HK3 cents per share) and a special final dividend of HK3.5 cents per share (2005: HK2 cents per share) subject to approval by shareholders at the Annual General Meeting on 13 June 2007. This together with the interim and special dividends of HK$33.0 million already declared, will make a total dividend of HK$49.9 million for 2006 (2005: HK$46.0 million).

Marketing initiatives, brand building, operational efficiency and cost management continued to be our focus during the year. While we followed a strategy to invest in brand building on a continuous basis, we have managed to improve our production efficiency and consequently reduce our production costs by introducing a number of cost-saving measures. In addition, we commenced a new sole distributorship in Singapore in September 2006, which we expect would help improve efficiency in distributing our products there.

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. In these respects, we have undertaken the following:

We hosted environmental and community activities co-organized by Friends of the Earth early in 2007. A school touring drama aimed at promoting environmental protection has been well received by students in 21 primary schools, which is still ongoing to cover 23 primary schools. This may become an ongoing project to extend this environmental promotion as well as rejuvenate our brand image to secondary school students starting this fall.

Early in 2007, we extended our coverage in PRC by listing our products in a new chain store with over 300 sale points in Beijing. We also have intention to start applying product registration of our Hoe Hin Strain Relief (Wood Lok Oil) in Thailand, which is one of our target markets for increasing our customer base of the same product in medium term.

To streamline our investments portfolio, we are planning to dispose of certain non-core investment properties that generate less return. In addition, while we concentrate mainly on our core business in "Hoe Hin" brand of products, we are considering other opportunities to generate better return from our surplus cash.

Appreciation
Now, we are celebrating our 80th anniversary. I would like to take this opportunity to express our gratitude to our past and current directors, and to our staff for their dedication and hard work and to the investors for their continuous support.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary
For the year ended 31 December 2006, the Group's turnover was up 4.0% to HK$100,090,000 (2005: HK$96,208,000) as increased contributions from sales of Hoe Hin brand of products and rental income, slightly offset by the decrease in income derived from treasury investment.

Revaluation surplus of the Group's investment properties was HK$15,694,000 (2005: HK$13,530,000), of which HK$11,384,000 (2005: HK$10,565,000) was related to the Group's investment properties in the United Kingdom.

The revaluation of other properties has resulted in a net change of revaluation gain in this year of HK$675,000 (2005: HK$1,684,000).

As a result of adoption of the amended accounting standard, an exchange loss of HK$7,141,000 (2005: an exchange gain of HK$5,570,000) arising on balances between two subsidiaries has been recognised in exchange reserve and the Group's profit for the year has been increased by HK$7,141,000 accordingly. Prior period adjustments have been made to reflect a decrease in profit of HK$5,570,000 for the last year.

Profit for the year ended 31 December 2006 was approximately HK$42,097,000 (2005: HK$28,065,000 as restated).

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 5.0% to HK$87,532,000 (2005: HK$83,344,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 54% of the segment revenue. Mainland China accounts for about 26%. Other than Philippines, Singapore and US markets, which have in total contributed approximately 20% of the segment revenue, growth in other foreign countries has been static during the year. 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. We also commenced a new sole distributorship in Singapore in September 2006, which would help improve efficiency in distributing our products.

Segment profit increased by 80.3% to HK$36,067,000 (2005: HK$20,003,000), 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 planned for the year 2006 have been rescheduled to be held in 2007 for celebration of our 80th anniversary. 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 increased by 2.5% to HK$9,129,000 (2005: HK$8,910,000). This change mainly represents increased rental income in Hong Kong and foreign exchange difference as a result of an increase in average exchange rate in translating foreign rental income, partly offset by overprovision of rent uplift in United Kingdom in previous year.

The segment profit was also positively affected by an increase in revaluation surplus arising from investment properties.

As a result, the segment profit increased by 11.7% to HK$23,757,000 (2005: HK$21,270,000).

The Group owns several investment properties in United Kingdom, Singapore, Hong Kong and other regions in the 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 decreased by 13.3% to HK$3,428,000 (2005: HK$3,952,000), primarily due to less fund invested for foreign exchange transactions in the second-half of 2006. The segment results increased to a profit of HK$6,826,000 (2005: HK$1,174,000) mainly attributable to improved results on foreign exchange transactions, and improved net 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$699,000 (18.2%) to HK$4,538,000 was mainly due to higher market interest rate 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$2,554,000 to HK$5,403,000 for the year, principally due to an increase in taxable operating profit of subsidiaries in Hong Kong.

Financial Resources and Treasury Policies

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2006 was 31.3% (2005: 29.8%). Total bank borrowings of the Group amounted to HK$86,123,000 (2005: HK$80,731,000), mainly denominated in British pound 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 1.7 as at 31 December 2006 (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 year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2006 were approximately HK$50.2 million in total, or about 12.7% 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 31 December 2006, certain of the Group's leasehold properties, leasehold land interests, investment properties, bank deposits and securities with carrying value of approximately HK$231.4 million (2005: HK$240.4 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$150.8 million (2005: HK$166.6 million), of which approximately HK$86.1 million (2005: HK$80.7 million) were utilised as at 31 December 2006.

Employees and Remuneration Policies

As at 31 December 2006, the Group had a total of 103 employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees. The Company also has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.

OTHER SUPPLMENTARY INFORMATION

Audit Committee Review

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial results for the year ended 31 December 2006.

Final Dividend and Special Dividend

The Board of Directors has proposed a final dividend of HK3 cents (2005: HK3 cents) per share and a special final dividend of HK3.5 cents (2005: HK2 cents) per share for the year ended 31 December 2006 (subject to approval by the shareholders in the Annual General Meeting) payable to shareholders on the register of members of the Company on 13 June 2007. Dividend warrants will be dispatched to the shareholders on or about 22 June 2007.

Closing of register of members

The register of members will be closed from Friday, 8 June 2007 to Wednesday, 13 June 2007, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 7 June 2007.

Purchase, sale or redemption of the Company's listed shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Code on Corporate Governance Practices

The Company adopted all the code provisions in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code during the year ended 31 December 2006.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 year ended 31 December 2006.

Board of Directors

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

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 18 April 2007

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