



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 2007

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 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	3	50,065	50,105
Other revenue		460	1,070
Changes in inventories of finished goods		851	29
Raw materials and consumables used		(9,773)	(8,221)
Staff costs		(9,164)	(10,146)
Depreciation and amortisation expenses		(1,768)	(1,744)
Revaluation surplus in respect of investment properties		690	–
Net exchange gain		193	1,529
Net gain (loss) on disposal of financial assets at fair value through profit or loss		281	(54)
Net gain (loss) on financial assets at fair value through profit or loss		1,298	(17)
Other operating expenses		(11,467)	(9,595)
Profit from operations		21,666	22,956
Finance costs	4	(2,570)	(2,155)
Profit before taxation	4	19,096	20,801
Taxation	5	(2,889)	(3,090)
Profit for the period, attributable to equity holders of the Company		<u>16,207</u>	<u>17,711</u>
Dividends	6	<u>16,900</u>	<u>26,000</u>
Earnings per share	7		
Basic		<u>6.2 cents</u>	<u>6.8 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

		At 30 June 2007 (unaudited) HK\$'000	At 31 December 2006 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment properties	8	190,038	185,278
Property, plant and equipment	8	26,580	27,994
Prepaid lease payments for leasehold land		39,828	40,072
Available-for-sale financial assets		3,162	2,928
		<u>259,608</u>	<u>256,272</u>
Current assets			
Inventories		12,572	13,021
Trade receivables	9	17,570	15,042
Bills receivable		11,204	14,376
Deposits, prepayments and other debtors		2,684	3,537
Financial assets at fair value through profit or loss		41,977	26,963
Pledged bank deposits		30,233	40,711
Cash and cash equivalents		15,641	26,512
		<u>131,881</u>	<u>140,162</u>
Current liabilities			
Short-term borrowings, secured		64,651	60,960
Current portion of long-term bank loan, secured		1,419	1,386
Trade payables	10	803	1,502
Accrued charges and other creditors		2,766	6,552
Tax payable		5,844	3,545
Unclaimed dividends		328	7,249
		<u>75,811</u>	<u>81,194</u>
Net current assets		<u>56,070</u>	<u>58,968</u>
Total assets less current liabilities		<u>315,678</u>	<u>315,240</u>

	At 30 June 2007 (unaudited) HK\$'000	At 31 December 2006 (audited) HK\$'000
<i>Notes</i>		
Non-current liabilities		
Provision for long service payments	1,850	2,496
Provision for directors' retirement scheme benefits	8,143	8,020
Long-term bank loan, secured	23,060	23,777
Deferred taxation	5,484	5,384
	<hr/> 38,537 <hr/>	<hr/> 39,677 <hr/>
Net assets	<hr/> 277,141 <hr/>	<hr/> 275,563 <hr/>
Capital and reserves		
Share capital	13,000	13,000
Reserves	264,141	262,563
	<hr/> 277,141 <hr/>	<hr/> 275,563 <hr/>

NOTES:

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 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for investment properties, buildings situated on leasehold land, 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 the 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 2006. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”) that are relevant to the Group and 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 the 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 has not early adopted these HKFRS 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 2007								
Segment revenue								
External sales	<u>25,286</u>	<u>9,506</u>	<u>6,656</u>	<u>3,990</u>	<u>4,096</u>	<u>144</u>	<u>387</u>	<u>50,065</u>
Segment results	<u>12,326</u>	<u>3,557</u>	<u>3,374</u>	<u>2,235</u>	<u>4,124</u>	<u>1,014</u>	<u>166</u>	<u>26,796</u>
Unallocated corporate expenses								<u>(5,130)</u>
Profit from operations								<u>21,666</u>
Six months ended								
30 June 2006								
Segment revenue								
External sales	<u>24,374</u>	<u>10,733</u>	<u>6,300</u>	<u>4,667</u>	<u>3,835</u>	<u>75</u>	<u>121</u>	<u>50,105</u>
Segment results	<u>10,972</u>	<u>4,420</u>	<u>5,417</u>	<u>3,443</u>	<u>4,066</u>	<u>11</u>	<u>(43)</u>	<u>28,286</u>
Unallocated corporate expenses								<u>(5,330)</u>
Profit from operations								<u>22,956</u>

Business segments

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) <i>HK\$'000</i>	Property investment (unaudited) <i>HK\$'000</i>	Treasury investment (unaudited) <i>HK\$'000</i>	Others (unaudited) <i>HK\$'000</i>	Consolidated (unaudited) <i>HK\$'000</i>
Six months ended 30 June 2007					
Segment revenue					
External sales	<u>43,738</u>	<u>4,836</u>	<u>1,485</u>	<u>6</u>	<u>50,065</u>
Segment results	<u>18,721</u>	<u>4,605</u>	<u>3,550</u>	<u>(3)</u>	<u>26,873</u>
Unallocated corporate expenses					<u>(5,207)</u>
Profit from operations					<u>21,666</u>
Six months ended 30 June 2006					
Segment revenue					
External sales	<u>43,805</u>	<u>4,343</u>	<u>1,957</u>	<u>–</u>	<u>50,105</u>
Segment results	<u>21,552</u>	<u>3,137</u>	<u>3,698</u>	<u>(4)</u>	<u>28,383</u>
Unallocated corporate expenses					<u>(5,427)</u>
Profit from operations					<u>22,956</u>

4. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 June	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,979	1,501
Interest on bank loan wholly repayable more than five years	591	654
	<u>2,570</u>	<u>2,155</u>
	Six months ended 30 June	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(b) Other items		
Cost of inventories	15,447	14,122
Dividend income from listed securities	(277)	(295)
Gain on disposal of property, plant and equipment	(14)	(783)
	<u>15,156</u>	<u>13,044</u>

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 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	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	2,304	2,647
Overseas tax	485	443
	<u>2,789</u>	<u>3,090</u>
Deferred tax		
Origination of temporary differences arising from fair value adjustment on investment properties	100	–
	<u>100</u>	<u>–</u>
	<u>2,889</u>	<u>3,090</u>

6. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend declared	6,500	6,500
Special interim dividend declared	10,400	19,500
	16,900	26,000

At the board meeting held on 18 April 2007, the directors proposed a final dividend of HK3 cents per share totaling HK\$7,800,000 for the year ended 31 December 2006 (year ended 31 December 2005: HK3 cents per share totaling HK\$7,800,000) and a special final dividend of HK3.5 cents per share totaling HK\$9,100,000 for the year ended 31 December 2006 (year ended 31 December 2005: HK2 cents per share totaling HK\$5,200,000), which have been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 13 June 2007, the appropriation was transferred to dividends payable.

On 3 July 2007, the directors declared a first special interim dividend of HK4 cents per share totaling HK\$10,400,000 (2006: HK5 cents per share totaling HK\$13,000,000) which was paid on 30 July 2007. On 19 September 2007, the directors declared the payment of the second interim dividend of HK2.5 cents per share totaling HK\$6,500,000 (2006: HK2.5 cents per share totaling HK\$6,500,000) and no special interim dividend (2006: HK2.5 cents per share totaling HK\$6,500,000) in respect of the six months ended 30 June 2007 payable to the shareholders on the register of members of the Company on 23 October 2007.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$16,207,000 (2006: HK\$17,711,000) and the 260,000,000 (2006: 260,000,000) ordinary shares in issue during the period.

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

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

On 21 June 2007, the Group entered into a provisional sale and purchase agreement (the "Agreement") with an independent third party to dispose of an investment property in the PRC at a consideration of approximately HK\$2.6 million. The disposal transaction is still in progress as at the date of approval of the interim financial statements.

The carrying amount of the above investment property as at 30 June 2007 was stated at the consideration as stipulated in the Agreement, which approximated its fair value at the balance sheet date. A revaluation surplus of HK\$690,000 (2006: nil) has been recognised in the income statement as a result of the revaluation of that investment property.

Except for the above investment property, in the opinion of the directors, the fair value of the Group's other investment properties and leasehold buildings situated in Hong Kong, UK and Singapore as at 30 June 2007 was not materially different from that as at 31 December 2006.

The Group recorded a surplus on exchange realignment of HK\$4,070,000 on the investment properties situated in UK during the period, which has been recognised as part of the exchange difference arising from translation of financial statements of overseas subsidiaries in the exchange reserve.

9. TRADE RECEIVABLES

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

	At 30 June 2007 (unaudited) HK\$'000	At 31 December 2006 (audited) HK\$'000
Within 30 days	9,855	8,508
31 – 60 days	4,149	5,620
61 – 90 days	3,566	896
More than 90 days	–	18
	<u>17,570</u>	<u>15,042</u>

10. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	At 30 June 2007 (unaudited) HK\$'000	At 31 December 2006 (audited) HK\$'000
Within 30 days	789	1,104
31 – 60 days	14	–
61 – 90 days	–	248
More than 90 days	–	150
	<u>803</u>	<u>1,502</u>

11. PLEDGE OF ASSETS

At 30 June 2007, certain buildings of the Group situated on leasehold land, leasehold land interests and investment properties were pledged to secure banking facilities granted to the Group to the extent of HK\$90,210,000 (31 December 2006: HK\$88,360,000), of which HK\$89,130,000 (31 December 2006: HK\$86,123,000) was utilised.

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

	At 30 June 2007 (unaudited) HK\$'000	At 31 December 2006 (audited) HK\$'000
Buildings situated on leasehold land	7,747	7,840
Prepaid lease payments for leasehold land	30,873	31,004
Investment properties	138,182	134,112
	<u>176,802</u>	<u>172,956</u>

In addition, at 30 June 2007, certain bank deposits and financial assets at fair value through profit or loss of HK\$30,233,000 (31 December 2006: HK\$40,711,000) and HK\$30,452,000 (31 December 2006: HK\$17,696,000) respectively were pledged to secure standby banking facilities granted to the Group of HK\$62,400,000 (2006: HK\$62,400,000).

12. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	807	758
– Contributions to defined contribution plan	18	18
Royalty paid to a director (<i>Note</i>)	<u>93</u>	<u>93</u>

Note:

Mr. Gan Wee Sean was interested as licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a licence to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2007 in consideration of an annual fixed royalty payment of HK\$185,000.

13. CAPITAL COMMITMENT

During the period, 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) up to 31 December 2011. During the period, US\$30,000 (equivalent to approximately HK\$234,000) was called and paid. The remaining of US\$970,000 (equivalent to approximately HK\$7.6 million) would be payable upon receiving instructions from the bank.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary

For the six months ended 30 June 2007, the Group's turnover slightly decreased by 0.1% to HK\$50,065,000 (2006: HK\$50,105,000) due to decreased contributions from sales of Hoe Hin brand of products and treasury investment. Rental income was, however, higher, in light of increased rental income derived in Hong Kong and higher foreign exchange rate for rental from overseas property.

Revaluation surplus of HK\$690,000 (2006: nil) was recognised for the period in respect of the Group's investment properties.

Net profit for the six months ended 30 June 2007 decreased by 8.5% to approximately HK\$16,207,000 (2006: HK\$17,711,000).

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 slightly decreased by 0.2% to HK\$43,738,000 (2006: HK\$43,805,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 48.4% of the total revenue. Mainland China accounts for about 19.0%. Sales in Hong Kong had been static during the period. Other than Philippines, Thailand and Singapore markets, which have in total contributed approximately 8.7% of the total revenue, sales in other foreign countries had been slowed down. Sales to Singapore had improved, following commencement of a new sole distributorship in Singapore last year in September.

Segment profit decreased by 13.1% to HK\$18,721,000 (2006: HK\$21,552,000), mainly due to increased marketing expenses. Certain promotional and advertising activities planned for the year 2006 were rescheduled and held in the 1st half of 2007 for celebrating our 80th anniversary.

Property investment

Revenue for this segment increased by 11.4% to HK\$4,836,000 (2006: HK\$4,343,000). This change mainly represents increased rental income derived in Hong Kong and increased average exchange rate in translating foreign rental income.

Revaluation surplus of HK\$690,000 (2006: nil) was recognised for the period to reflect the change of market value of our investment property in the PRC, which is being sold as a non-core investment property. The transaction is expected to be completed by the end of October 2007.

As a result, the segment profit increased by 46.8% to HK\$4,605,000 (2006: HK\$3,137,000).

Other than the property in the PRC, the Group also own several investment properties in 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

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 to HK\$1,485,000 (2006: HK\$1,957,000), primarily due to less fund invested for foreign exchange transactions and bank balances. The segment results decreased slightly to a profit of HK\$3,550,000 (2006: HK\$3,698,000), mainly attributable to less contribution from foreign exchange transactions, partly offset by improved net fair value changes on listed investments as a result of appreciation of market prices and foreign currencies, in which most of our listed investments were denominated.

Finance costs

The increase of HK\$415,000 to HK\$2,570,000 was mainly due to higher market interest rates comparing to the same period in previous year.

Taxation

There was a decrease in tax provision from HK\$3,090,000 to HK\$2,889,000 for the period, principally due to 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 2007 was 32.2% (31 December 2006: 31.3%). Total bank borrowings of the Group amounted to HK\$89,130,000 (31 December 2006: HK\$86,123,000), 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 1.7 as at 30 June 2007 (31 December 2006: 1.7). 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 2007 were approximately HK\$53.5 million in total, or about 13.7% 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 30 June 2007, certain of the Group's buildings situated on leasehold land, leasehold land interests and investment properties with carrying value of approximately HK\$176.8 million (31 December 2006: HK\$173.0 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$90.2 million (31 December 2006: HK\$88.4 million), of which HK\$89.1 million (31 December 2006: HK\$86.1 million) were utilised as at 30 June 2007.

In addition, certain bank deposits and financial assets at fair value through profit or loss with total carrying amount of HK\$60.7 million (31 December 2006: HK\$58.4 million) were pledged to secure standby banking facilities granted to the Group of HK\$62.4 million (31 December 2006: HK\$62.4 million).

HUMAN RESOURCES

As at 30 June 2007, the Group had a total of 119 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

Despite the volatile financial markets that recently exist, global economy is not expected to be materially affected for the rest of the year. One of our challenges will be to maintain a relatively low operating and production costs in view of emerging pressure from inflation. The investment property markets of Hong Kong and United Kingdom, in which our core investment properties are located, are expected to stay optimistic.

SECOND INTERIM DIVIDEND

The directors resolved to declare a second interim dividend of HK2.5 cents per share in respect of the six months ended 30 June 2007 payable to the shareholders on the register of members of the Company on 23 October 2007. Dividends warrants will be dispatched to the shareholders on or about 30 October 2007.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 18 October 2007 to Tuesday, 23 October 2007, 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 documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 October 2007.

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 2007, 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 2007.

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 2007 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, 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, which will be included in the interim report.

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 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, 19 September 2007