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## PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 239)

### ANNOUNCEMENT OF ANNUAL RESULTS 2008

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 2008, together with comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	2	<b>113,802</b>	101,456
Other revenue	3	647	883
Other net income		286	287
Changes in inventories of finished goods		(944)	1,167
Raw materials and consumables used		(22,624)	(20,104)
Staff costs		(21,215)	(20,331)
Depreciation and amortisation expenses		(3,584)	(3,552)
Net exchange (loss) gain		(10,455)	1,374
Other operating expenses		(28,191)	(27,332)
<b>Profit from operations before fair value changes of financial assets through profit or loss and properties</b>		<b>27,722</b>	33,848
Net loss on financial assets at fair value through profit or loss		(7,992)	(193)
Revaluation (deficit) surplus in respect of investment properties		(32,128)	9,670
Reversal of revaluation deficit in respect of properties other than investment properties		3,789	5,905
Revaluation deficit in respect of properties other than investment properties		–	(134)
<b>(Loss) Profit from operations</b>		<b>(8,609)</b>	49,096
Finance costs	4	(6,694)	(5,387)
<b>(Loss) Profit before taxation</b>	4	<b>(15,303)</b>	43,709
Taxation	5	(2,886)	(7,703)
<b>(Loss) Profit for the year, attributable to equity holders of the Company</b>		<b>(18,189)</b>	36,006
<b>Dividends</b>	6	<b>31,177</b>	37,700
<b>(Loss) Earnings per share</b>	7		
Basic and diluted		<b>(7.0) cents</b>	13.8 cents

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties		132,948	196,072
Property, plant and equipment		32,548	30,897
Prepaid lease payments for leasehold land		39,097	39,585
Held-to-maturity financial assets		33,578	–
Available-for-sale financial assets		5,691	6,111
		<u>243,862</u>	<u>272,665</u>
<b>Current assets</b>			
Inventories		9,573	13,720
Trade and other receivables	8	35,733	33,486
Financial assets at fair value through profit or loss		19,168	28,221
Pledged bank deposits		16,523	33,569
Cash and cash equivalents		31,761	17,815
		<u>112,758</u>	<u>126,811</u>
<b>Current liabilities</b>			
Short-term bank loans, secured		85,757	65,386
Current portion of long-term bank loan, secured		1,754	1,521
Current portion of deferred income		21	–
Trade and other payables	9	11,804	10,181
Tax payable		1,581	874
Dividends payable		4,199	6,766
		<u>105,116</u>	<u>84,728</u>
<b>Net current assets</b>		<u>7,642</u>	<u>42,083</u>
<b>Total assets less current liabilities</b>		<u>251,504</u>	<u>314,748</u>
<b>Non-current liabilities</b>			
Long-term bank loan, secured		20,342	22,246
Long-term portion of deferred income		3,108	–
Provision for long service payments		1,900	1,400
Provision for directors' retirement benefits		8,514	8,267
Deferred taxation		7,689	9,004
		<u>41,553</u>	<u>40,917</u>
<b>NET ASSETS</b>		<u>209,951</u>	<u>273,831</u>
<b>Capital and reserves</b>			
Share capital		12,985	13,000
Reserves		196,966	260,831
<b>TOTAL EQUITY</b>		<u>209,951</u>	<u>273,831</u>

Notes:

### 1. Adoption of new/revised HKFRS

The financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRS”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new/revised HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

### 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, North 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 2008							
	Hong Kong	Other	Southeast	North	United	Europe	Others	Consolidated
	HK\$’000	regions in the PRC HK\$’000	Asia HK\$’000	America HK\$’000	Kingdom HK\$’000	(excluding United Kingdom) HK\$’000	HK\$’000	HK\$’000
Segment revenue	<u>54,049</u>	<u>31,806</u>	<u>11,704</u>	<u>5,262</u>	<u>7,886</u>	<u>2,396</u>	<u>699</u>	<u>113,802</u>
Segment results	<u>14,242</u>	<u>6,502</u>	<u>(5,136)</u>	<u>1,832</u>	<u>(17,619)</u>	<u>(608)</u>	<u>1,440</u>	<u>653</u>
Unallocated corporate expenses								<u>(9,262)</u>
Loss from operations								<u>(8,609)</u>
Finance costs								<u>(6,694)</u>
Loss before taxation								<u>(15,303)</u>
Taxation								<u>(2,886)</u>
Loss for the year								<u><u>(18,189)</u></u>

Year ended 31 December 2007

	Hong Kong <i>HK\$'000</i>	Other regions in the PRC <i>HK\$'000</i>	Southeast Asia <i>HK\$'000</i>	North America <i>HK\$'000</i>	United Kingdom <i>HK\$'000</i>	Europe (excluding United Kingdom) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue</b>	<u>50,478</u>	<u>22,355</u>	<u>13,344</u>	<u>6,305</u>	<u>8,223</u>	<u>289</u>	<u>462</u>	<u>101,456</u>
<b>Segment results</b>	<u>43,537</u>	<u>3,139</u>	<u>7,232</u>	<u>3,471</u>	<u>1,171</u>	<u>1,870</u>	<u>(1,218)</u>	<u>59,202</u>
Unallocated corporate expenses								<u>(10,106)</u>
<b>Profit from operations</b>								49,096
Finance costs								<u>(5,387)</u>
<b>Profit before taxation</b>								43,709
Taxation								<u>(7,703)</u>
<b>Profit for the year</b>								<u>36,006</u>

### Business segments

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

	Segment revenue		Segment results	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Manufacturing and sale of Hoe Hin				
Brand of products	<b>99,301</b>	88,281	<b>34,823</b>	30,869
Property investment – Rental income	<b>10,249</b>	10,095	<b>(20,099)</b>	24,296
Treasury investment– Interest income	<b>4,252</b>	3,072	<b>(13,131)</b>	5,049
Others	–	8	<b>6</b>	(8)
Unallocated corporate expenses	–	–	<b>(10,208)</b>	(11,110)
	<u><b>113,802</b></u>	<u>101,456</u>	<u><b>(8,609)</b></u>	<u>49,096</u>

### 3. Other revenue

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	<b>634</b>	477
Others	<b>13</b>	406
	<u><b>647</b></u>	<u>883</u>

**4. (Loss) Profit before taxation**

This is stated after charging (crediting):

**(a) Finance costs**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,127	4,247
Interest on bank loan wholly repayable more than five years	567	1,140
	<u>6,694</u>	<u>5,387</u>

**(b) Other items**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Auditor's remuneration	500	470
Cost of inventories	35,119	30,812
Contributions to defined contribution plan	518	519
Operating lease charges on advertising spaces	196	132
Gross rental income from investment properties less outgoings of HK\$581,000 (2007: HK\$324,000)	(9,668)	(9,747)
Royalty charges	233	200
Gain on disposal of property, plant and equipment	–	(26)
Gain on disposal of an investment property	–	(878)
Depreciation and amortisation expenses:		
– Depreciation of property, plant and equipment	3,096	3,065
– Amortisation of prepaid lease payments for leasehold land	488	487
	<u>3,584</u>	<u>3,552</u>
Interest income from bank deposits and debt securities	(1,994)	(3,072)
Interest income from held-to-maturity financial assets	(2,258)	–
	<u>(4,252)</u>	<u>(3,072)</u>

## 5. Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 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.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
<b>Current tax</b>		
Hong Kong Profits Tax	4,040	3,400
Overseas tax	249	683
	<u>4,289</u>	<u>4,083</u>
<b>Deferred tax</b>		
Current year	(888)	3,620
Attributable to a change in tax rate	(515)	–
	<u>(1,403)</u>	<u>3,620</u>
	<u><b>2,886</b></u>	<u><b>7,703</b></u>
<b>6. Dividends</b>		
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividends of HK5.8 cents per share (2007: HK9.0 cents)	15,076	23,400
Final dividend of HK6.2 cents per share (2007: HK5.5 cents)	16,101	14,300
	<u><b>31,177</b></u>	<u><b>37,700</b></u>

The final dividend for 2008 proposed after the balance sheet date is subject to shareholders' approval in the forthcoming general meeting. It has not been recognised as a liability at the balance sheet date.

## 7. (Loss) Earnings per share

The calculation of the basic (loss) earnings per share is based on the loss attributable to equity holders of the Company for the year of HK\$18,189,000 (2007: profit of HK\$36,006,000) and the weighted average number of shares of 259,929,000 (2007: 260,000,000) ordinary shares in issue during the year.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2007 and 2008.

## 8. Trade and other receivables

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Trade receivables</b> ( <i>note 8(a)</i> )	<b>17,485</b>	18,787
<b>Bills receivable</b>	<b>14,140</b>	8,925
<b>Other receivables</b>		
Deposits, prepayments and other debtors	<u>4,108</u>	<u>5,774</u>
	<b><u>35,733</u></b>	<b><u>33,486</u></b>

8(a) The Group allows credit period ranging from 30 days to 240 days to its customers. The ageing analysis of trade receivables is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	<b>9,937</b>	16,740
31 – 60 days	<b>2,702</b>	287
61 – 90 days	<b>4,845</b>	1,760
More than 90 days	<u>1</u>	<u>–</u>
	<b><u>17,485</u></b>	<b><u>18,787</u></b>

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$172,000 (2007: HK\$74,000), which were past due at the balance sheet date for which the Group has not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable based on past collection history and current creditworthiness of the customers. The Group does not hold any collateral over these balances. The average age of these receivables is 40 days (2007: 60 days).

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

## 9. Trade and other payables

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Trade payables</b> ( <i>note 9(a)</i> )	<b>1,988</b>	3,574
<b>Other payables</b>		
Accrued charges and other creditors	<u>9,816</u>	<u>6,607</u>
	<b><u>11,804</u></b>	<b><u>10,181</u></b>

9(a) All trade payables are expected to be settled within one year. The ageing analysis of trade payables is as follows:

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>1,646</b>	3,026
31 – 60 days	<b>342</b>	537
61 – 90 days	–	11
	<u><b>1,988</b></u>	<u>3,574</u>

#### 10. Pledge of assets

Certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties, bank deposits and financial assets at fair value through profit or loss were pledged to secure banking facilities, including bank loans, granted to the Group to the extent of HK\$135,086,000 (2007: HK\$136,478,000), of which HK\$107,853,000 (2007: HK\$89,153,000) were utilised at the balance sheet date.

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

	<b>The Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Buildings situated on leasehold land	<b>9,100</b>	7,520
Prepaid lease payments for leasehold land	<b>30,483</b>	30,743
Investment properties	<b>75,610</b>	130,503
Financial assets at fair value through profit or loss	<b>12,067</b>	2,745
Bank deposits	<b>16,199</b>	–
	<u><b>143,459</b></u>	<u>171,511</u>

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK\$324,000 (2007: HK\$33,569,000) and HK\$2,610,000 (2007: HK\$17,522,000) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15,600,000 (2007: HK\$62,400,000).

Subsequent to the balance sheet date, the Group has pledged its held-to-maturity financial assets with carrying amount of HK\$33,578,000 for short-term advances facilities of HK\$19,500,000.



## CHAIRMAN'S STATEMENT

### Overview

The Group's total turnover for the year ended 31 December 2008 reached HK\$113.8 million, representing an increase of 12.2% over the previous year. Profit from operations before fair value changes of financial assets through profit or loss and properties was HK\$27.7 million, a decrease of 18.1%. Such decrease reflected weaker foreign currencies in which certain of our bank deposits were denominated. Loss attributable to shareholders was HK\$18.2 million, a decrease of 150.5% largely attributable to the decline in fair value changes of our investment properties and securities investments.

The Board proposes a final dividend of HK6.2 cents per share (2007: HK5.5 cents per share) subject to approval by shareholders at the forthcoming Annual General Meeting. These together with the interim dividends of HK5.8 cents per share (2007: HK9.0 cents per share) already declared, will make a total dividend of HK12.0 cents per share for 2008 (2007: HK14.5 cents per share). The proposed final dividend reflects our commitment to generate higher value for shareholders and is in line with our dividend policy to distribute it by reference to the performance of our core business and availability of the distributable reserves and cash flow of the Group.

Despite the less favourable economic climate caused by the global financial turmoil which emerged in the second half of the year, the Group achieved a record high in revenue from our core business as manufacturer and distributor of Hoe Hin brand of products. Backed by increased promotional and marketing efforts targeting at domestic consumers and brand building, we saw moderate sales growth in Hong Kong, Mainland China and improvement in Singapore and Malaysia. We continued to input marketing resources in other key and developing markets with an aim to extend our market presence there. Since we repositioned our product - Hoe Hin Strain Relief in 2007 and focused marketing effort in its medicated functions, we saw improvement in consumer awareness, while we achieved an encouraging result. Our new Fúzǎi 239 series, the floral-scented White Flower Embrocation, have been launched and available for sales in major chain stores and drugstores in Hong Kong. We branded it as to rejuvenate our image to target younger customers and promoted it at this early stage through sponsorship of various promotional events to increase its exposure to market.

Global financial and property markets experienced overall decline in the second half of the year, which adversely affected the fair values of our properties and securities investments. To separate the effect of such fair value changes which has no actual cash flow impact on the Group's operation, we started to report the Group's profit from operations before such changes under a separate heading in the consolidated income statement effective from the financial year 2008 onwards. We believe that this makes the income statement more understandable as far as our main operations are concerned. Our investment properties, which are currently generating an average yield of approximately 7.7%, are intended to be held for long term and the rental income earned will continue to generate a steady stream of revenue for the Group.

## **Outlook**

It is expected that the financial markets will continue to be volatile and global economic outlook will remain negative in 2009. The year ahead will be a challenging year, with uncertainties caused by various factors, including fast-changing government policies to cope with global crisis, more volatile foreign exchange market, speculative activities in worldwide commodity market and decreasing demand of consumptions due to negative market sentiment etc. It is therefore imperative for us to monitor closely our operational environment and respond accordingly on a timely basis. We will step up our effort in material procurement in order to mitigate possible adverse impact on raw material price increase.

We aim to maintain our focus on market penetration and market development for our existing products, with more marketing effort on Hoe Hin Strain Relief and Fúzǎi 239 series. Hoe Hin Strain Relief is expected to be available on sales in Singapore shortly, backed by television and media advertising campaign. We are also looking for a distributor in Australia to manage the same product there for testing market response. Meanwhile, product licenses for White Flower Embrocation in Indonesia are on its way and we are awaiting approval from local authority. Hopefully, we can recommence sales there shortly in 2009.

## **Appreciation**

I would like to take this opportunity to thank all directors and staff members for their dedication and hard work and to the investors and business partners for their continuous support and understanding of the economic environment that we have encountered.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Summary**

For the year ended 31 December 2008, the Group's turnover increased by 12.2% to HK\$113,802,000 (2007: HK\$101,456,000) as a result of increased contributions from sales of Hoe Hin brand of products, rental income and income derived from treasury investment.

Revaluation deficit of the Group's investment properties was HK\$32,128,000 (2007: surplus of HK\$9,670,000), including a deficit of HK\$23,897,000 (2007: HK\$6,642,000) which related to the Group's investment properties in the United Kingdom.

The revaluation of other properties has resulted in a net revaluation gain in this year of HK\$3,789,000 (2007: HK\$5,771,000).

Loss for the year ended 31 December 2008 was approximately HK\$18,189,000 (2007: profit of HK\$36,006,000).

### **Manufacturing and sales of Hoe Hin Brand of products**

Revenue from sales of Hoe Hin brand of products increased by 12.5% to HK\$99,301,000 (2007: HK\$88,281,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 53.8% (2007: 56.4%) of the segment revenue. Mainland China accounts for about 30.8% (2007: 24.2%). Sales in Hong Kong and Mainland China had increased by 6.1% and 41.3% respectively. Sales to Singapore and Malaysia had improved while sales in other foreign countries had either slowed down or was insignificant.

Segment profit increased by 12.8% to HK\$34,823,000 (2007: HK\$30,869,000), mainly due to increased contribution from sales, partly offset by general inflation on operating and production costs.

### **Property investment**

Revenue for this segment slightly increased by 1.5% to HK\$10,249,000 (2007: HK\$10,095,000). This change mainly represents increased rental income in Hong Kong and the United Kingdom, partly offset by decrease in average exchange rate in translating foreign rental income.

Worldwide property markets were seriously hit by the global financial crisis, particularly worsen in the last quarter of 2008. Segment result was adversely affected by revaluation deficit arising from investment properties and a decrease in net change of revaluation from other properties. As a result, the segment result decreased by 182.7% to a loss of HK\$20,099,000 (2007: profit of HK\$24,296,000).

The Group owns several investment properties in United Kingdom, Singapore and Hong Kong. These properties are intended to be held for long term and the rental income derived therein continues to provide a steady stream of revenue for the Group. The loss resulted from fair value changes of properties as aforesaid had no actual cash flow impact on the Group's operation and accordingly would not affect the core business of the Group.

### **Treasury investment**

Revenue derived from this segment increased by 38.4% to HK\$4,252,000 (2007: HK\$3,072,000), primarily due to more interest income from a new bond purchased in February 2008. However, a marked worsening of the global environment was emerging in the second half of the year, with worldwide financial system experiencing severe strain in the fourth quarter. The segment result reflected the adverse impact of financial markets, leading to a loss of HK\$13,131,000 (2007: profit of HK\$5,049,000), mainly attributable to adverse movement in fair value changes on listed investments as well as devaluation of foreign currencies, in which most of our listed investments and certain bank deposits were denominated.

In view of the uncertainty of the financial markets since the fourth quarter of the year 2008, the Group had adopted a more prudent strategy in its treasury investment activities to reduce risk of foreign exchange exposure.

### **Finance costs**

The increase of HK\$1,307,000 (24.3%) to HK\$6,694,000 was mainly due to new bank loan borrowed during the year and higher market interest rates.

### **Taxation**

There was a decrease in taxation from HK\$7,703,000 to HK\$2,886,000 for the year, principally due to the reduction in deferred tax provision arising from revaluation on investment properties, partly offset by an increase in taxable operating profits 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 2008 was 51.4% (2007: 32.6%). Total bank borrowings of the Group amounted to HK\$107,853,000 (2007: HK\$89,153,000), mainly denominated in Pound Sterling, Japanese Yen and Hong Kong Dollars with floating interest rates. The increase in borrowings was mainly due to additional bank loan borrowed for financial and treasury planning purpose.

Current ratio (current assets divided by current liabilities) was 1.1 as at 31 December 2008 (2007: 1.5). The Group holds sufficient cash, marketable securities on hand and available banking facilities to meet its short-term 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. Certain rental income is derived in United Kingdom and denominated in Pound Sterling. As at 31 December 2008, the Group's debt borrowings were mainly denominated in Pound Sterling, Japanese Yen and Hong Kong Dollars. The Group also had equity and debt securities denominated in foreign currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for debt borrowings is minimal as they are either denominated in Hong Kong dollars or largely the currency of the underlying pledged 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 2008 were approximately HK\$71.3 million in total, or about 20.0% of the Group's total assets. The Group also exposed to foreign exchange exposure of HK\$75.6 million relating to properties investments in the United Kingdom.

### **Pledge of Assets**

As at 31 December 2008, certain of the Group's leasehold properties, leasehold land interests, investment properties, bank deposits and securities with carrying value of approximately HK\$143.5 million (2007: HK\$171.5 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$135.1 million (2007: HK\$136.5 million), of which approximately HK\$107.9 million (2007: HK\$89.2 million) were utilised as at 31 December 2008.

In addition, certain bank deposits and financial assets at fair value through profit or loss with total carrying amount of HK\$2.9 million (2007: HK\$51.1 million) were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15.6 million (2007: HK\$62.4 million).

### **Employees and Remuneration Policies**

As at 31 December 2008, the Group had a total of 101 (2007: 101) 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 SUPPLEMENTARY 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 2008.

### **Scope of work of Mazars CPA Limited**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

## **Final Dividend**

The Board has proposed a final dividend of HK6.2 cents (2007: HK5.5 cents) per share for the year ended 31 December 2008 (subject to approval by the shareholders in the forthcoming annual general meeting) payable to shareholders on the register of members of the Company on 25 June 2009. Dividend warrants will be dispatched to the shareholders on or about 31 July 2009.

## **Closing of register of members**

The register of members will be closed from Monday, 22 June 2009 to Thursday, 25 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final 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 Friday, 19 June 2009.

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

During the year, the Company, through a subsidiary, Pak Fah Yeow Investment (Hong Kong) Company, Limited, repurchased its shares on the Stock Exchange as follows:

Month/year	Number of shares of HK\$0.05 each repurchased	Price per share		Aggregate Consideration HK\$
		Highest HK\$	Lowest HK\$	
October 2008	300,000	1.18	1.15	345,075

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK\$331,000 was charged to the share premium account.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 2008 except for the following deviations:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean has been assuming the roles of both the Chairman and the acting Chief Executive Officer since 21 April 2008. Although these two roles are performed by the same individual, certain responsibilities are shared with executive director to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The board has three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate balances of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

Code provision E.1.2 stipulates that the Chairman of the board should attend the annual general meeting. Due to unexpected matter, the Chairman of the board was unable to attend the annual general meeting held on 26 June 2008. An executive director was elected by the directors and present as chairman of the meeting to answer questions at the annual general meeting.

#### **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 2008.

#### **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, 22 April 2009

\* *For identification purpose only*