
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in Pak Fah Yeow International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser and transferee.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ASSIGNMENT OF TRADE MARKS****Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders****KBC N.V. Hong Kong Branch**

A letter from the Board (as defined in the circular) is set out from pages 4 to 9 of this circular.

A letter from the Independent Board Committee (as defined in the circular) is set out on page 10 of this circular.

A letter from the Independent Financial Adviser (as defined in the circular) is set out on pages 11 to 17 of this circular.

A notice convening the special general meeting of the Company to be held at Plaza III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 15 October 2009 at 2:30 p.m. is set out on pages 22 to 23 of this circular.

Whether or not you proposed to attend the meeting, you are requested to complete and return the enclosed proxy form in accordance with the instruction printed thereon and return the same to the head office and principal place of business of the Company at 11th Floor, 200 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the meetings or any adjourned meetings thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* For identification purpose only

Hong Kong, 28 September 2009

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

- “Agreement for Trade Marks Assignment” the agreement for trade marks assignment dated 8 September 2009 entered into between Mr. Gan Wee Sean and Hoe Hin Pak Fah Yeow, pursuant to which Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow
- “Applied Trade Marks” the trade marks (being confusingly similar to the Trade Marks) which Hoe Hin Pak Fah Yeow obtained registrations for, filed application(s) for registration or intends to register in Singapore and Malaysia, including among others, the trade marks listed in Schedule 2 of the Agreement for Trade Marks Assignment
- “Associate(s)” having the meaning ascribed to it under the Listing Rules in Rule 1.01 and Rule 14A.11(4), namely, the following additional persons:
- (a) any person or entity with whom a person referred to in Rules 14A.11(1), (2) or (3) has entered, or proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, with respect to the transaction which is such that, in the opinion of the Stock Exchange, that person or entity should be considered a connected person;
 - (b) any person cohabiting as a spouse with, and any child, step-child, parent, stepparent, brother, sister, step-brother and step-sister of, a person referred to in Rules 14A.11(1), (2) or (3); and
 - (c) a father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a person referred to in Rules 14A.11(1), (2) or (3) whose association with the person referred to in Rules 14A.11(1), (2) or (3) is such that, in the opinion of the Stock Exchange, the proposed transaction should be subject to the requirements of Chapter 14A of the Listing Rules
- “Board” the board of directors of the Company
- “Business Day” any day (excluding Saturday and Sunday) on which banks generally are open for business in Hong Kong

DEFINITIONS

“Company”	Pak Fah Yeow International Limited (白花油國際有限公司*), a company incorporated with limited liability in Bermuda and with its Shares listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hoe Hin Pak Fah Yeow”	Hoe Hin Pak Fah Yeow Manufactory, Limited, a company incorporated with limited liability in Hong Kong, and an indirectly wholly-owned subsidiary of the Company
“Independent Board Committee”	independent board committee of the board of directors of the Company consisting of all the independent non-executive Directors
“Independent Financial Adviser”	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement for Trade Marks Assignment
“Independent Shareholders”	Shareholders other than Mr. Gan Wee Sean and his associates (including Mr. Gan Fock Wai, Stephen), and any person who is involved or interested in the Agreement for Trade Marks Assignment
“Latest Practicable Date”	24 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at Plaza III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 15 October 2009 at 2:30 p.m. for approving the Agreement for Trade Marks Assignment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Marks”	the trademarks of “白花油” and “白花膏” registered in Malaysia and Singapore under the name of Mr. Gan Wee Sean, details of which are listed out in the paragraph headed “The trade marks to be acquired” under the section headed “Letter from the Board” in this circular
“Trade Marks Licence Agreement”	the trade mark licence agreement dated 28 February 2002 entered into between Mr. Gan Wee Sean and Hoe Hin Pak Fah Yeow, pursuant to which Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2 as listed out in the paragraph headed “The trade marks to be acquired” in this circular
“Transfer Date”	the date of issue of all the notices of assignment by the Malaysia and Singapore Trade Mark Offices acknowledging the assignment of the Trade Marks
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

* *For identification purpose only*

LETTER FROM THE BOARD



PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 239)

Executive Directors:

GAN Wee Sean

(Chairman and acting Chief Executive Officer)

GAN Fock Wai Stephen

Independent non-executive Directors:

LEUNG Man Chiu, Lawrence

WONG Ying Kay, Ada

IP Tin Chee, Arnold

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**Head office and principal place
of business in Hong Kong:**

11th Floor

200 Gloucester Road

Wanchai, Hong Kong

28 September 2009

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ASSIGNMENT OF TRADE MARKS

INTRODUCTION

Reference is made to the announcement of the Company dated 8 September 2009 regarding the Agreement for Trade Marks Assignment.

The purpose of this circular is to provide, among other things, (i) further information in relation to the Agreement for Trade Marks Assignment; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of SGM.

* For identification purpose only

LETTER FROM THE BOARD

THE AGREEMENT FOR TRADE MARKS ASSIGNMENT

Date: 8 September 2009

Parties:

1. Mr. Gan Wee Sean, the controlling shareholder of the Company under the Listing Rules, as assignor; and
2. Hoe Hin Pak Fah Yeow, an indirectly wholly-owned subsidiary of the Company, as assignee

Agreement for Trade Marks Assignment

Pursuant to the Agreement for Trade Marks Assignment, Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow.

The trade marks to be acquired

Details of the trade marks to be acquired under the Agreement for Trade Marks Assignment are as follows:

Item	Trade Mark	Place of registration	Registration Number	Class	Date of Registration	Date of Expiry
(1)	With the logo of “白花油”	Malaysia	M/7275	5	20 March 1951	1 April 2010
(2)	With the logo of “白花油”	Singapore	T4707275D	5	1 April 1947	1 April 2016
(3)	With the logo of “白花膏”	Singapore	T8803065G	5	18 June 1988	18 June 2015

Pursuant to the Trade Mark Licence Agreement and the subsequent renewal agreements, Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2. As at the date of this circular, the Group has never obtained any licence to use the trade mark item no. 3 above from Mr. Gan Wee Sean nor manufactured any products under such trade mark.

The aggregate value of the Trade Marks was approximately HK\$2,450,000. The net profit attributable to the trade marks items no. 1 and 2 for the two years ended 31 December 2008 were HK\$1,216,000 and HK\$566,000 respectively.

Consideration

The consideration for the Agreement for Trade Marks Assignment is HK\$19,600,000, which will be paid by Hoe Hin Pak Fah Yeow in the following manner:

- (1) the first instalment of HK\$280,000 to be payable within ten (10) Business Days after the Transfer Date; and

LETTER FROM THE BOARD

- (2) upon completion of the assignment, thereafter an amount of HK\$280,000 be payable within 20 Business Days after the end of each calendar year commencing in year 2011 until full settlement of the balance of the consideration.

The consideration for the Agreement for Trade Marks Assignment was negotiated between the parties at arm's length and on normal commercial terms, by reference to factors including the historical revenue and profit generated by the Trade Marks, the historical royalties paid under the Trade Mark Licence Agreement and the expected synergy effect and contribution brought by the Trade Marks to the Group.

Conditions precedents

Completion of the assignment is subject to and conditional upon the satisfaction in full of the following conditions:

- (1) the obtaining of the approval from Independent Shareholders at the SGM to be held no later than 31 October 2009; and
- (2) the obtaining of the notice of assignment to be issued by the Malaysia and Singapore Trade Mark Offices respectively acknowledging the assignment of the Trade Marks.

In the event that the conditions set out above have not been satisfied on or before 30 June 2011, the Agreement for Trade Marks Assignment shall automatically become null and void, unless otherwise mutually agreed in writing between the parties, and both parties shall be immediately and completely discharged from all of their obligations to each other under the Agreement for Trade Marks Assignment.

Event of default

In the event that Hoe Hin Pak Fah Yeow fails to pay any of the installments sums (being due and payable) 60 Business Days from the end of the relevant calendar year, the consideration in the aggregate sum of HK\$19,600,000 (less any installments which have already been paid) (the "**Immediately Payable Sum**") shall immediately be due and payable from Hoe Hin Pak Fah Yeow to Mr. Gan Wee Sean.

In the event that Hoe Hin Pak Fah Yeow fails to pay the Immediately Payable Sum:

- (i) Hoe Hin Pak Fah Yeow shall use its reasonable efforts to re-assign the Trade Marks back to Mr. Gan Wee Sean forthwith; and
- (ii) Hoe Hin Pak Fah Yeow shall use its reasonable efforts to procure the assignment of the Applied Trade Marks (to the extent such trade marks have been applied for or registered in Malaysia and Singapore by Hoe Hin Pak Fah Yeow) to Mr. Gan Wee Sean forthwith.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE AGREEMENT FOR TRADE MARKS ASSIGNMENT

Pursuant to the Trade Mark Licence Agreement and the subsequent renewal agreements, Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2 as listed out in the paragraph headed “The trade marks to be acquired” in this circular. The following table shows the licence fees paid by Hoe Hin Pak Fah Yeow to Mr. Gan Wee Sean during the period from 1 January 1999 to 30 June 2009.

For the year ended 31 December	HK\$
1999	193,929
2000	199,474
2001	134,602
2002	181,337
2003	180,629
2004	194,318
2005	185,000
2006	185,000
2007	185,000
2008	233,333
For the six months ended 30 June 2009	116,667

Although trade mark item no.1 is due to be expired soon, the renewal of the trade mark will only involve immaterial renewal expenses and the Company intends to renew it upon expiry. The assignment of these trade marks will save the Group from further payment of licence fee. As at the date of this circular, the Group has never obtained any licence to use trade mark item no. 3 as listed out in the paragraph headed “The trade marks to be acquired” in this circular from Mr. Gan Wee Sean nor manufactured any products under such trade mark. However, the Directors are of the view that it would be beneficial for the Group to have direct control over all trade marks associated with the brand name of “白花油” and “白花膏” by acquiring the Trade Marks. The proposed assignment of the Trade Marks would allow the Company to apply and register other associated trade marks in Malaysia and Singapore (subject to the approval of the respective trade marks offices) and prevent other similar trade marks from being registered by third parties and hence protect the Company’s intellectual property rights in Malaysia and Singapore. Moreover, the assignment would guarantee the use of the Trade Marks by the Company in Malaysia and Singapore and thus the continual sales of the Company’s products (with such Trade Marks imprinted) in the territories concerned.

The Directors (including only the independent non-executive Directors as the two executive Directors, Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen were abstained from voting in the meeting of the Board approving the Agreement for Trade Marks Assignment) consider that the Agreement for Trade Marks Assignment was negotiated on an arm’s length basis and was agreed on normal commercial terms between the parties and that the terms of the Agreement for Trade Marks Assignment are fair and reasonable so far as the Shareholders are concerned and are in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE AGREEMENT FOR TRADE MARKS ASSIGNMENT

Subject to audit, upon completion of the assignment, the intangible assets of the Group are expected to increase by approximately HK\$2.29 million, being the present value of the consideration payable for the Trade Marks, and the amount of cash balance held by the Group is expected to decrease by approximately HK\$280,000, being the amount of the first installment of the consideration payable under the Agreement for Trade Marks Assignment. Subsequent to the completion of the assignment, the Group's bank balance will be reduced by HK\$280,000 for each of the 69 years thereafter, being the annual installment of the consideration payable. The Group will also incur interest expenses during the period from the date of assignment of the Trade Marks to the date of full settlement of the consideration payable, which will be calculated using the effective interest method.

IMPLICATIONS UNDER THE LISTING RULES

The Agreement for Trade Marks Assignment constitutes a discloseable transaction for the Company under the Listing Rules as one or more of the relevant percentage ratios exceeds 5% but is less than 25%. As Mr. Gan Wee Sean is the controlling shareholder of the Company and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, the Agreement for Trade Marks Assignment also constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

Mr. Gan Wee Sean and his Associates (including Mr. Gan Fock Wai, Stephen who is the uncle of Mr. Gan Wee Sean) will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Agreement for Trade Marks Assignment.

The Independent Board Committee comprising Ms. Ada Wong Ying Kay, Mr. Arnold Ip Tin Chee and Mr. Lawrence Leung Man Chiu has been formed to advise the Independent Shareholders on the Agreement for Trade Marks Assignment.

The Company has appointed KBC Bank N.V. as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement for Trade Marks Assignment in accordance with the Listing Rules.

GENERAL

The Group is principally engaged in the business of manufacturing and sales of Hoe Hin brand of products, treasury and property investment.

SGM

Your attention is hereby drawn to pages 22 to 23 of this circular where you will find a notice of SGM to be held at Plaza III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 15 October 2009 at 2:30 p.m. At the SGM, a resolution will be proposed to approve the Agreement for Trade Marks Assignment.

LETTER FROM THE BOARD

A proxy form for use at the SGM is enclosed with this circular. Whether or not you proposed to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instruction printed thereon and return the same to the head office and principal place of business of the Company at 11th Floor, 200 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the SGM or any adjourned meetings thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should they so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the resolution to be considered and, if thought fit, passed at the SGM will be conducted by way of poll.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement for Trade Marks Assignment are of normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Agreement for Trade Marks Assignment at the SGM. The text of the letter from the Independent Board Committee is set out on page 10 of this circular. The text of the letter from the Independent Financial Adviser is set out on pages 11 to 17 of this circular.

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee) consider that the passing of the resolution for the Agreement for Trade Marks Assignment is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend that the Shareholders vote in favour of the resolution set out in the notice of SGM at the end of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board
LO Tai On
Company Secretary



PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 239)

28 September 2009

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ASSIGNMENT OF TRADE MARKS**

We refer to the circular issued by the Company to Shareholders dated 28 September 2009 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Agreement for Trade Marks Assignment are of normal commercial terms and are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

KBC Bank N.V. has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement for Trade Marks Assignment. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 11 to 17 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in this Circular as well as the additional information set out in the appendix to the Circular.

Having considered the terms of the Agreement for Trade Marks Assignment and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Agreement for Trade Marks Assignment are of normal commercial terms and are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the SGM to approve the Agreement for Trade Marks Assignment.

Yours faithfully,
For and on behalf of
Independent Board Committee

LEUNG Man Chiu, Lawrence

WONG Ying Kay, Ada

IP Tin Chee, Arnold

Independent non-executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement for Trade Marks Assignment for inclusion in this circular.



39th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

28 September 2009

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION – ASSIGNMENT OF TRADE MARKS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement for Trade Marks Assignment. Details of which, are set out in the section headed “Letter from the Board” as contained in the circular to the Shareholders dated 28 September 2009 (the “Circular”) of which this letter forms a part. Unless otherwise defined herein, terms used in this letter shall have the same meaning as those defined in the Circular.

On 8 September 2009, Hoe Hin Pak Fah Yeow, an indirect wholly-owned subsidiary of the Company, entered into the Agreement for Trade Marks Assignment with Mr. Gan Wee Sean (“Mr. Gan”), pursuant to which Mr. Gan agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow (the “Trade Marks Assignment”) at a consideration of HK\$19,600,000 (the “Consideration”) which will be settled in equal annual installment of HK\$280,000 for 70 years. By virtue of Mr. Gan being the controlling Shareholder, he is a connected person of the Company and the entering into of the Agreement for Trade Marks Assignment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Agreement for Trade Marks Assignment are more than 5% but less than 25%, the entering into of the Agreement for Trade Marks Assignment constitutes a discloseable transaction and non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Accordingly, Mr. Gan and his associates are required to abstain from voting in the resolution in connection with the Agreement for Trade Marks Assignment and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Leung Man Chiu, Lawrence, Ms. Wong Ying Kay, Ada and Mr. Ip Tin Chee, Arnold have been formed to advise the Independent Shareholders in respect of Trade Marks Assignment and the terms of the Agreement for Trade Marks Assignment. We, KBC N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement for Trade Marks Assignment as to whether (i) the Trade Marks Assignment is in the Group's ordinary and usual course of business and on normal commercial terms; and (ii) the entering into of the Agreement for Trade Marks Assignment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Agreement for Trade Marks Assignment; (iii) the valuation report prepared by Greater China Appraisal Limited (the "Valuer"), an independent valuer appointed by the Company in connection with the valuation (the "Valuation") of the Trade Marks and (iv) the annual reports of the Company covering the three years ended 31 December 2008 (the "Annual Reports"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and management of the Company that having made all due enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. In addition, we have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Trade Marks Assignment to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Trade Marks Assignment and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. Overview of the Group

The Group is a traditional Chinese medicated oil manufacturer with over 80 years of operating history and is principally engaged in the manufacturing and sale of the Hoe Hin brand of products, particularly the renowned “Hoe Hin White Flower Embrocation”, which has been manufactured by the Group since 1920s and used by generations of the Chinese families for pain relief and soothing minor discomfort. In addition, the Group is also engaged in property and treasury investment business. Set out below is a summary of the Group’s financial information for the three years ended 31 December 2008:

	For the year ended 31 December					
	2006		2007		2008	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Turnover						
- Sale of Hoe Hin brand of products	87,532	87.45%	88,281	87.02%	99,301	87.26%
- Rental income – Property Investment	9,129	9.12%	10,095	9.95%	10,249	9.00%
- Interest income – Treasury Investment	3,428	3.43%	3,072	3.03%	4,252	3.74%
- Others	1	–	8	–	–	–
	<u>100,090</u>	<u>100.00%</u>	<u>101,456</u>	<u>100.00%</u>	<u>113,802</u>	<u>100.00%</u>
Profit/(loss) from operations	<u>52,038</u>		<u>49,096</u>		<u>(8,609)</u>	
Net profit/(loss)	<u>42,097</u>		<u>36,006</u>		<u>(18,189)</u>	

Source: The Annual Reports

Sale from the Hoe Hin brand of products has been the Group’s major revenue stream and accounted for over 80% of its total revenue for each of the three years ended 31 December 2008 and the sales network for its “Hoe Hin” brand of products has covered, among others, Hong Kong, the People’s Republic of China (“China”) and a number of major countries in Southeast Asia, including the Republic of Singapore (“Singapore”) and Malaysia.

2. Major terms of the Agreement for Trade Marks Assignment

Completion of the Agreement for Trade Marks Assignment is subject to (i) the obtaining of the approval from the Independent Shareholders at the SGM in respect of the resolution approving the transactions contemplated under the Agreement for Trade Marks Assignment and (ii) the obtaining of the notice of assignment to be issued by Malaysia and Singapore Trade Marks Offices respectively acknowledging the assignment of the Trade Marks.

The Consideration will be paid in equal installments of HK\$280,000 per annum for 70 years with the first installment to be made within 10 Business Days after the Transfer Date and an amount of HK\$280,000 be payable within 20 Business Days after the end of each calendar year commencing from 2011.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that Hoe Hin Pak Fah Yeow fails to pay any of the installment sum within 60 Business Days from the end of the relevant calendar, the consideration of HK\$19.60 million less any installments which have already been paid (or the Immediately Payable Sum) shall immediately become due and payable by Hoe Hin Pak Fah Yeow to Mr. Gan. In addition, if Hoe Hin Pak Fah Yeow fails to pay the Immediately Payable Sum, Hoe Hin Pak Fah Yeow shall use its reasonable efforts to re-assign the Trade Marks back to Mr. Gan and Hoe Hin Pak Fah Yeow shall use its reasonable efforts to procure the assignment of the Applied Trade Marks (to the extent such trade marks have been applied for or registered with the relevant government authority by Hoe Hin Pak Fah Yeow) to Mr. Gan.

3. Reasons for and Benefits of the Trade Marks Assignment

(i) An opportunity for the Group to consolidate its control of its trademarks

The Trade Marks, comprising (i) the logos of 白花油 (White Flower Embrocation) and 白花膏 (White Flower Ointment) which are registered in Singapore and (ii) the logo of White Flower Embrocation which is registered in Malaysia. The Trade Marks are owned by Mr. Gan, who has previously entered into a number of trademark licensing agreements with the Group as the licensor, granting the Group the license to use the trade marks “White Flower Embrocation” in Singapore and Malaysia (or referred to as trade marks item number 1 and item number 2 in the paragraph headed “The trade marks to be acquired” in the section headed “Letter from the Board” of the Circular). Pursuant to the aforesaid trademark licensing agreements, the Group would normally pay Mr. Gan an annual royalty payment equivalent to (i) 10% of the net sales (invoiced sales less any returns and discount) for the products sold under the relevant trademark of “White Flower Embrocation” in Singapore and Malaysia for a 10-year period commencing from 1 January 1992; (ii) the lesser of 10% of the net sales derived from the sale of the relevant products in Singapore and Malaysia or HK\$0.99 million for the 4-year period commencing from 1 January 2002; and (iii) HK\$185,000 for the two years ended 31 December 2007 and HK\$350,000 for the 18-month period commencing from 1 January 2008. According to the management of the Company, the said trademark licensing agreements have been renewed on an annual basis with Mr. Gan.

The Group has years of experience in managing and promoting the products sold under the “Hoe Hin” brand (particularly, those with the “White Flower” logos and trademarks) and has registered most of its trademarks in Hong Kong, China, Southeast Asia (except Singapore and Malaysia) and other major countries. It has been the Group’s policy to own trademarks in the various locations covered by its sales network such that the Group could maximize the protection of the intellectual property rights for its products. Under the circumstances, we concur with the management of the Company that the Trade Marks Assignment will not only (i) provide an opportunity for the Group to further consolidate its control over the various trademarks under the “Hoe Hin” brand and apply and register other associated trademarks in Singapore and Malaysia to strengthen the protection of the Group’s intellectual property rights for the sales of the relevant products in Singapore and Malaysia against any potential infringement from other third parties; and (ii) guarantee the use of the Trade Marks by the Group in Singapore and Malaysia on a continual basis, but also, more importantly, (iii) will avoid any potential transfer of the Trade Marks, one of the most precious assets of the Group, to any other third parties, particularly those that may

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compete with the Group's business, which will be highly disadvantageous to the future business development of the Group. Accordingly, by obtaining all the rights, titles and interests in the Trade Marks under the Agreement for Trade Marks Assignment, the Group will be able to fully secure all the future economic benefits from its products sold under the Trade Marks in Singapore and Malaysia, which is in the interests of the Company and the Shareholders as a whole.

(ii) Payment terms of the Agreement for Trade Marks Assignment

According to the Annual Reports, the Group had cash and cash equivalents (including pledged bank deposits) of approximately HK\$48.28 million as at 31 December 2008 and, therefore, the Consideration represents approximately 40.60% of the Group's cash balance. Given that the settlement of the Consideration will be made in equal annual installments of HK\$280,000 over 70 years and the Group has been able to generate substantial cash inflow from its operating activities, the Group will be able to retain sufficient working capital for its future business development.

Based on the above, we are of the view that the Trade Marks Assignment is in the ordinary and usual course of business and is in the interest of the Company and the Shareholders as a whole.

4. Valuation of the Trade Marks and the Consideration

As stated in the section headed "Letter from the Board" in the Circular, the Consideration was negotiated between the Group and Mr. Gan at arm's length and on normal commercial terms, with reference to factors including the historical revenue and profit generated by the Trade Marks, the historical royalties paid under the Trade Mark Licence Agreement and the expected synergy effect and contribution brought by the Trade Marks to the Group. In order to assess the fairness and reasonableness of the Consideration, the Company has appointed the Valuer to evaluate the fair market value of the Trade Marks as at 31 March 2009, which, as disclosed in the Circular, amounted to approximately HK\$2.45 million. We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology of, and bases and assumptions applied in arriving at the Valuation and noted that the Valuer has adopted a variant of the income approach, namely the "relief from royalty" method (being one of the common methods in valuing intangible assets such as the Trade Marks as represented by the Valuer), which involves, among other things, discounting the future royalties income of the Trade Marks by estimating (i) the future revenue that can be brought by the Trade Marks and (ii) the fair royalties rates, being the percentage of revenue that a third party will pay as royalty fees for the sales of products with intellectual property rights similar to that of the Trade Marks. Furthermore, in assessing the fair market value of the Trade Marks, the Valuer has also discussed with the management of the Company regarding the financial results and operating history of the Group, particularly the subsidiaries that are engaged in the sale and marketing of the Group's products in Singapore and Malaysia, and has taken into account a number of factors including (i) the general economic outlook and specific economic and competitive conditions of the relevant markets in Singapore and Malaysia which may affect the Group's business; (ii) the nature and prospects of the pharmaceutical and personal health care industry in Singapore and Malaysia; (iii) the stage of the Group's development in these countries; and (iv) business risks of the Group in relation to its operations in Singapore and Malaysia. We consider that the said methodology is a reasonable approach in establishing the Valuation.

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In addition to the above, we have also reviewed a letter issued by the Valuer indicating that the Consideration essentially represents the Group's cost of investment in obtaining the Trade Marks, and the present value of which, calculated by discounting the payments under the terms of the Consideration, amounts to approximately HK\$2.29 million as disclosed in the section headed "Letter from the Board" of the circular. Given that the said present value represents a discount of approximately 7% to the Valuation, we are of the view that the Consideration is fair and reasonable.

5. Financial impact of the Agreement for Trade Marks Assignment

(i) *Earnings and net asset value*

After completion of the Trade Marks Assignment, the Trade Marks will be recognized as intangible assets of the Group in the amount equivalent to the present value of the payments under the terms of the Consideration and amortization expense in relation to the Trade Marks may be charged to Group's consolidated statements of operations. Whilst at the same time, the same amount, being the amortised costs of the Consideration payable, will be recorded as long term liabilities of the Group, and the Group's cash balance will be reduced by each of the subsequent annual payments of HK\$280,000. The Group's long term liabilities will, however be reduced by the said annual installment less interest expenses to be calculated using the effective interest method.

(ii) *Liquidity and working capital*

The Group had net debt of approximately HK\$59.57 million (being the interest-bearing bank loans of approximately HK\$107.85 million less the cash and cash equivalents of approximately HK\$48.28 million) and total equity amounted to approximately HK\$209.95 million as at 31 December 2008, representing a gearing ratio of approximately 28.37% (expressed as a percentage of net debt over total equity). Having considered that the Consideration will be payable by equal installment of HK\$280,000 per annum for 70 years and the Group has been able to generate cash inflow over the past years (net cash inflow generated from operating activities for each of the two years ended 31 December 2008 amounted to approximately HK\$23.41 million and HK\$38.80 million, respectively), the annual payment of the Consideration is not expected to cause any material adverse impact on the liquidity position of the Group.

DISCUSSION AND ANALYSIS

The Group's embrocation and ointment sold under the trademarks "Hoe Hin White Flower Embrocation" and "Hoe Hin White Flower Ointment" are among the most well-known brands/trademarks in the Chinese medicine industry and is widely recognised by the general households in Hong Kong, China and the Chinese communities in a number of major countries, including those in the Southeast Asia. As such, any uncertainty as to the current and future ownership and/or use of the relevant trademarks and the associated logos of "Hoe Hin White Flower Embrocation" and "Hoe Hin White Flower Ointment" is undesirable. Although the management of the Company has never received any indication from Mr. Gan as to any potential discontinuance of granting the Group the license to use the trade marks item no. 1 and no. 2 as listed out in the paragraph "The trade marks to be acquired" under the section headed "Letter from the Board" of the Circular as he has been doing for a number years, the Trade Marks Assignment will nevertheless reduce substantial administrative cost and time of the Group for matters such as negotiating

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on the annual royalty fee with and the entering into of the relevant license agreements with Mr. Gan, as well as the regular monitoring of the transactions between the Group and Mr. Gan for strict compliance with the relevant Listing Rules and accounting standards. In addition, upon completion of the Agreement for Trade Marks Assignment, the Group will be able to consolidate the control of its trademarks under the “Hoe Hin” brands and will thus enhance the protection on the Company’s intellectual property rights of the Trade Marks in Malaysia and Singapore (such as any prompt corporate and/or legal actions to protect any similar trademarks being registered by other parties) through the Group’s substantial experience and expertise in managing the “Hoe Hin” brand of products. All of these, together with the facts that (i) the extended payment term of 70 years will not impose significant pressure on the Group’s working capital for current and future business development; (ii) the present value of the payments under the terms of the Consideration represents a discount of approximately 7% to the Valuation and (iii) the potential benefits in the consolidation of the Group’s control over its trademarks under the “Hoe Hin” brand, we are of the view that the terms of the Agreement for Trade Marks Assignment are fair and reasonable and the Trade Marks Assignment is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Agreement for Trade Marks Assignment are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and that the entering into of the Agreement for Trade Marks Assignment is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement for Trade Marks Assignment.

Yours faithfully,

For and on behalf of

KBC Bank N.V. Hong Kong Branch

Kenneth Chan

Head of Corporate Finance

Gaston Lam

Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions held by the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Company ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company:

Name of Director	Number of shares held			Total	Percentage
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	22,673,600	1,983,800 <i>(Note 1)</i>	54,436,200 <i>(Note 2)</i>	79,093,600	30.5%
Mr. Gan Fock Wai, Stephen	8,252,400	–	52,106,600 <i>(Note 3)</i>	60,359,000	23.2%

(b) Long positions in non-voting deferred shares of associated corporations of the Company:

(1) *Hoe Hin Pak Fah Yeow Manufactory, Limited*

Name of Director	Number of shares held			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%

(2) *Pak Fah Yeow Investment (Hong Kong) Company, Limited*

Name of Director	Personal interests	Family interests	Corporate interests	Total	Percentage
Mr. Gan Wee Sean	8,244,445	711,111 <i>(Note 1)</i>	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.
2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,093,600 shares in aggregate represented approximately 30.5 percent of the issued share capital of the Company.
3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32 percent. The total number of 60,359,000 shares in aggregate represented approximately 23.2 percent of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement, which was significant in relation to the business of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT'S QUALIFICATION AND CONSENT

- (i) The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
KBC Bank N.V. Hong Kong Branch	acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (ii) As at the Latest Practicable Date, the Independent Financial Advisor did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (iii) As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Company were made up.
- (iv) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (v) The letter and recommendation given by the Independent Financial Adviser was given as of the date of this circular for incorporation therein.

10. MISCELLANEOUS

- (i) The secretary of the Company is Mr. Lo Tai On who is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in the company secretarial field.
- (ii) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (iii) The head office and principal place of business of the Company is located at 11th Floor, 200 Gloucester Road, Wanchai, Hong Kong.
- (iv) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENT FOR INSPECTION

Copy of the Agreement for Trade Marks Assignment will be made available for inspection during normal business hours at the head office and principal place of business of the Company at 11th Floor, 200 Gloucester Road, Wanchai, Hong Kong from the date of the circular up to and including the date of the SGM.

NOTICE OF SGM



PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 239)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of the shareholders of Pak Fah Yeow International Limited (the “**Company**”) will be held at Plaza III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 15 October 2009 at 2:30 p.m. for the purposes of considering and, if thought fit, passing the following resolution (with or without modifications), as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the agreement for trade marks assignment (the “**Agreement for Trade Marks Assignment**”) dated 8 September 2009 entered into between Mr. Gan Wee Sean as assignor and Hoe Hin Pak Fah Yeow Manufactory, Limited as assignee, pursuant to which Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to certain trade marks (details of which are listed out in the schedule attached to the Agreement for Trade Marks Assignment) at a consideration of HK\$19,600,000 (a copy of which is marked “A” and tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated under it and all other incidental transactions be and are hereby approved, ratified and confirmed.”

By Order of the Board

LO Tai On

Company Secretary

Hong Kong, 28 September 2009

Head office and principal place of business:

11th Floor
200 Gloucester Road
Wanchai
Hong Kong

* For identification purpose only

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the head office and principal place of business of the Company at 11th Floor, 200 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the board of directors of the Company comprises: (i) two executive directors namely Mr. GAN Wee Sean (Chairman and acting Chief Executive Officer) and Mr. GAN Fock Wai, Stephen; and (ii) three independent non-executive directors namely Ms. Ada WONG Ying Kay, Mr. Arnold IP Tin Chee and Mr. Lawrence LEUNG Man Chiu.