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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)

**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 30 JUNE 2023**

**HIGHLIGHTS**

- Revenue up 124.9% year-on-year.
- Underlying recurring profit, the performance indicator of the Group, up 659.0% year-on-year, reflecting a momentous increase in sales revenue of Healthcare business.
- Reported profit was recorded for the first half of 2023 as compared to reported loss for the same period in 2022.
- The sales momentum is expected to remain in China market for the remainder of the year.

The board of directors (the “Board”) of Pak Fah Yeow International Limited (the “Company”) announces the interim results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2023 together with comparative figures for the previous year as follows:

## RESULTS SUMMARY

	<i>Notes</i>	<b>Six months ended 30 June</b>		<b>Change</b>
		<b>2023</b>	<b>2022</b>	
		<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>	
Revenue	<i>1</i>	<b>126,414</b>	56,202	+124.9%
Reported profit (loss)	<i>2</i>	<b>55,993</b>	(2,207)	n/m
Underlying recurring profit	<i>3</i>	<b>59,054</b>	7,779	+659.0%
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>	
Earnings (Loss) per share:	<i>4</i>			
Reported profit (loss)		<b>18.0</b>	(0.7)	n/m
Underlying recurring profit		<b>18.9</b>	2.5	+656.0%
Total dividends per share	<i>4</i>	<b>8.5</b>	2.3	+269.6%
		<b>At</b>	<b>At</b>	
		<b>30 June</b>	<b>31 December</b>	
		<b>2023</b>	<b>2022</b>	
		<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>	
Shareholders’ funds	<i>5</i>	<b>757,933</b>	707,225	+7.2%
		<b><i>HK\$</i></b>	<b><i>HK\$</i></b>	
Net assets value per share	<i>6</i>	<b>2.43</b>	2.27	+7.0%

n/m: not meaningful

- Notes:*
1. Revenue represents revenue derived from the three business segments, namely healthcare (“Healthcare”), property investments (“Property Investments”) and treasury investments (“Treasury Investments”).
  2. Reported profit (loss) (“Reported Profit (Loss)”) is the profit or loss attributable to owners of the Company, which is prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.
  3. Underlying recurring profit (“Underlying Recurring Profit”) reflects the Group’s performance of the three business segments and is arrived at by excluding from Reported Profit (Loss) the unrealised fair value changes of financial assets at fair value through profit or loss and of investment properties.
  4. The basic and diluted earnings or loss per share and the total dividends per share are calculated using the weighted average numbers of ordinary shares in issue during the period.
  5. Shareholders’ funds are the equity attributable to owners of the Company, which is equivalent to the total equity as presented in the Company’s consolidated statement of financial position.
  6. Net assets value per share represents shareholders’ funds divided by the number of ordinary shares of the Company in issue as at the end of the reporting period.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Six months ended 30 June 2023*

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>126,414</b>	56,202
Other revenue	3	<b>60</b>	72
Other net income	4	<b>136</b>	706
Changes in inventories of finished goods		<b>(4,904)</b>	3,509
Raw materials and consumables used		<b>(18,923)</b>	(12,765)
Staff costs		<b>(18,746)</b>	(17,158)
Depreciation expenses		<b>(3,728)</b>	(3,758)
Net exchange gain (loss)		<b>1,898</b>	(2,467)
Other operating expenses		<b>(10,849)</b>	(13,166)
		<hr/>	<hr/>
<b>Profit from operations before fair value changes of financial assets through profit or loss and of investment properties</b>		<b>71,358</b>	11,175
Net gain (loss) on changes in fair value of financial assets at fair value through profit or loss		<b>532</b>	(2,885)
Revaluation deficit in respect of investment properties		<b>(3,593)</b>	(7,101)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>68,297</b>	1,189
Finance costs	5	<b>(434)</b>	(457)
		<hr/>	<hr/>
<b>Profit before taxation</b>	5	<b>67,863</b>	732
Taxation	6	<b>(11,870)</b>	(2,939)
		<hr/>	<hr/>
<b>Profit (Loss) for the period, attributable to owners of the Company</b>		<b>55,993</b>	(2,207)
		<hr/>	<hr/>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(unaudited)</b>	(unaudited)
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Exchange difference arising from translation of financial statements of overseas subsidiaries	<b>3,150</b>	(7,379)
	Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments	<b>(107)</b>	283
<i>Item that will not be reclassified to profit or loss:</i>			
	Revaluation surplus (deficit) of leasehold land and buildings, net of tax effect of HK\$2,542,000 (2022: HK\$616,000)	<b>12,863</b>	(3,115)
<b>Other comprehensive income (loss) for the period, net of tax, attributable to owners of the Company</b>		<b>15,906</b>	(10,211)
<b>Total comprehensive income (loss) for the period, attributable to owners of the Company</b>		<b>71,899</b>	(12,418)
<b>Earnings (Loss) per share</b>			
	Basic and diluted	<b>18.0 cents</b>	(0.7 cent)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At <b>30 June 2023</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 December 2022 <b>(audited)</b> <i>HK\$'000</i>
<i>Notes</i>			
<b>Non-current assets</b>			
Investment properties		<b>266,440</b>	264,937
Property, plant and equipment		<b>348,530</b>	336,223
Intangible assets		<b>2,450</b>	2,450
Financial assets at fair value through profit or loss		<b>4,898</b>	4,960
Deferred tax assets		<b>921</b>	883
		<b>623,239</b>	609,453
<b>Current assets</b>			
Inventories		<b>12,742</b>	15,826
Trade and other receivables	9	<b>36,601</b>	17,517
Financial assets at fair value through profit or loss		<b>11,516</b>	10,899
Bank balances and cash		<b>229,463</b>	169,441
		<b>290,322</b>	213,683
<b>Current liabilities</b>			
Bank borrowings, secured		<b>5,488</b>	5,496
Current portion of deferred income		<b>264</b>	268
Trade and other payables	10	<b>14,501</b>	12,231
Tax payables		<b>12,914</b>	927
Dividends payable		<b>21,986</b>	817
		<b>55,153</b>	19,739
<b>Net current assets</b>		<b>235,169</b>	193,944
<b>Total assets less current liabilities</b>		<b>858,408</b>	803,397

		At 30 June 2023 (unaudited) <i>HK\$'000</i>	At 31 December 2022 (audited) <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		38,402	36,773
Provision for directors' retirement benefits		5,582	5,350
Deferred tax liabilities		<u>54,418</u>	<u>51,976</u>
		<u>100,475</u>	<u>96,172</u>
<b>NET ASSETS</b>		<u><u>757,933</u></u>	<u><u>707,225</u></u>
<b>Capital and reserves</b>			
Share capital	<i>11</i>	15,582	15,582
Share premium and reserves		<u>742,351</u>	<u>691,643</u>
<b>TOTAL EQUITY</b>		<u><u>757,933</u></u>	<u><u>707,225</u></u>

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared under the historical cost convention except for investment properties, leasehold land and buildings and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2022 Annual Financial Statements, except for the adoption of the following new/revised HKFRSs that are effective for the Group's financial year beginning on 1 January 2023.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these amendments to HKFRSs does not have any significant impacts on the condensed consolidated interim financial statements of the Group.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2023. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

## 2. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker – the executive directors for making strategic decisions and resources allocation. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group is currently organised into three operating businesses as follows:

- (a) Healthcare – manufacture and sale of Hoe Hin products
- (b) Property investments
- (c) Treasury investments

Each of the Group's operating segments represents a strategic business unit subject to risks and returns that are different from those of the other operating segments.



For the purposes of assessing the performance of each operating segment, the executive directors assess segment profit or loss before income tax without allocation of finance costs, directors' emoluments, office staff salaries, legal and professional fees and central administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than deferred tax assets, tax recoverable and other corporate assets. All liabilities are allocated to reportable segments other than deferred tax liabilities, provision for directors' retirement benefits, tax payable, dividends payable and other corporate liabilities.

### Business segments

	Six months ended 30 June 2023			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
Revenue from external customers	<u>120,942</u>	<u>4,334</u>	<u>1,138</u>	<u>126,414</u>
Segment results	<u>73,666</u>	<u>(180)</u>	<u>2,750</u>	<u>76,236</u>
Unallocated corporate expenses				<u>(7,939)</u>
<b>Profit from operations</b>				<b>68,297</b>
Finance costs				<u>(434)</u>
<b>Profit before taxation</b>				<b>67,863</b>
Taxation				<u>(11,870)</u>
<b>Profit for the period</b>				<b><u>55,993</u></b>
	Six months ended 30 June 2022			
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue from external customers	<u>53,055</u>	<u>3,118</u>	<u>29</u>	<u>56,202</u>
Segment results	<u>18,571</u>	<u>(5,172)</u>	<u>(4,110)</u>	<u>9,289</u>
Unallocated corporate expenses				<u>(8,100)</u>
<b>Profit from operations</b>				<b>1,189</b>
Finance costs				<u>(457)</u>
<b>Profit before taxation</b>				<b>732</b>
Taxation				<u>(2,939)</u>
<b>Loss for the period</b>				<b><u>(2,207)</u></b>

### Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 June 2023 and 31 December 2022:

	At 30 June 2023			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
<b>Assets</b>				
Segment assets	574,014	269,813	67,972	911,799
Unallocated corporate assets				1,762
Consolidated total assets				<u>913,561</u>
<b>Liabilities</b>				
Segment liabilities	13,571	45,217	–	58,788
Unallocated corporate liabilities				96,840
Consolidated total liabilities				<u>155,628</u>
	At 31 December 2022			Consolidated (audited) HK\$'000
	Healthcare (audited) HK\$'000	Property investments (audited) HK\$'000	Treasury investments (audited) HK\$'000	
<b>Assets</b>				
Segment assets	489,699	266,337	65,722	821,758
Unallocated corporate assets				1,378
Consolidated total assets				<u>823,136</u>
<b>Liabilities</b>				
Segment liabilities	11,199	44,117	–	55,316
Unallocated corporate liabilities				60,595
Consolidated total liabilities				<u>115,911</u>

## Geographical information

	Revenue from external customers		Results from operations	
	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
China (including Hong Kong and Macau)	<b>101,394</b>	37,512	<b>64,835</b>	8,328
Southeast Asia	<b>20,584</b>	12,409	<b>12,691</b>	4,966
North America	<b>1,882</b>	4,623	<b>929</b>	1,485
United Kingdom	<b>2,341</b>	1,208	<b>(3,376)</b>	(3,561)
Europe (excluding United Kingdom)	–	–	<b>537</b>	(2,331)
Other regions	<b>213</b>	450	<b>120</b>	(103)
Unallocated corporate expenses	–	–	<b>(7,439)</b>	(7,595)
	<b>126,414</b>	56,202	<b>68,297</b>	1,189

### 3. OTHER REVENUE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	<b>57</b>	47
Gain on disposal of financial assets at fair value through profit or loss	<b>3</b>	25
	<b>60</b>	72

**4. OTHER NET INCOME**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sundry income	<b>136</b>	<b>706</b>

**5. PROFIT BEFORE TAXATION**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>

**This is stated after charging:**

**(a) Finance costs**

Interest on bank borrowings	<b>154</b>	177
Interest on consideration payable for acquisition of trademarks	<b>280</b>	280
	<b>434</b>	457

**(b) Other items**

Cost of inventories	<b>35,159</b>	19,969
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## 6. TAXATION

Under the two-tiered profits tax rates regime introduced in 2018, the first HK\$2 million of profits of a qualifying group entity are taxed at 8.25% and profits above HK\$2 million are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates continue to be taxed at a flat rate of 16.5%.

Overseas taxation has been provided on the estimated assessable profits for the period, in respect of the Group's overseas operations, at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	Six months ended 30 June	
	2023 (unaudited) <i>HK\$'000</i>	2022 (unaudited) <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax		
– Current period	11,637	2,942
Overseas tax	371	117
	<u>12,008</u>	<u>3,059</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(138)	(120)
	<u>11,870</u>	<u>2,939</u>

## 7. DIVIDENDS

### Dividends attributable to the previous financial year, approved during the period

At the board meeting held on 30 March 2023, the directors proposed for the year ended 31 December 2022 a final dividend of HK3.8 cents per share totalling HK\$11,842,000 (*year ended 31 December 2021: HK3.8 cents per share totalling HK\$11,842,000*) and a special dividend of HK3 cents per share totalling HK\$9,349,000 (*year ended 31 December 2021: HK1.8 cents per share totalling HK\$5,610,000*). Upon the approval by shareholders at the annual general meeting held on 7 June 2023, the appropriation of the said dividends was transferred to dividends payable.

### Dividends attributable for the period

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Interim dividend of HK3.0 cents (2022: HK2.3 cents) per share	9,349	7,168
Special interim dividend of HK5.5 cents (2022: Nil) per share	17,140	–
	<u>26,489</u>	<u>7,168</u>

On 30 August 2023, the directors declared for the six months ended 30 June 2023 an interim dividend of HK3.0 cents per share (2022: HK2.3 cents per share) and a special interim dividend of HK5.5 cents per share (2022: Nil) totalling HK\$26,489,000 (2022: HK\$7,168,000 declared on 31 August 2022), which will be payable to the shareholders whose names appear on the register of members of the Company on 6 October 2023.

## 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the profit attributable to owners of the Company for the period of HK\$55,993,000 (2022: loss of HK\$2,207,000) and the weighted average number of 311,640,000 (2022: 311,640,000) ordinary shares in issue during the period.

Diluted earnings (loss) per share equals to basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2022 and 2023.

## 9. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Trade receivables	16,137	5,930
Bills receivable	13,830	7,541
Other receivables		
Deposits, prepayments and other debtors	<u>6,634</u>	<u>4,046</u>
	<u><b>36,601</b></u>	<u><b>17,517</b></u>

The Group allows credit period ranging from 30 days to 120 days (2022: 30 days to 120 days) to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Within 30 days	16,110	3,058
31 – 60 days	2	716
61 – 90 days	–	960
91 – 120 days	<u>25</u>	<u>1,196</u>
	<u><b>16,137</b></u>	<u><b>5,930</b></u>

## 10. TRADE AND OTHER PAYABLES

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
<b>Trade payables</b>	<u>715</u>	<u>918</u>
<b>Other payables</b>		
Accrued charges and other creditors	4,451	4,496
Accrued advertising and promotion expenses	9,335	6,648
Accrued rebates and discounts	<u>–</u>	<u>169</u>
	<u>13,786</u>	<u>11,313</u>
	<u><u>14,501</u></u>	<u><u>12,231</u></u>

The ageing analysis of trade payables by invoice date is as follows:

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Within 30 days	698	901
31 – 60 days	–	–
61 – 90 days	–	–
More than 90 days	<u>17</u>	<u>17</u>
	<u><u>715</u></u>	<u><u>918</u></u>



## 11. SHARE CAPITAL

	At 30 June 2023 (unaudited)		At 31 December 2022 (audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At beginning and end of the reporting period				
– Ordinary share of HK\$0.05 each	<u>600,000,000</u>	<u>30,000</u>	<u>600,000,000</u>	<u>30,000</u>
Issued and fully paid:				
At beginning and end of the reporting period	<u>311,640,000</u>	<u>15,582</u>	<u>311,640,000</u>	<u>15,582</u>

## 12. PLEDGE OF ASSETS

The Group's investment properties were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$60,152,000 (31 December 2022: HK\$60,252,000), of which HK\$5,488,000 (31 December 2022: HK\$5,496,000) were utilised at the end of the reporting period.

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

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Investment properties	<u>109,779</u>	<u>109,976</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Results Overview

During the first half of 2023, the global economic recovery was still clouded with uncertainty amid ongoing geopolitical tensions and the Russia-Ukraine war. The external environment was still rife with challenges including high level of inflation, interest rates and energy prices. Despite uncertainty persisted over economic recovery, the overall economy in Hong Kong improved with some positive indications. Unemployment rate fell and the number of visitors arrival increased following the complete opening of the borders in Hong Kong, Macau and Mainland China. Demand had become high for Hong Kong brand consumer goods.

The Group recorded total revenue of HK\$126,414,000 for the six months ended 30 June 2023, a significant increase of 124.9% from HK\$56,202,000 for the corresponding period in 2022. Revenue of each business segment is as follows:

	Six months ended 30 June		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Healthcare	<b>120,942</b>	53,055	+128.0
Property Investments	<b>4,334</b>	3,118	+39.0
Treasury Investments	<b>1,138</b>	29	+3,824.1
	<b><u>126,414</u></b>	<b><u>56,202</u></b>	+124.9

Underlying Recurring Profit, which excludes from Reported Profit (Loss) the unrealised fair value changes of financial assets and of investment properties, was HK\$59,094,000, up 659.0% from HK\$7,779,000 year-on-year. This mainly reflected a momentous increase in sales revenue of Healthcare business following the lifting of restriction measures and the complete opening of the borders in Hong Kong, Macau and Mainland China. Earnings per share of Underlying Recurring Profit was HK18.9 cents as compared to HK2.5 cents for 2022.

Reported Profit (Loss) for the six months ended 30 June 2023 was a profit of HK\$55,993,000 (2022: a loss of HK\$2,207,000), primarily due to, amongst others mentioned above, a reduction of unrealised fair value loss on the Group's investment properties to HK\$3,593,000 from HK\$7,101,000 in 2022. Earnings per share of Reported Profit (Loss) was HK18.0 cents as compared to loss per share of HK0.7 cent for 2022.

Below is the reconciliation between Underlying Recurring Profit and Reported Profit (Loss):

	<b>Six months ended 30 June</b>		Change %
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>	
<b>Underlying Recurring Profit</b>	<b>59,054</b>	7,779	+659.0
Unrealised fair value changes of:			
Financial assets	<b>532</b>	(2,885)	
Investment properties:			
United Kingdom	<b>(5,293)</b>	(4,101)	
Hong Kong and Singapore	<b>1,700</b>	(3,000)	
<b>Reported Profit (Loss)</b>	<b><u>55,993</u></b>	<b><u>(2,207)</u></b>	n/m

n/m: not meaningful

The revaluation of other properties, which is accounted for as other comprehensive income (loss), has resulted in a net revaluation gain for the period of HK\$12,863,000 (2022: loss of HK\$3,115,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2023 was approximately HK\$71,899,000 (2022: loss of HK\$12,418,000).

## OPERATIONS REVIEW

### Healthcare

Revenue from Healthcare segment markedly increased by 128.0% to HK\$120,942,000 (2022: HK\$53,055,000). Segment profit increased by 296.7% to HK\$73,666,000 (2022: HK\$18,571,000). Revenue of each geographical segment is as follows:

	Six months ended 30 June		Change %
	2023 HK\$'000	2022 HK\$'000	
China	98,560	35,685	+176.2
Southeast Asia	20,287	12,297	+65.0
North America	1,882	4,623	-59.3
Others	213	450	-52.7
<b>Segment revenue</b>	<b>120,942</b>	<b>53,055</b>	<b>+128.0</b>
<b>Segment result – profit</b>	<b>73,666</b>	<b>18,571</b>	<b>+296.7</b>

China market showed an increase in sales volume of 176.2% mainly due to the re-opening of cross-border tourism and trade in January 2023 after years of closure. This had particularly boosted the sales within Hong Kong and Macau as consumer sentiment improved. With the cross-border re-opening in effect, online and offline advertising in Mainland China was enhanced to further increase customer brand recall to capture their buying desire of Hoe Hin products.

Sales turnover in Southeast Asia saw strong growth in the first six months of 2023 compared to the corresponding period in 2022. This was mainly attributed to the increased sales volume in the Philippines due to strong advertising and promotion efforts through usage of a celebrity brand ambassador on social media platforms, concert sponsorships and outdoor advertising in this market. Singapore market had also performed well since the appointment of the new distributor in 2022 as they maintained sales in the established retail channels while also looked for new opportunities in the territory.

Sales in North America saw a drop in comparison as the distributor there was consistently maintaining a healthy inventory level in its warehouse.

## Property Investments

Revenue for this segment increased by 39.0% to HK\$4,334,000 (2022: HK\$3,118,000). This change mainly represents increased rental income in the United Kingdom as all retail units had been fully let since October 2022. Such increase was partly offset by the decrease in average exchange rate in translating Pound Sterling to Hong Kong Dollar (i.e. the reporting currency). Revenue of each geographical segment is as follows:

	Six months ended 30 June		Change %
	2023 HK\$'000	2022 HK\$'000	
Hong Kong – office and residential	1,883	1,810	+4.0
Singapore – industrial	159	111	+43.2
United Kingdom – retail/residential	2,292	1,197	+91.5
<b>Segment revenue</b>	<b>4,334</b>	<b>3,118</b>	<b>+39.0</b>
<b>Segment result – loss</b>	<b>(180)</b>	<b>(5,172)</b>	<b>-96.5</b>

For the six months ended 30 June 2023, segment revenue of about 43.4%, 3.7% and 52.9% (2022: 58.0%, 3.6% and 38.4%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively, and their occupancy rates were 100.0%, 100.0% and 100.0% (2022: 100.0%, 100.0% and 68.8%) respectively.

Underlying Recurring Segment Result, which excludes from the segment result the unrealised fair value changes of financial assets and of investment properties, was a profit of HK\$3,413,000, up 76.9% from HK\$1,929,000 in 2022. Property expenses ratio as a percentage of segment revenue decreased to 21.3% (2022: 38.1%) for the period. The improved Underlying Recurring Segment Result and property expenses ratio reflected higher occupancy rate and rental income. One-off property expenses such as building renovation and maintenance work and related costs incurred in 2022 also caused an impact of such improvement.

Segment result for the six months ended 30 June 2023 was a loss of HK\$180,000 (2022: HK\$5,172,000), principally reflecting a reduction of unrealised fair value loss of investment properties as compared to the same period in 2022.

Below is the reconciliation between Underlying Recurring Segment Result and the segment result:

	<b>Six months ended 30 June</b>		<b>Change %</b>
	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>	
<b>Underlying Recurring Segment Result</b>	<b>3,413</b>	1,929	+76.9
Unrealised fair value changes of investment properties:			
United Kingdom	(5,293)	(4,101)	
Hong Kong and Singapore	<u>1,700</u>	<u>(3,000)</u>	
<b>Segment result – loss</b>	<b><u>(180)</u></b>	<b><u>(5,172)</u></b>	-96.5

### **Treasury Investments**

Other than placing deposits in renowned banks, the Group also invested in equity and debt securities and mutual funds for higher yields.

Revenue (mainly interest income) derived from this segment increased by 3,824.1% to HK\$1,138,000 (2022: HK\$29,000). Underlying Recurring Segment Result was a profit of HK\$2,218,000 (2022: loss of HK\$1,225,000). Such change mainly reflected more interest income earned from higher yield fixed deposits as well as stronger exchange rates of the underlying assets denominated in foreign currencies during the period.

The segment result improved to a profit of HK\$2,750,000 (2022: loss of HK\$4,110,000), mainly attributable to, amongst others as mentioned above, unrealised fair value gain on listed investments as opposed to a loss in 2022.

Below is the reconciliation between Underlying Recurring Segment Result and the segment result:

	<b>Six months ended 30 June</b>		Change %
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>	
<b>Underlying Recurring Segment Result</b>	<b>2,218</b>	(1,225)	n/m
Unrealised fair value changes of financial assets	<u>532</u>	<u>(2,885)</u>	
<b>Segment result – profit (loss)</b>	<u><b>2,750</b></u>	<u>(4,110)</u>	n/m

n/m: not meaningful

## FINANCIAL REVIEW

The results overview and operations review in the preceding sections also cover the financial review of the Group's three business segments. This section discusses other significant financial items.

### Staff Costs

Staff costs are categorised into production (production-related payroll costs) and administration (other payroll costs, including management and head office staff), which increased by 9.3% from HK\$17,158,000 to HK\$18,746,000. This mainly reflected the effect of staff annual salary increment and of increased provision for management bonus of executive directors and senior management which was in line with improved financial results as compared to the same period in 2022.

### Other Operating Expenses

Other operating expenses fell by 17.6% to HK\$10,849,000 (2022: HK\$13,166,000), mainly attributable to overall decrease in advertising and promotional expenses for the period and the non-recurring one-off property expenses incurred in 2022 as mentioned in Property Investments section above. Other operating expenses ratio as a percentage of total revenue decreased to 8.6% (2022: 23.4%) for the period. This reflected low proportional expenses as compared with the significant increase in sales turnover from Healthcare business during the period.

## Finance Costs

Finance costs decreased by 5.0% to HK\$434,000 (2022: HK\$457,000), mainly due to lower bank loan balance throughout the first half of 2023 as compared to the same period in 2022, despite the hike in interest rate for the underlying loan during the period. Interest coverage ratio (profit from operations before interest and taxes and before unrealised fair value changes of financial assets and of investment properties divided by finance costs) improved to 164.4 (2022: 24.5) for the period.

## Taxation

Increase in taxation from HK\$2,939,000 to HK\$11,870,000 was principally due to overall increase in taxable operating profits of subsidiaries.

## Investment Properties

The Group's investment properties in Hong Kong and the United Kingdom were valued at 30 June 2023 by an independent professional valuer on a fair value basis. No revaluation was made for the Group's investment properties in Singapore as its fair value change was considered insignificant for the period. The valuation of the investment property portfolio as at 30 June 2023 was HK\$266,440,000, an increase of 0.6% from HK\$264,937,000 as at 31 December 2022. Such slight increase reflected economic outlook remained uncertain during the period which impacted both the retail and office sectors. The valuation of the Group's investment properties in each geographical segment as at the balance sheet date is as follows.

	As at 30 June 2023		As at 31 December 2022		Change in HK\$ %
	Original currency '000	HK\$'000	Original currency '000	HK\$'000	
Hong Kong – office and residential	HK\$145,000	145,000	HK\$143,300	143,300	+1.2
Singapore – industrial	S\$2,000	11,661	S\$2,000	11,661	–
United Kingdom – retail/residential	GBP11,100	109,779	GBP11,650	109,976	–0.2
		<u>266,440</u>		<u>264,937</u>	+0.6

Unrealised fair value loss on investment properties of HK\$3,593,000 (2022: HK\$7,101,000) was recognised for the period.



## **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 2023 was 0.7% (*31 December 2022: 0.8%*). Total bank borrowings of the Group amounted to HK\$5,488,000 (*31 December 2022: HK\$5,496,000*), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 5.3 times as at 30 June 2023 (*31 December 2022: 10.8 times*). The Group holds sufficient cash and marketable securities on hand 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 the United Kingdom and denominated in Pound Sterling. As at 30 June 2023, the Group's debt borrowing was mainly denominated in Pound Sterling. 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. Other than United States Dollars whose exchange rate with Hong Kong Dollars 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 2023 were approximately HK\$29.4 million (*31 December 2022: HK\$45.7 million*) in total, or about 3.2% (*31 December 2022: 5.6%*) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debt borrowings) of approximately HK\$104.3 million (*31 December 2022: HK\$104.5 million*) relating to carrying amount of the investment properties in the United Kingdom.

## **PLEDGE OF ASSETS**

As at 30 June 2023, the Group's investment properties with an aggregate carrying value of approximately HK\$109.8 million (*31 December 2022: HK\$110.0 million*) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$60.2 million (*31 December 2022: HK\$60.3 million*), of which approximately HK\$5.5 million (*31 December 2022: HK\$5.5 million*) were utilised as at 30 June 2023.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims which may result in significant financial losses to the Group.

## **PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS IN THE FUTURE**

The Group has no plan for significant investment or acquisition of material capital assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had a total of 99 (*31 December 2022: 95*) 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.

## **OUTLOOK**

As economic activities continue to resume, the sales momentum is expected to remain in China market for the remainder of the year. Due to substantial growth and strong demand in the local Hong Kong market and given the tight labour market in Hong Kong, production at the Group's manufacturing facility has been running at full capacity and therefore the production of Hoe Hin products is being prioritised to cater to the market demands of each respective market. To cater for such demand, some wages adjustment and incentives have been made for maintaining manpower on production, and new machinery has been purchased and will be installed to boost the production capacity at the factory.

## **OTHER INFORMATION**

### **INTERIM DIVIDENDS**

The directors resolved to declare in respect of the six months ended 30 June 2023 an interim dividend of HK3.0 cents per share (*30 June 2022: HK2.3 cents per share*) and a special interim dividend of HK5.5 cents per share (*30 June 2022: Nil*) payable to the shareholders whose names appear on the register of members of the Company on 6 October 2023. The interim dividend and the special interim dividend will be dispatched to the shareholders on 8 December 2023.

### **CLOSING OF REGISTER OF MEMBERS**

The register of members will be closed from Wednesday, 4 October 2023 to Friday, 6 October 2023, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend and the special interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 3 October 2023.

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period was the Company or any of its subsidiaries a party to any arrangements, to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **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.

### **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 to 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 CG Code for the six months ended 30 June 2023 except the following deviation:

Code provision C.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, the Chairman of the board of directors, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the other executive directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the board as well as senior management. The board has one non-executive

director and also three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate balance 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 F.2.2 of the Corporate Governance Code provides, inter alia, that the Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. Due to unforeseeable matter happened, the external auditor was unable to attend the annual general meeting of the Company held on 7 June 2023. The Board will continue to bring the importance of attending annual general meetings to the attention of the external auditor of the Company.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 their compliance with the required standard set out in the Model Code during the six months ended 30 June 2023.

### **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 information of the Company for the six months ended 30 June 2023 has been reviewed by the audit committee. At the request of the directors, the interim financial information has also been reviewed by the Company's auditor, 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, the Board of the Company comprises: (i) three executive directors, namely Mr. Gan Wee Sean, Mr. Gan Fock Wai, Stephen and Mr. Gan Cheng Hooi, Gavin; (ii) one non-executive director, namely Ms. Gan Fook Yin, Anita; and (iii) three independent non-executive directors, namely Mr. Leung Man Chiu, Lawrence, Mr. Dell'Orto Renato and Mr. Chan Chi Chung, Simon.

By Order of the Board  
**Pak Fah Yeow International Limited**  
**Gan Wee Sean**  
*Chairman*

Hong Kong, 30 August 2023

\* *For identification purpose only*