



Pak Fah Yeow International Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2005

Pak Fah Yeow

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## **INTERIM RESULTS HIGHLIGHTS**

The board of directors of Pak Fah Yeow International Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively referred as the "Group") for the six months ended 30 June 2005.

Group turnover	HK\$43 million
Profit attributable to shareholders	HK\$11 million
Basic earnings per share	HK8.5 cents
Interim dividend and special dividend per share*	HK20 cents
Payout rate	235%
Percentage of increase in dividend	43%
Total equity	HK\$298 million
Total equity per share	HK\$2.3

- \* Interim dividend and special dividend:  
On 23 September 2005, the directors declared the payment of an interim dividend of HK5 cents per share and a special interim dividend of HK15 cents per share for the six months ended 30 June 2005, totaling HK\$26 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 June 2005, the Group's turnover was up 7.4% to HK\$43,203,000 (2004: HK\$40,239,000) as increased contributions from sales of Hoe Hin brand of products, partly offset by the decrease in rental income. Income derived from treasury investment was, however, higher, in the light of generally higher market interest rates.

There was a significant increase in staff costs and marketing and advertising expenses. However, the Group has managed to keep its other operating expenses for the six-month period at a similar level to that of the same period last year.

Net profit for the six months ended 30 June 2005 increased by 12.6% to approximately HK\$11,051,000 (2004: HK\$9,816,000).

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

Sales of Hoe Hin brand of products continued to be the major source of revenue for the Group. Sales increased by 13.9% to HK\$36,608,000 (2004: HK\$32,130,000). The increase in sales from Hong Kong (22.4%) and Mainland China (27.3%) markets have partly balanced off the decrease of 19.4% in sales from other geographical regions.

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 50% of the total revenue. Mainland China accounts for about 20%. Growth in other foreign countries has been slowed down during the period.

Segment profit decreased by 5.9% to HK\$7,783,000 (2004: HK\$8,268,000), largely due to the increase in staff costs as a result of pay rise in line with market trend, and the increase in expenses incurred for launching marketing and advertising campaigns to reinforce our brand both in Hong Kong and Mainland China. The expenditure spent is expected to strengthen our brand's market sentiment and is beginning to show some results.

The litigation in US in respect of the "White Flower" trade mark infringement has been settled and the Group has recovered most of the associated legal costs.

### **Property investment**

Revenue for this segment decreased by 30.7% to HK\$4,718,000 (2004: HK\$6,805,000). This change mainly represents the decrease in rental income as a result of disposal of an investment property in the United Kingdom in September 2004.

The Group's investment properties were stated at fair value as at 30 June 2005, resulting in a valuation gain of HK\$5,500,000 which has now been taken through income statement as required under the new applicable accounting standards.

As a result, the segment profit increased by 49.6% to HK\$9,877,000 (2004: HK\$6,604,000).

The Group owns several investment properties in United Kingdom, Singapore, Hong Kong and other regions in PRC. Rental income received from these properties will continue to provide a steady stream of turnover and profit for the Group.

### **Treasury investment**

The Group continued the prudent management to its fund and continues to maintain a strong liquidity with sufficient cash.

Revenue derived from this segment increased to HK\$1,877,000 (2004: HK\$1,302,000), primarily due to higher interest income arising from increase in interest rate during the first half of 2005. The segment results declined to a loss of HK\$639,000 (2004: profit of HK\$2,347,000), mainly attributable to the net unrealised fair value loss on listed investments as a result of devaluation of foreign currencies in which most of our investments in securities were denominated.

### **Others**

This segment represents sales of other healthcare goods and its revenue and results were not material when comparing to other business segments.

### **Finance costs**

The increase of HK\$434,000 to HK\$1,801,000 was mainly due to the new mortgage loan borrowed for the acquisition of the Group's new office in Wanchai.

### **Taxation**

There was an increase in tax provision from HK\$1,816,000 to HK\$2,283,000 for the period, principally due to deferred tax provision relating to valuation gains on investment properties, partly offset by a decrease in taxable operating profit.

### **FINANCIAL RESOURCES AND TREASURY POLICIES**

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 30 June 2005 was 28.4% (31 December 2004: 19.2%). Total bank borrowings of the Group amounted to HK\$84,728,000 (31 December 2004: HK\$62,030,000), mainly denominated in British pound and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to the new mortgage loan for the Group's new office.

Current ratio (current assets divided by current liabilities) was 6.3 as at 30 June 2005 (31 December 2004: 20.2). The Group holds sufficient cash and marketable securities on hand to meet its liabilities, commitments and working capital demand.

### **EXCHANGE RATE EXPOSURES**

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. The foreign exchange risk for bank borrowings was minimal as they were either denominated in Hong Kong dollars or the currency of the underlying assets. Other than United States dollars whose exchange rate remained relatively stable during the period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2005 were approximately HK\$44.1 million in total, or about 10.4% of the Group's total assets.

The Group may use suitable financial instruments to protect the downside risks associated with the price movement due to the timing of anticipated expenditure.

### **PLEDGE OF ASSETS**

As at 30 June 2005, certain of the Group's investment properties, bank deposits and securities with carrying value of approximately HK\$251.1 million (31 December 2004: HK\$222.1 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$169.4 million (31 December 2004: HK\$145.7 million), of which HK\$84.7 million (31 December 2004: HK\$62.0 million) were utilised as at 30 June 2005.

## **HUMAN RESOURCES**

As at 30 June 2005, the Group had a total of 96 employees. Fringe benefits such as tuition subsidies and medical allowance are offered to most employees. The Company has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.

## **OUTLOOK**

As one of the well-known brands of medicated embrocation, the Group's revenue is closely correlated with marketing activities through different distribution channels and markets. Apart from various marketing and advertising campaigns in local market, which is one of the major contributing factors, the Group's performance is also subject to growth in Mainland China and other geographical regions. One of our priorities is to further enhance the vitality of the "Hoe Hin" brand in Mainland China by allocating more resources in marketing initiatives. The Group will continue building on its strength and developing markets in other provinces in the Mainland China for future growth. The new icons, "FúZǎi" and "BóBó", have been used on different merchandises, which will strengthen our brand's market presence for younger customers.

## **APPRECIATION**

I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued trust and support. I also wish to thank our directors and staff for their commitment and good work that are crucial to the success of the Group.

By Order of the Board

**Gan Wee Sean**

*Chairman*

Hong Kong, 23 September 2005

**CONDENSED CONSOLIDATED INCOME STATEMENT**

Six months ended 30 June 2005

		<b>Six months ended 30 June</b>	
		<b>2005</b>	2004
		<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
	Notes		
<b>Turnover</b>	3	<b>43,203</b>	40,239
Other revenue		<b>383</b>	564
Changes in inventories of finished goods		<b>(357)</b>	1,331
Raw materials and consumables used		<b>(8,407)</b>	(7,712)
Staff costs		<b>(10,199)</b>	(9,437)
Depreciation expenses		<b>(897)</b>	(942)
Net exchange gain		<b>2,219</b>	102
Gain on disposal of financial assets at fair value through profit or loss		<b>58</b>	89
Net unrealised holding (loss) gain on financial assets at fair value through profit or loss		<b>(1,838)</b>	952
Revaluation surplus in respect of investment properties		<b>5,500</b>	–
Other operating expenses		<b>(14,530)</b>	(12,187)
<b>Profit from operations</b>		<b>15,135</b>	12,999
Finance costs	4	<b>(1,801)</b>	(1,367)
<b>Profit before taxation</b>	4	<b>13,334</b>	11,632
Taxation	5	<b>(2,283)</b>	(1,816)
<b>Profit for the period, attributable to equity holders of the Company</b>		<b>11,051</b>	9,816
<b>Dividends</b>	6	<b>26,000</b>	18,200
<b>Earnings per share</b>	7		
Basic		<b>8.5 cents</b>	7.6 cents
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2005

	Issued capital HK\$'000	Share premium HK\$'000	Negative goodwill HK\$'000	Property revaluation reserve		Exchange reserve HK\$'000	Accumulated profits		Total HK\$'000
				Investment properties HK\$'000	Other properties HK\$'000		Proposed dividends HK\$'000	Undistributed profits HK\$'000	
At 1 January 2004 (audited)									
- As previously reported	13,000	24,925	12,808	65,784	1,819	43	13,000	162,646	294,025
- Adjustments arising from change in accounting policies as detailed in the financial statements for the year ended 31 December 2004	-	-	-	(65,784)	-	-	-	64,007	(1,777)
- As restated	13,000	24,925	12,808	-	1,819	43	13,000	226,653	292,248
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	-	1,341	-	-	1,341
Profit for the period	-	-	-	-	-	-	-	9,816	9,816
Interim dividends declared	-	-	-	-	-	-	18,200	(18,200)	-
2003 final dividend transferred to dividend payable	-	-	-	-	-	-	(13,000)	-	(13,000)
<b>At 30 June 2004 (unaudited)</b>	<b>13,000</b>	<b>24,925</b>	<b>12,808</b>	<b>-</b>	<b>1,819</b>	<b>1,384</b>	<b>18,200</b>	<b>218,269</b>	<b>290,405</b>
At 1 January 2005 (audited)									
- As previously reported	13,000	24,925	12,808	-	3,905	5,743	19,500	232,622	312,503
- Adjustments for the adoption of HKFRS 3	-	-	(12,808)	-	-	-	-	12,808	-
- As restated	13,000	24,925	-	-	3,905	5,743	19,500	245,430	312,503
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	-	(6,222)	-	-	(6,222)
Profit for the period	-	-	-	-	-	-	-	11,051	11,051
Interim dividends declared	-	-	-	-	-	-	26,000	(26,000)	-
2004 final dividend transferred to dividend payable	-	-	-	-	-	-	(19,500)	-	(19,500)
<b>At 30 June 2005 (unaudited)</b>	<b>13,000</b>	<b>24,925</b>	<b>-</b>	<b>-</b>	<b>3,905</b>	<b>(479)</b>	<b>26,000</b>	<b>230,481</b>	<b>297,832</b>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2005

	Notes	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	8	131,254	132,431
Property, plant and equipment	8	97,843	59,584
Available-for-sale investments		1,345	1,345
		<b>230,442</b>	<b>193,360</b>
<b>Current assets</b>			
Inventories		11,073	11,835
Trade receivables	9	14,126	21,142
Bills receivable		7,438	9,330
Deposits, prepayments and other debtors		5,459	2,958
Financial assets at fair value through profit or loss		50,756	35,925
Tax recoverable		213	913
Pledged bank deposits		63,025	81,900
Cash and cash equivalents		39,594	35,762
		<b>191,684</b>	<b>199,765</b>
<b>Current liabilities</b>			
Short-term bank loans, secured		1,413	2,180
Current portion of long-term bank loans, secured		1,453	–
Trade payables	10	1,655	984
Accrued charges and other creditors		4,796	4,057
Tax payable		1,518	2,539
Dividend payable		19,500	–
Unclaimed dividends		145	147
		<b>30,480</b>	<b>9,907</b>
<b>Net current assets</b>		<b>161,204</b>	<b>189,858</b>
<b>Total assets less current liabilities</b>		<b>391,646</b>	<b>383,218</b>
<b>Non-current liabilities</b>			
Provision for long service payments		2,496	2,496
Provision for directors' retirement scheme benefits		3,239	3,196
Long-term bank loans, secured		81,862	59,850
Deferred taxation		6,217	5,173
		<b>93,814</b>	<b>70,715</b>
<b>NET ASSETS</b>		<b>297,832</b>	<b>312,503</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital		13,000	13,000
Reserves		284,832	299,503
		<b>297,832</b>	<b>312,503</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2005

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Net cash generated from operating activities	14,141	15,298
Net cash used in investing activities	(55,416)	(7,294)
Net cash generated from financing activities	26,380	–
Net (decrease) increase in cash and cash equivalents	(14,895)	8,004
Cash and cash equivalents at beginning of period	117,662	116,435
Effect of foreign exchange rate changes	(148)	32
Cash and cash equivalents at end of period	<b>102,619</b>	<b>124,471</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Pledged bank deposits	63,025	46,800
Bank balances and cash	39,594	80,219
Bank overdrafts	–	(2,548)
	<b>102,619</b>	<b>124,471</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2005

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, land and buildings and investment properties, which are measured at fair values.

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2005. The effects of adoption of the New HKFRSs are detailed below.

HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### **Leases**

Leasehold land and buildings were previously carried at cost less accumulated depreciation and any accumulated impairment losses. In accordance with the provisions of HKAS 17, where the total payment at the inception of the lease can be allocated reliably into the land element and building element, the payment for the land element is treated as an operating lease and amortised over the term of the lease. If the land and building cannot be allocated reliably at the inception of the lease, the land and building elements will continue to be treated as finance lease and carried at revaluation model under HKAS 16.

Since the relative fair values of the Group's leasehold land and building cannot be allocated to the land element and the building element reliably, the entire lease is treated as a finance lease and the leasehold interests in land of the Group continue to be accounted for as property, plant and equipment. The adoption of this standard does not have any significant impact on the Group.

### **Financial instruments**

In the current period, the Group has adopted HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below.

Prior to 1 January 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities were carried at cost less impairment losses (if any) while other investments were measured at fair value, with realised or unrealised gains or losses included in the income statement. From 1 January 2005 onwards, financial assets and financial liabilities other than debt and equity securities are classified under the appropriate classification of HKAS 39 and measured at amortised cost using effective interest method as detailed below:

2. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments** (Continued)

(a) Available-for-sale investments

Previously recognised investment securities are classified as available-for-sale investments, which are carried at cost less impairment, as the investments are unquoted and fair value cannot be reliably measured. If there is objective evidence that individual investment has been impaired, such impairment would be recognised in the income statement and would not be reversed in subsequent periods.

(b) Financial assets at fair value through profit or loss

All previously recognised other investments are classified as financial assets at fair value through profit or loss and carried at fair value. The gain or loss on changes in fair value is recognised in income statement.

The Group's short term dual currency deposits are in the nature of hybrid financial instruments under HKAS 39. Since the deposits are measured at fair value with changes in fair value recognised in profit or loss, the embedded derivatives are not separately accounted for.

**Business combinations**

Excess of the Group's interests in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost was previously known as "negative goodwill". In previous periods, negative goodwill arising from acquisition of subsidiaries was credited to reserve in the year of acquisition and taking the transitional provisions of SSAP 30 "Business Combinations" without restating the negative goodwill. Pursuant to the transitional provisions of HKFRS 3 relating to recognised negative goodwill, the Group recognising a transfer within equity by transfer of the negative goodwill of HK\$12,808,000 at 1 January 2005 to opening accumulated profits for the period.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued the following standards and interpretations that are not yet effective.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Liabilities, Cash Flow Hedge Accounting of Forecast Intragroup Transactions and the Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS Interpretation 4	Determining whether an Arrangement contains a lease
HKFRS Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The directors anticipate that the adoption of these new HKFRSs in future periods will have no material impact on the results of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of net amounts received and receivable for goods sold, rental and interest income of the Group. All intra-group transactions are eliminated on consolidation.

Segment information is presented in respect of the geographical segments and business segments.

An analysis of the Group's revenue and segment results for the period is as follows:

#### Geographical segments

	Hong Kong (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Southeast Asia (unaudited) HK\$'000	Northern America (unaudited) HK\$'000	United Kingdom ("UK") (unaudited) HK\$'000	Europe other than UK (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Six months ended								
30 June 2005								
Segment revenue								
External sales	21,249	8,805	6,531	2,235	4,318	-	65	43,203
<b>Segment results</b>	<b>8,461</b>	<b>757</b>	<b>1,510</b>	<b>1,209</b>	<b>3,964</b>	<b>(247)</b>	<b>(420)</b>	<b>15,234</b>
Unallocated corporate expenses								(99)
<b>Profit from operations</b>								<b>15,135</b>
Six months ended								
30 June 2004								
Segment revenue								
External sales	16,891	6,936	7,494	2,251	6,377	-	290	40,239
<b>Segment results</b>	<b>2,735</b>	<b>969</b>	<b>5,286</b>	<b>1,043</b>	<b>6,055</b>	<b>(146)</b>	<b>170</b>	<b>16,112</b>
Unallocated corporate expenses								(3,113)
<b>Profit from operations</b>								<b>12,999</b>

### 3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

#### Business segments

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment (unaudited) HK\$'000	Treasury investment (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
<b>Six months ended 30 June 2005</b>					
<b>Segment revenue</b>					
External sales	36,608	4,718	1,877	-	43,203
<b>Segment results</b>	<b>7,783</b>	<b>9,877</b>	<b>(639)</b>	<b>(8)</b>	<b>17,013</b>
Unallocated corporate expenses					(1,878)
<b>Profit from operations</b>					<b>15,135</b>
<b>Six months ended 30 June 2004</b>					
<b>Segment revenue</b>					
External sales	32,130	6,805	1,302	2	40,239
<b>Segment results</b>	<b>8,268</b>	<b>6,604</b>	<b>2,347</b>	<b>(9)</b>	<b>17,210</b>
Unallocated corporate expenses					(4,211)
<b>Profit from operations</b>					<b>12,999</b>

## 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
This is stated after charging (crediting):		
<b>(a) Finance costs</b>		
Interest on bank loans and overdrafts wholly repayable within five years	1,801	1,367
<b>(b) Other items</b>		
Cost of inventories	14,240	12,099
Dividend income from listed investments	(351)	(224)
	<b>14,889</b>	<b>13,542</b>

## 5. TAXATION

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
<b>Current tax</b>		
Hong Kong	700	1,203
Overseas	539	1,043
	<b>1,239</b>	<b>2,246</b>
<b>Deferred tax</b>		
Origination (Reversal) of temporary differences in respect of depreciation allowances	1,044	(430)
	<b>2,283</b>	<b>1,816</b>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2005</b> <b>(unaudited)</b> <b>HK\$'000</b>	2004 <b>(unaudited)</b> <b>HK\$'000</b>
Interim dividend declared	<b>6,500</b>	5,200
Special interim dividend declared	<b>19,500</b>	13,000
	<b>26,000</b>	18,200

At the board meeting held on 19 April 2005, the directors proposed a final dividend of HK6 cents per share totaling HK\$7,800,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK6 cents per share totaling HK\$7,800,000) and a special final dividend of HK9 cents per share totaling HK\$11,700,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK4 cents per share totaling HK\$5,200,000), which has been reflected as an appropriation of accumulated profits for the period. Upon the approval by shareholders on 28 June 2005, the appropriation was transferred to dividend payable.

On 23 September 2005, the directors declared the payment of an interim dividend of HK5 cents per share totaling HK\$6,500,000 (2004: HK4 cents per share totaling HK\$5,200,000) and a special interim dividend of HK15 cents per share totaling HK\$19,500,000 (2004: HK10 cents per share totaling HK\$13,000,000) in respect of the six months ended 30 June 2005 payable to the shareholders on the register of members of the Company on 21 October 2005. Dividend warrants will be dispatched to the shareholders on or about 27 October 2005.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$11,051,000 (2004: HK\$9,816,000) and the 130,000,000 ordinary shares in issue during the two periods.

Diluted earnings per share has not been presented as there was no dilutive events during the two periods.

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

During the period, the Group entered into a sale and purchase agreement with an independent third party to purchase a property in Hong Kong at a consideration of HK\$39,156,000.

The Group's investment properties and property, plant and equipment were stated at fair value as at 30 June 2005. A revaluation surplus of HK\$5,500,000 has been recognised in respect of the investment properties of the Group. In addition, the Group recorded a deficit on exchange realignment of HK\$6,677,000 on the investment properties situated in UK, which has been recognised as a movement in reserves.

#### 9. TRADE RECEIVABLES

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

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Within 30 days	3,852	3,534
31 – 60 days	5,325	5,404
61 – 90 days	3,459	3,507
More than 90 days	1,490	8,697
	<b>14,126</b>	<b>21,142</b>

#### 10. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Within 30 days	1,392	617
31 – 60 days	163	71
More than 60 days	100	296
	<b>1,655</b>	<b>984</b>

#### 11. PLEDGE OF ASSETS

At 30 June 2005, certain of the Group's investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK\$169,366,000 (31 December 2004: HK\$145,650,000) of which HK\$84,728,000 (31 December 2004: HK\$62,030,000) were utilised at the balance sheet date.

The carrying amounts of the Group's investment properties, bank deposits and financial assets at fair value through profit or loss pledged are as follows:

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Investment properties	141,027	108,478
Pledged bank deposits	63,025	81,900
Financial assets at fair value through profit or loss	47,009	31,758
	<b>251,061</b>	<b>222,136</b>

## 12. CONTINGENT LIABILITIES

During the year ended 31 December 2003, the Group made a claim against a company in the United States (“US”) and others (“US Parties”) for “White Flower” trade mark infringement, trade dress infringement and trademark dilution. However, a counterclaim was filed against the Group by the same company for suffering the loss of their reputation as a result of the defamatory information provided by the Group to a magazine in Hong Kong.

On 8 June 2005, the Group and the US Parties agreed to settle the claims whereby the US Parties have to pay a total sum of HK\$2.4m to the Group. The amount has been recognised as a receivable in the interim financial statements and was received by the Group in late July 2005.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### DIRECTORS’ INTERESTS IN SECURITIES

At 30 June 2005, the interests and short positions of the directors and chief executive in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the “SFO”) and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies (the “Model Code”), were as follows:

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

Name of director	Number of shares held			Total	Percentage of issued shares capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	11,436,800	991,900 (Note 1)	27,218,100 (Note 2)	39,646,800 (Note 2)	30.5%
Mr. Gan Fock Wai, Stephen	4,313,700	–	26,053,300 (Note 3)	30,367,000 (Note 3)	23.4%

**DIRECTORS' INTERESTS IN SECURITIES (Continued)**
**(b) Long positions in non-voting deferred shares of associated corporations**

 (i) *Hoe Hin Pak Fah Yeow Manufactory, Limited* ("HHPFY")

Name of director	Number of non-voting deferred shares of HK\$1,000 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,600	800 (Note 1)	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%

 (ii) *Pak Fah Yeow Investment (Hong Kong) Company, Limited* ("PFYI")

Name of director	Number of non-voting deferred shares of HK\$1 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,244,445	711,111 (Note 1)	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

**DIRECTORS' INTERESTS IN SECURITIES (Continued)**

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 991,900 shares of the Company, 800 non-voting deferred shares of HHPFY and 711,111 non-voting deferred shares of PFYI.
2. These 27,218,100 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 39,646,800 shares in aggregate represented approximately 30.5% of the issued share capital of the Company.
3. These 26,053,300 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 31%. The total number of 30,367,000 shares in aggregate represented approximately 23.4% of the issued share capital of the Company.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the period.

**SUBSTANTIAL SHAREHOLDERS**

At 30 June 2005, no persons, other than the directors and companies controlled by them, whose names and interests are set out above, had notified an interest in the shares and underlying shares capital of the Company that was required to be recorded in the register maintained under section 336 of the SFO.

## **SHARE OPTION SCHEME**

On 27 June 2002, a share option scheme was approved at a special general meeting of the Company under which the directors may, at their discretion, invite employees, including executive directors, of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The scheme will remain in force for a period of 10 years from 27 June 2002. As at 30 June 2005, no option has been granted since the adoption of the share option scheme. Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company or their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **OTHER INFORMATION**

### **Closing of register of members**

The register of members will be closed from Monday, 17 October 2005 to Friday, 21 October 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 October 2005.

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

During the period, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

### **Code on Corporate Governance Practices**

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. During the six months ended 30 June 2005, the Company has met with the code provisions (those which became effective for accounting period beginning on 1 January 2005) as set out in the Code except as disclosed below.

**Code on Corporate Governance Practices (Continued)**

On 23 September 2005, the board of directors of the Company approved the procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses and formalised the functions reserved to the board and those delegated to management of the Company. The Company considers that this measure meet the code provisions A.1.7 and D.1.2 of the Code.

**Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2005.

**Audit Committee**

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial report of the Company for the six months ended 30 June 2005 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 7 to page 21 have also been reviewed by the Company's auditors, Messrs. Moores Rowland Mazars, in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the HKICPA and an unmodified review report has been issued.

## **CORPORATE INFORMATION**

### **DIRECTORS**

*Executive Directors*

Gan Wee Sean (*Chairman*)  
Gan Fock Wai, Stephen (R)  
Chiu Sin Kuen

*Independent Non-executive Directors*

Kwan Chiu Yin, Robert  
(*chairing A, chairing R*)  
Wong Ying Kay, Ada (A, R)  
Ip Tin Chee, Arnold (A, R)

### **COMPANY SECRETARY**

Lo Tai On

### **QUALIFIED ACCOUNTANT**

Tsang Hung Kei

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

11th Floor  
The Sun's Group Centre  
200 Gloucester Road  
Wanchai  
Hong Kong

### **AUDITORS**

Moores Rowland Mazars  
*Chartered Accountants*  
*Certified Public Accountants*  
34th Floor, The Lee Gardens  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### **SOLICITORS**

Woo, Kwan, Lee & Lo  
Room 2718, Jardine House  
1 Connaught Place  
Central  
Hong Kong

### **PRINCIPAL REGISTRARS**

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM 11  
Bermuda

### **HONG KONG SHARE REGISTRARS**

Standard Registrars Limited  
Ground Floor,  
Bank of East Asia Harbour View Centre,  
56 Gloucester Road  
Wanchai  
Hong Kong

### **STOCK CODE**

239

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### **Telephone**

(852) 2881 7713

(A) *Audit Committee*

(R) *Remuneration Committee*