

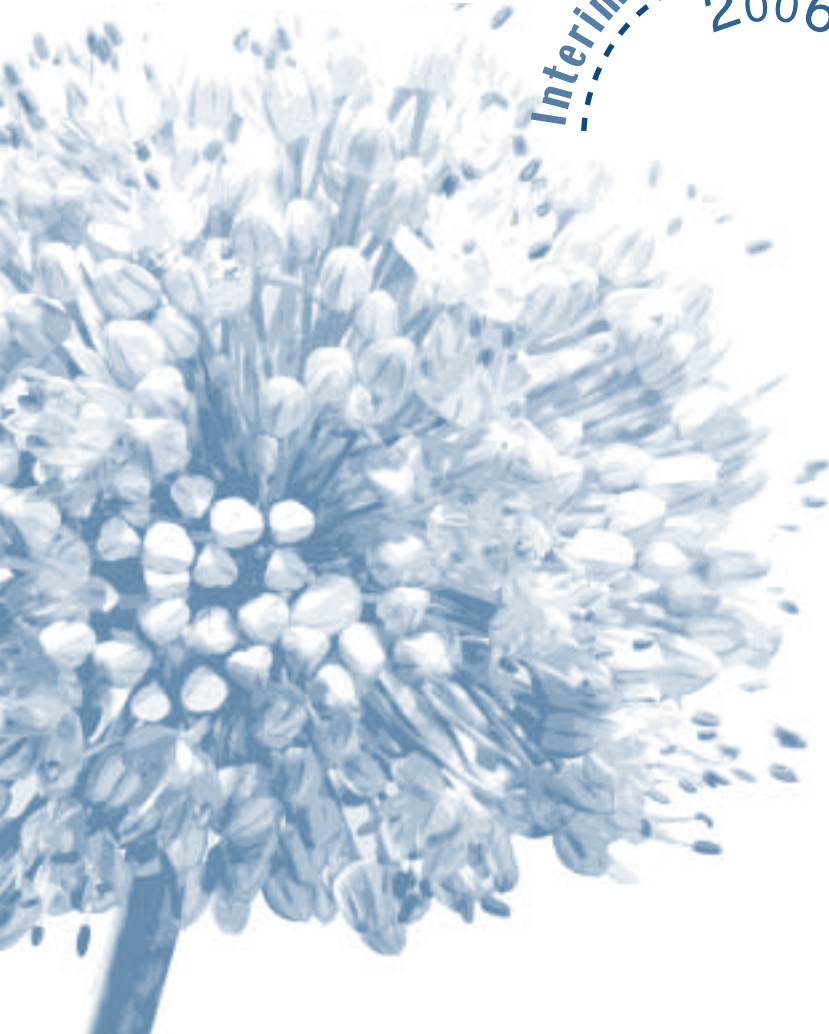


**WHITE  
FLOWER**

**PAK FAH YEOW INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability) Stock Code: 239

*Interim Report*  
*2006*













### **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 2006 were approximately HK\$49.4 million in total, or about 12.6% 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 2006, certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities with carrying value of approximately HK\$232.6 million (31 December 2005: HK\$240.4 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$146.6 million (31 December 2005: HK\$166.6 million), of which HK\$82.6 million (31 December 2005: HK\$80.7 million) were utilised as at 30 June 2006.

### **HUMAN RESOURCES**

As at 30 June 2006, the Group had a total of 99 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.





**CONDENSED CONSOLIDATED INCOME STATEMENT**

Six months ended 30 June 2006

	Notes	Six months ended 30 June	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (restated)
<b>Turnover</b>	3	<b>50,105</b>	43,203
Other revenue		1,070	383
Changes in inventories of finished goods		29	(357)
Raw materials and consumables used		(8,221)	(8,407)
Staff costs		(10,146)	(10,199)
Depreciation expenses		(1,744)	(897)
Net exchange gain (loss)		1,529	(982)
(Loss) Gain on disposal of financial assets at fair value through profit or loss		(54)	58
Net loss on financial assets at fair value through profit or loss		(17)	(1,838)
Revaluation surplus in respect of investment properties		–	5,500
Other operating expenses		(9,595)	(14,530)
<b>Profit from operations</b>		<b>22,956</b>	11,934
Finance costs	4	(2,155)	(1,801)
<b>Profit before taxation</b>	4	<b>20,801</b>	10,133
Taxation	5	(3,090)	(2,283)
<b>Profit for the period, attributable to equity holders of the parent</b>		<b>17,711</b>	7,850
<b>Dividends</b>	6	<b>26,000</b>	26,000
<b>Earnings per share</b>	7		
Basic		<b>6.8 cents</b>	3.0 cents



**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2006

	Notes	At 30 June 2006 (unaudited) HK\$'000	At 31 December 2005 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	8	159,979	153,302
Property, plant and equipment	8	28,581	27,689
Prepaid lease payments		40,315	40,559
Available-for-sale financial assets		2,662	2,662
		<b>231,537</b>	<b>224,212</b>
<b>Current assets</b>			
Inventories		9,868	11,379
Trade receivables	9	21,585	19,207
Bills receivable		11,778	7,976
Deposits, prepayments and other debtors		2,920	4,343
Financial assets at fair value through profit or loss		30,790	41,310
Tax recoverable		144	416
Pledged bank deposits		62,400	57,480
Cash and cash equivalents		22,674	15,122
		<b>162,159</b>	<b>157,233</b>
<b>Current liabilities</b>			
Short-term bank loan, secured	10	56,780	832
Current portion of long-term bank loan, secured	10	1,305	54,742
Trade payables	11	1,713	3,746
Accrued charges and other creditors		3,277	7,661
Tax payable		3,287	453
Unclaimed dividends		26,256	7,283
		<b>92,618</b>	<b>74,717</b>
<b>Net current assets</b>		<b>69,541</b>	<b>82,516</b>
<b>Total assets less current liabilities</b>		<b>301,078</b>	<b>306,728</b>

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

At 30 June 2006

	At 30 June 2006 (unaudited) HK\$'000	At 31 December 2005 (audited) HK\$'000
<i>Notes</i>		
<b>Non-current liabilities</b>		
Provision for long service payments	2,496	2,496
Provision for directors' retirement scheme benefits	3,197	3,197
Long-term bank loan, secured	24,512	25,157
Deferred taxation	4,945	4,945
	35,150	35,795
<b>Net assets</b>	265,928	270,933
<b>Equity and reserves</b>		
Share capital	13,000	13,000
Reserves	252,928	257,933
	265,928	270,933

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

Six months ended 30 June 2006

	Six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash generated from operating activities	11,548	14,141
Net cash generated from (used in) investing activities	9,135	(55,416)
Net cash (used in) generated from financing activities	(8,499)	26,380
Net increase (decrease) in cash and cash equivalents	12,184	(14,895)
Cash and cash equivalents at beginning of period	72,602	117,662
Effect of foreign exchange rate changes	288	(148)
Cash and cash equivalents at end of period	<b>85,074</b>	102,619
<b>Analysis of the balances of cash and cash equivalents</b>		
Pledged bank deposits	62,400	63,025
Bank balances and cash	22,674	39,594
	<b>85,074</b>	102,619



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

**HKAS 21 (Amendment) “The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation”**

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation were recognised in a separate component of equity in the consolidated financial statements only when (1) the monetary item was denominated in the functional currency of either the reporting entity or the foreign operation; and (2) the monetary item arose directly between the reporting entity and the foreign operation. Following the adoption of HKAS 21 (Amendment), such treatment is also required in respect of exchange differences arising on balances between group entities which are denominated in a currency other than the functional currency of either the reporting entity or the foreign operation.

As a result of the adoption of HKAS 21 (Amendment), an exchange loss arising on balances between two subsidiaries of the Company of HK\$3,170,000 (2005: an exchange gain of HK\$3,201,000) has been recognised in exchange reserve in the consolidated financial statements and the Group's profit for the period has been increased by HK\$3,170,000 (2005: decreased by HK\$3,201,000) accordingly. In addition, the cumulative exchange losses of HK\$572,000 and HK\$6,142,000 as at 1 January 2006 and 2005 have been transferred from accumulated profits to exchange reserve. Prior period adjustments have been made and comparative figures have been restated accordingly.

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective. The Group has not early adopted these new accounting standards and interpretations and the directors anticipate that their adoption in the future periods will have no material impact on the results of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

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

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

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

#### Geographical segments

	Hong Kong (unaudited) HK\$'000	Other regions in the People's Republic of China (the "PRC") (unaudited) HK\$'000	Southeast Asia (unaudited) HK\$'000	Northern America (unaudited) HK\$'000	United Kingdom ("UK") (unaudited) HK\$'000	Europe (excluding UK) (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
<b>Six months ended</b>								
<b>30 June 2006</b>								
<b>Segment revenue</b>								
External sales	24,374	10,733	6,300	4,667	3,835	75	121	50,105
<b>Segment results</b>	<b>10,972</b>	<b>4,420</b>	<b>5,417</b>	<b>3,443</b>	<b>4,066</b>	<b>11</b>	<b>(43)</b>	<b>28,286</b>
Unallocated corporate expenses								(5,330)
<b>Profit from operations</b>								<b>22,956</b>
<b>Six months ended</b>								
<b>30 June 2005</b>								
<b>Segment revenue</b>								
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								(3,300)
<b>Profit from operations</b>								<b>11,934</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 2006</b>					
<b>Segment revenue</b>					
External sales	43,805	4,343	1,957	-	50,105
<b>Segment results</b>	<b>21,552</b>	<b>3,137</b>	<b>3,698</b>	<b>(4)</b>	<b>28,383</b>
Unallocated corporate expenses					(5,427)
<b>Profit from operations</b>					<b>22,956</b>
					(Restated)
<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					(5,079)
<b>Profit from operations</b>					<b>11,934</b>



5. **TAXATION**

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	2,647	700
Overseas tax	443	539
	<b>3,090</b>	1,239
<b>Deferred tax</b>		
Origination of temporary differences in respect of depreciation allowances	-	1,044
	<b>3,090</b>	2,283

6. DIVIDENDS

	Six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Interim dividend declared	6,500	6,500
Special interim dividend declared	19,500	19,500
	<b>26,000</b>	26,000

At the board meeting held on 20 April 2006, the directors proposed a final dividend of HK3 cents per share after subdivision of shares totaling HK\$7,800,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK6 cents per share before subdivision of shares totaling HK\$7,800,000) and a special final dividend of HK2 cents per share after subdivision of shares totaling HK\$5,200,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK9 cents per share before subdivision of shares totaling HK\$11,700,000), which have been reflected as an appropriation of accumulated profits for the year ended 31 December 2005. Upon the approval by shareholders on 27 June 2006, the appropriation was transferred to dividends payable.

On 27 June 2006, the directors declared a first special interim dividend of HK5 cents per share totalling HK\$13,000,000 (2005: Nil). On 25 September 2006, the directors declared the payment of an interim dividend of HK2.5 cents per share totaling HK\$6,500,000 (2005: HK5 cents per share before subdivision of shares totaling HK\$6,500,000) and a special interim dividend of HK2.5 cents per share totaling HK\$6,500,000 (2005: HK15 cents per share before subdivision of shares totaling HK\$19,500,000) in respect of the six months ended 30 June 2006 payable to the shareholders on the register of members of the Company on 20 October 2006. Dividend warrants will be dispatched to the shareholders on or about 26 October 2006.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK\$17,711,000 (2005 (as restated): HK\$7,850,000) and the 260,000,000 (2005: 260,000,000 after adjustment for the subdivision of shares in 2005) ordinary shares in issue during the period.

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

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

During the period, the Group purchased two motor vehicles at a consideration of HK\$1,874,000.

**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:

	<b>At 30 June 2006 (unaudited) HK\$'000</b>	<b>At 31 December 2005 (audited) HK\$'000</b>
Within 30 days	<b>8,206</b>	9,331
31 – 60 days	<b>7,467</b>	3,941
61 – 90 days	<b>5,778</b>	5,770
More than 90 days	<b>134</b>	165
	<b>21,585</b>	19,207

**10. SHORT-TERM BANK LOAN, SECURED**

As at 31 December 2005, the Group had a 3-year term loan denominated in Pound Sterling amounting to HK\$53,442,000, which was repayable in full in June 2006. On 5 July 2006, the Group agreed with the bank to renew the loan as a revolving bank loan which bears interest at the Bank's Cost of Fund plus 0.95% per annum and is repayable on demand. The loan is secured by the Group's investment properties with an aggregate carrying value of HK\$113,560,000 (31 December 2005: HK\$106,884,000) together with assignment of rental monies derived from the investment properties under charge. The change in the carrying amount of the bank loan during the period was due to exchange realignment.



**13. CONTINGENT LIABILITIES**

In November 2005, the Group received a letter from the incorporated owners of Hennessy Apartments (the “Incorporated Owners”) demanding the removal of a neon-light sign (“Signboard”) from the exterior wall of the building, which was declined by the Group. The Incorporated Owners initiated legal proceedings against the Group in late March 2006 demanding for the removal of the Signboard, reinstatement of the external wall of the building and damages for trespassing to be assessed on the basis of rental income of the use of the external wall of the building. A writ of summons was served upon the Group on 29 March 2006. The Group filed defence documents on 1 June 2006 and other supporting evidence in early August 2006. The hearing will be held on 16 October 2006.

Whilst the outcome is uncertain, the directors, having considered the opinion of the lawyers, are of the opinion that there would not be significant adverse financial impact on the Group and the Group has made appropriate provision in respect of the case in the interim financial statements for the period ended 30 June 2006.

**14. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	<b>758</b>	562
– Contributions to defined contribution plan	<b>18</b>	12
Royalty paid to a director (Note)	<b>93</b>	119

Note:

Mr. Gan Wee Sean was interested as licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a licence to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2006 in consideration of an annual fixed royalty payment of HK\$185,000.





**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%



## **SUBSTANTIAL SHAREHOLDERS**

At 30 June 2006, 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 2006, 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 Tuesday, 17 October 2006 to Friday, 20 October 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 October 2006.

### **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 INFORMATION**

**DIRECTORS**

*Executive Directors*

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

*Independent Non-executive Directors*

Leung Man Chiu, Lawrence  
(*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  
26th Floor, Tesbury Centre  
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**STOCK CODE**

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(A) *Audit Committee member*

(R) *Remuneration Committee member*