



WHITE FLOWER

Interim Report
2008



PAK FAH YEOW INTERNATIONAL LIMITED

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Gan Wee Sean (*Chairman and
acting Chief Executive Officer*)

Gan Fock Wai, Stephen (R)

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 AND 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, 200 Gloucester Road

Wanchai

Hong Kong

AUDITORS

Mazars CPA Limited

34th Floor, The Lee Gardens

33 Hysan Avenue

Causeway Bay

Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo

26th, 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

Tricor Standard Limited

26th Floor, Tesbury Centre

28 Queen's Road East

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STOCK CODE

239

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(A) *Audit Committee member*

(R) *Remuneration Committee member*



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary

For the six months ended 30 June 2008, the Group's turnover slightly increased by 3.1% to HK\$51,632,000 (2007: HK\$50,065,000) due to increased contributions from sales of Hoe Hin brand of products, treasury investment as well as rental income.

No revaluation surplus or deficit (2007: surplus of HK\$690,000) was recognised for the period in respect of the Group's investment properties.

Despite contributions from all business segments were increased, the volatile financial markets reflected a lower market sentiment, which had affected mark-to-market fair value movement of our listed investments.

Net profit for the six months ended 30 June 2008 decreased by 35.0% to approximately HK\$10,539,000 (2007: HK\$16,207,000).

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 slightly increased by 1.4% to HK\$44,355,000 (2007: HK\$43,738,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 46.5% (2007: 48.4%) of the total revenue. Mainland China accounts for about 26.7% (2007: 19.0%). Sales in Hong Kong had been static, while contribution from Mainland China had been increased comparing to the same period last year. Sales to Singapore had improved, while sales in other regions had been slowed down.

Segment profit decreased by 8.2% to HK\$17,181,000 (2007: HK\$18,721,000), mainly due to more products were sold to less profitable regions, coupled with general inflation on operating and production costs.



Property investment

Revenue for this segment increased by 9.8% to HK\$5,309,000 (2007: HK\$4,836,000). This change mainly represents increased rental income derived in Hong Kong and increased average exchange rate in translating foreign rental income.

No revaluation surplus or deficit (2007: surplus of HK\$690,000) was recognised for the period. The revaluation surplus in the last corresponding period refers to the change of market value of our investment property in the PRC, which was sold as a non-core investment property.

As a result, the segment profit decreased by 4.4% to HK\$4,403,000 (2007: HK\$4,605,000).

The Group owns several investment properties in United Kingdom, Singapore and Hong Kong. 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\$1,968,000 (2007: HK\$1,485,000), primarily due to more interest income from a new bond purchased in February 2008. The segment results decreased to a loss of HK\$597,000 (2007: profit of HK\$3,550,000), mainly attributable to decreased net fair value changes on listed investments as a result of decrease in market prices, partly offset by the interest income from the new bond and appreciation of foreign currencies, in which most of our listed investments were denominated.

Finance costs

The increase of HK\$831,000 to HK\$3,401,000 was mainly due to new bank loan borrowed during the period and higher market interest rates comparing to the same period in previous year.

**Taxation**

There was a decrease in taxation from HK\$2,889,000 to HK\$1,826,000 for the period, principally due to a decrease in taxable operating profit and a reversal of deferred tax provision made in previous year as a result of a lower tax rate enacted 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 2008 was 51.9% (31 December 2007: 32.6%). Total bank borrowings of the Group amounted to HK\$135,692,000 (31 December 2007: HK\$89,153,000), mainly denominated in Pound Sterling and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to additional bank loan borrowed for financial and treasury planning purpose.

Current ratio (current assets divided by current liabilities) was 0.9 (31 December 2007: 1.5) as at 30 June 2008.

EXCHANGE RATE EXPOSURES

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. Certain rental income is derived in United Kingdom and denominated in British Pound sterling. As at 30 June 2008, the Group's debt borrowings were mainly denominated in Hong Kong dollars and British Pound sterling. The Group also had equity and debt securities denominated in other currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for debt borrowings is minimal as they are either denominated in Hong Kong dollars or the currency of the underlying pledged 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 2008 were approximately HK\$96.6 million (31 December 2007: HK\$43.4 million) in total, or about 21.4% (31 December 2007: 10.9%) 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 2008, certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties and securities with carrying value of approximately HK\$172.2 million (31 December 2007: HK\$171.5 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$138.1 million (31 December 2007: HK\$136.5 million), of which HK\$135.7 million (31 December 2007: HK\$89.2 million) were utilised as at 30 June 2008.

In addition, certain bank deposits and financial assets at fair value through profit or loss with total carrying amount of HK\$49.8 million (31 December 2007: HK\$51.1 million) were pledged to secure standby banking facilities granted to the Group of HK\$60.7 million (31 December 2007: HK\$62.4 million).

HUMAN RESOURCES

As at 30 June 2008, the Group had a total of 95 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

It is expected that the financial markets will continue to be volatile and global economy will continue to slow down for the rest of the year. In view of the trend of global inflation, we still face challenges to maintain a comparably low operating and production costs. The slow down of global economy will also have impact on overseas property markets, by which our investment properties in United Kingdom may be affected.

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 16 September 2008



REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS



MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

To the directors of
Pak Fah Yeow International Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 23, comprising the condensed consolidated balance sheet as at 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim financial statements based on our review and report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong, 16 September 2008

Eunice Y M Kwok
Practising Certificate number: P04604



CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2008

		Six months ended 30 June	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
	Notes		
Turnover	3	51,632	50,065
Other revenue		447	460
Changes in inventories of finished goods		(192)	851
Raw materials and consumables used		(10,629)	(9,773)
Staff costs		(9,458)	(9,164)
Depreciation and amortisation expenses		(1,781)	(1,768)
Revaluation surplus in respect of investment properties		–	690
Net exchange gain		379	193
Net gain on disposal of financial assets at fair value through profit or loss		13	281
Net (loss) gain on financial assets at fair value through profit or loss		(3,826)	1,298
Other operating expenses		(10,819)	(11,467)
Profit from operations		15,766	21,666
Finance costs	4	(3,401)	(2,570)
Profit before taxation	4	12,365	19,096
Taxation	5	(1,826)	(2,889)
Profit for the period, attributable to equity holders of the Company		10,539	16,207
Dividends	6	11,180	16,900
Earnings per share	7		
Basic		4.1 cents	6.2 cents



CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Non-current assets			
Investment properties	8	195,896	196,072
Property, plant and equipment	8	29,570	30,897
Prepaid lease payments for leasehold land		39,341	39,585
Held-to-maturity financial assets		46,124	–
Available-for-sale financial assets		5,947	6,111
		316,878	272,665
Current assets			
Inventories		12,070	13,720
Trade and other receivables	9	30,823	33,486
Financial assets at fair value through profit or loss		19,824	28,221
Pledged bank deposits		40,316	33,569
Cash and cash equivalents		30,870	17,815
		133,903	126,811
Current liabilities			
Short-term borrowings, secured		112,742	65,386
Current portion of long-term bank loan, secured		1,712	1,521
Trade and other payables	10	6,709	10,181
Current portion of deferred income	11	25	–
Tax payable		2,606	874
Dividends payable		22,372	6,766
		146,166	84,728
Net current (liabilities) assets		(12,263)	42,083
Total assets less current liabilities		304,615	314,748



CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2008

	Notes	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Non-current liabilities			
Provision for long service payments		1,400	1,400
Provision for directors' retirement benefits		8,390	8,267
Long-term bank loan, secured		21,238	22,246
Long-term portion of deferred income	11	3,779	–
Deferred taxation		8,606	9,004
		43,413	40,917
NET ASSETS		261,202	273,831
Capital and reserves			
Share capital		13,000	13,000
Reserves		248,202	260,831
TOTAL EQUITY		261,202	273,831



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2008

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve		Exchange reserve HK\$'000	Accumulated profits		Total HK\$'000
			Properties HK\$'000	Investment HK\$'000		Proposed dividends HK\$'000	Undistributed profits HK\$'000	
At 1 January 2008 (audited)	13,000	24,925	5,261	2,504	3,663	14,300	210,178	273,831
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	(173)	-	-	(173)
Exchange difference arising from translation of inter-company balances of overseas subsidiaries	-	-	-	-	(575)	-	-	(575)
Change in fair value of available-for-sale financial assets	-	-	-	(320)	-	-	-	(320)
Profit for the period	-	-	-	-	-	-	10,539	10,539
Interim dividends declared	-	-	-	-	-	3,380	(11,180)	(7,800)
2007 final dividends transferred to dividends payable	-	-	-	-	-	(14,300)	-	(14,300)
At 30 June 2008 (unaudited)	13,000	24,925	5,261	2,184	2,915	3,380	209,537	261,202
At 1 January 2007 (audited)	13,000	24,925	5,261	1,583	2,022	16,900	211,872	275,563
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	4,042	-	-	4,042
Exchange difference arising from translation of inter-company balances of overseas subsidiaries	-	-	-	-	(1,771)	-	-	(1,771)
Profit for the period	-	-	-	-	-	-	16,207	16,207
Interim dividends declared	-	-	-	-	-	16,900	(16,900)	-
2006 final dividends transferred to dividends payable	-	-	-	-	-	(16,900)	-	(16,900)
At 30 June 2007 (unaudited)	13,000	24,925	5,261	1,583	4,293	16,900	211,179	277,141



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	21,526	14,685
Net cash used in investing activities	(41,850)	(13,488)
Net cash generated from (used in) financing activities	40,129	(22,664)
Net increase (decrease) in cash and cash equivalents	19,805	(21,467)
Cash and cash equivalents at beginning of period	51,384	67,223
Effect of foreign exchange rate changes	(3)	118
Cash and cash equivalents at end of period	71,186	45,874
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	40,316	30,233
Bank balances and cash	30,870	15,641
	71,186	45,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008

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"). They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties, buildings situated on leasehold land, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

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 2007.

The new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are effective from the current period does not have any significant effect on the financial position or performance of the Group.

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period. The Group is in the process of making an assessment of what the impact of these HKFRS is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.



3. SEGMENT INFORMATION

Segment information is presented in respect of the geographical segments and business segments. Turnover in the income statement represents revenue from external sales as included in the segment information.

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

Geographical segments

	Hong Kong	Other regions in the PRC	Southeast Asia	North America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2008								
Segment revenue								
External sales	25,341	13,781	5,060	2,041	4,004	1,112	293	51,632
Segment results	11,019	4,886	(628)	325	3,581	1,044	762	20,989
Unallocated corporate expenses								(5,223)
Profit from operations								15,766
Six months ended 30 June 2007								
Segment revenue								
External sales	25,286	9,506	6,656	3,990	4,096	144	387	50,065
Segment results	12,326	3,557	3,374	2,235	4,124	1,014	166	26,796
Unallocated corporate expenses								(5,130)
Profit from operations								21,666



3. SEGMENT INFORMATION (CONTINUED)

Business segments

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Six months ended 30 June 2008					
Segment revenue					
External sales	44,355	5,309	1,968	–	51,632
Segment results	17,181	4,403	(597)	(10)	20,977
Unallocated corporate expenses					(5,211)
Profit from operations					15,766
Six months ended 30 June 2007					
Segment revenue					
External sales	43,738	4,836	1,485	6	50,065
Segment results	18,721	4,605	3,550	(3)	26,873
Unallocated corporate expenses					(5,207)
Profit from operations					21,666



4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
This is stated after charging (crediting):		
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	3,083	1,979
Interest on bank loan wholly repayable more than five years	318	591
	3,401	2,570

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(b) Other items		
Cost of inventories	16,885	15,447
Dividend income from listed securities	(389)	(277)
Gain on disposal of property, plant and equipment	-	(14)



5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profits for the 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:

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	2,000	2,304
Overseas tax	224	485
	2,224	2,789
Deferred tax		
(Reversal) Origination of temporary differences	(398)	100
	1,826	2,889

6. DIVIDENDS

At the board meeting held on 23 April 2008, the directors proposed a final dividend of HK5.5 cents per share totalling HK\$14,300,000 for the year ended 31 December 2007 (year ended 31 December 2006: HK3 cents per share totalling HK\$7,800,000) and no special final dividend for the year ended 31 December 2007 (year ended 31 December 2006: HK3.5 cents per share totalling HK\$9,100,000), which have been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 26 June 2008, the appropriation was transferred to dividends payable.

On 26 June 2008, the directors declared a first interim dividend of HK3 cents per share totalling HK\$7,800,000 (2007: HK4 cents per share totalling HK\$10,400,000) in respect of the six months ended 30 June 2008 payable to the shareholders on the register of members of the Company on 18 July 2008.

On 16 September 2008, the directors declared a second interim dividend of HK1.3 cents per share totalling HK\$3,380,000 (2007: HK2.5 cents per share totalling HK\$6,500,000) in respect of the six months ended 30 June 2008 payable to the shareholders on the register of members of the Company on 16 October 2008.



7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$10,539,000 (2007: HK\$16,207,000) and the 260,000,000 (2007: 260,000,000) 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 ended 30 June 2007 and 2008.

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

In the opinion of the directors, the fair value of the Group's investment properties and leasehold buildings situated in Hong Kong, UK and Singapore as at 30 June 2008 was not materially different from that as at 31 December 2007.

The Group recorded a deficit on exchange realignment of HK\$176,000 on the investment properties situated in UK during the period, which has been recognised as part of the exchange difference arising from translation of financial statements of overseas subsidiaries in the exchange reserve.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Trade receivables	22,446	18,787
Bills receivable	4,103	8,925
Other receivables Deposits, prepayments and other debtors	4,274	5,774
	30,823	33,486



9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Within 30 days	7,313	16,740
31 – 60 days	9,835	287
61 – 90 days	5,298	1,760
	22,446	18,787

10. TRADE AND OTHER PAYABLES

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Trade payables	1,405	3,574
Other payables		
Accrued charges and other creditors	5,304	6,607
	6,709	10,181



10. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables is as follows:

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Within 30 days	819	3,026
31 – 60 days	586	537
61 – 90 days	–	11
	1,405	3,574

11. DEFERRED INCOME

The amount represents lease premium received in advance in respect of the Group's investment properties in UK, which is recognised as income on a straight-line basis over the lease term of 153 years.

12. PLEDGE OF ASSETS

Certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties and securities were pledged to secure banking facilities, including bank loans, granted to the Group to the extent of HK\$138,070,000 (31 December 2007: HK\$136,478,000), of which HK\$135,692,000 (31 December 2007: HK\$89,153,000) were utilised at the balance sheet date.



12. PLEDGE OF ASSETS (CONTINUED)

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

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Buildings situated on leasehold land	7,427	7,520
Prepaid lease payments for leasehold land	30,613	30,743
Investment properties	130,327	130,503
Financial assets at fair value through profit or loss	3,812	2,745
	172,179	171,511

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK\$40,316,000 (31 December 2007: HK\$33,569,000) and HK\$9,435,000 (31 December 2007: HK\$17,522,000) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK\$60,661,000 (31 December 2007: HK\$62,400,000).



13. 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.

	Six month ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Compensation to key management personnel, excluding directors:		
– Salaries and other benefits	817	807
– Contributions to defined contribution plan	18	18
Royalty to a director (<i>Note</i>)	93	93

Note:

Mr. Gan Wee Sean was interested as a licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a license to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore.

14. LITIGATION

A subsidiary of the Company had made a claim against a co-owner of the building (the “Co-owner”) at which the Group’s registered office is located (the “Building”) by filing a Statement of Claim to the Court of First Instance on 14 December 2007, claiming that the Co-owner has no right to change the name of the building either unilaterally or together with other owners of the Building unless all owners of the Building agree to the change. A hearing was held on 14 August 2008 and a judgement was issued by the Court of First Instance on 12 September 2008 in favour of the subsidiary.

**15. POST BALANCE SHEET EVENT**

A subsidiary of the Company (the "Subsidiary"), which is the owner of the roof of a building (the "Building") has been informed by the incorporated owners of the Building (the "Incorporated Owners") that there are property developers interested in acquiring the entire Building for redevelopment purposes and the Incorporated Owners has been liaising with a real estate agent to arrive at a reasonable sale price and thereafter, to obtain the agreement of all owners of units in the Building for the entire Building to be sold by way of tender.

On 21 July 2008, the Subsidiary entered into a non-legally binding letter of intent in relation to the proposed sale of its interest in the Building. According to the letter of intent, the intended consideration shall be (1) a cash amount and (2) the developer (being the successful tenderer of the Building) shall ensure that the roof of the new building can be used to erect and display advertisement boards and shall provide the relevant plans of the new building to a surveyor appointed by the Subsidiary for review prior to submission of the same with the relevant government authorities and upon completion of the redevelopment, the developer shall immediately transfer all ownership right of the roof of the new building to the Subsidiary at a cash consideration and be responsible for all other expenses (including legal costs, registration fees and tax) in relation to the transfer.

The transaction is still in progress as at the date of approval of these interim financial statements.

16. CAPITAL COMMITMENT

During the year ended 31 December 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with maximum commitment for capital injection of US\$1 million (equivalent to HK\$7.8 million) up to 31 December 2011. As at 30 June 2008, US\$310,000 (equivalent to approximately HK\$2,418,000) was called and paid. The remaining US\$690,000 (equivalent to approximately HK\$5,382,000) would be payable upon receiving instructions from the bank.



DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2008, the interests and short positions of the directors and chief executives 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in shares of the Company

Name of director	Personal interests	Number of shares held			Total	Percentage of issued share capital of the Company
		Family interests	Corporate interests			
Mr. Gan Wee Sean	22,673,600	1,983,800 (Note 1)	54,436,200 (Note 2)	79,093,600 (Note 2)	30.4%	
Mr. Gan Fock Wai, Stephen	8,252,400	–	52,106,600 (Note 3)	60,359,000 (Note 3)	23.2%	

(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%



DISCLOSURE OF INTERESTS AND OTHER INFORMATION

(CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES (Continued)

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

(Continued)

(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%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 shares of the Company, 800 non-voting deferred shares of HHPFY and 711,111 non-voting deferred shares of PFYI.
2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,093,600 shares in aggregate represented approximately 30.4% of the issued share capital of the Company.
3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32%. The total number of 60,359,000 shares in aggregate represented approximately 23.2% 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 2008, 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. 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 executives 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

SECOND INTERIM DIVIDEND

The directors resolved to declare a second interim dividend of HK1.3 cents per share in respect of the six months ended 30 June 2008 payable to the shareholders on the register of members of the Company on 16 October 2008. Dividends warrants will be dispatched to the shareholders on or about 3 November 2008.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 13 October 2008 to Thursday, 16 October 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 10 October 2008.



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

The Company has adopted all the code provisions in the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30 June 2008, the Company has met with the code provisions as set out in the Code, except for the following deviations:

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

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



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 compliance with the required standard set out in the Model Code during the six months ended 30 June 2008.

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 2008 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 8 to page 23 have also been reviewed by the Company's auditors, 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.