



WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 239

Interim Report 2009

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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

Lo Tai On

REGISTERED OFFICE

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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

AUDITOR

Mazars CPA Limited

42nd Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

SOLICITORS

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26th, Jardine House

1 Connaught Place

Central

Hong Kong

PRINCIPAL REGISTRAR

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG SHARE REGISTRAR

Tricor Standard Limited

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STOCK CODE

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(R) *Remuneration Committee member*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary

For the six months ended 30 June 2009, the Group's turnover decreased by 26.6% to HK\$37,876,000 (2008: HK\$51,632,000) mainly due to decreased contributions from sales of Hoe Hin brand of products, treasury investment as well as rental income.

Revaluation surplus of the Group's investment properties for the period was HK\$6,250,000 (2008: Nil). The revaluation of other properties has resulted in a net revaluation loss in this period of HK\$2,117,000 (2008: Nil).

Despite contributions from all business segments were decreased, the recent rally in financial markets helped improved market sentiment, which had positive effect on mark-to-market fair value movement of our listed investments.

Net profit for the six months ended 30 June 2009 increased by 51.4% to approximately HK\$15,961,000 (2008: HK\$10,539,000).

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 decreased by 26.7% to HK\$32,492,000 (2008: HK\$44,355,000).

Hong Kong remained the major market of our Hoe Hin brand of products which accounted for about 48.9% (2008: 46.5%) of the total revenue. Mainland China accounted for about 15.3% (2008: 26.7%). Both contributions from Hong Kong and Mainland China had been less than the same period last year. Contribution from Philippines had been improved, while sales in other regions had no significant changes. Number of tourists to Hong Kong dropped remarkably comparing to the same period last year, particularly during the golden week of the Labour Day. In addition, to accommodate the sales plan and inventory management of our distributor in Mainland China, certain sales orders planned for the first half had been rescheduled and are to be delivered in the second half of the year.

Segment profit decreased by 46.4% to HK\$9,213,000 (2008: HK\$17,181,000), mainly due to less contributions from Hong Kong and Mainland China as well as increased marketing and promotional expenses during the period.

Property investment

Revenue for this segment decreased by 21.5% to HK\$4,167,000 (2008: HK\$5,309,000). This change mainly represents decreased average exchange rate in translating foreign rental income.

Net revaluation surplus in respect of the Group's properties of HK\$4,133,000 (2008: Nil) was recognised for the period as a result of recovering property market in Hong Kong.

As a result, the segment profit increased by 68.2% to HK\$7,406,000 (2008: HK\$4,403,000).

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

Revenue derived from this segment decreased to HK\$1,217,000 (2008: HK\$1,968,000), primarily due to less interest income earned from debt securities, as well as decreased average exchange rate in translating foreign interest income. However, the improving financial markets led to a better performance in this segment. The segment results increased to a profit of HK\$7,738,000 (2008: loss of HK\$597,000), mainly attributable to favourable movement in fair value changes on listed investments and favourable changes in exchange rates of bank deposits denominated in foreign currencies, partly offset by the decrease in interest income as aforesaid.

Finance costs

The decrease of HK\$2,696,000 to HK\$705,000 was mainly due to repayment of bank loan during the period, and lower market interest rates and average exchange rates in translating foreign interest payments comparing to the same period in previous year.

Taxation

There was an increase in taxation from HK\$1,826,000 to HK\$2,372,000 for the period, principally due to increased deferred tax provision arising from revaluation on investment properties, partly offset by a net decrease in taxable operating profit 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 2009 was 35.9% (31 December 2008: 51.4%). Total bank borrowings of the Group amounted to HK\$77,175,000 (31 December 2008: HK\$107,853,000), mainly denominated in Pound Sterling, Japanese Yen and Hong Kong dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 1.4 (31 December 2008: 1.1) as at 30 June 2009.

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 Pound Sterling. As at 30 June 2009, the Group's debt borrowings were mainly denominated in Pound Sterling, Japanese Yen and Hong Kong dollars. The Group also had equity and debt securities denominated in foreign currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. Other than United States dollars whose exchange rate 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 2009 were approximately HK\$45.9 million (31 December 2008: HK\$74.6 million) in total, or about 13.3% (31 December 2008: 20.9%) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debts borrowings) of approximately HK\$48.3 million (31 December 2008: HK\$8.4 million) relating to properties investments in the United Kingdom.

Debts borrowings were either denominated in Hong Kong dollars or the currencies of the underlying pledged assets. Net foreign exchange exposure, being foreign debt borrowings in excess of their underlying assets, was approximately HK\$10.7 million.

PLEDGE OF ASSETS

As at 30 June 2009, certain of the Group's leasehold properties, leasehold land interests, investment properties, bank deposits and securities with carrying value of approximately HK\$166.9 million (31 December 2008: HK\$143.5 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$95.1 million (31 December 2008: HK\$135.1 million), of which HK\$77.2 million (31 December 2008: HK\$107.9 million) were utilised as at 30 June 2009.

In addition, certain bank deposits and financial assets at fair value through profit or loss with a total carrying amount of HK\$3.2 million (31 December 2008: HK\$2.9 million) were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15.6 million (31 December 2008: HK\$15.6 million).

HUMAN RESOURCES

As at 30 June 2009, the Group had a total of 98 (31 December 2008: 101) employees. Fringe benefits such as tuition subsidies and medical allowances 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

Following different policy measures taken by governments worldwide to deal with the financial crisis, the global financial markets have generally become stable in the first half of the year. Notwithstanding recent rally in financial markets which may have improved market sentiment for investments, the effectiveness of such policy measures is still uncertain on the revival of global economy. As we move on, our long recognised success in providing high quality medicated products would ensure our competitiveness in the market, which we believe, coupled with our healthy financial position, would help us encounter different challenges during the current economic environment.

By Order of the Board
Gan Wee Sean
Chairman

Hong Kong, 21 September 2009

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS



MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42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 25, comprising the condensed consolidated balance sheet as at 30 June 2009 and the related condensed consolidated statement of comprehensive income, 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21 September 2009

Yip Ngai Shing
Practising Certificate number: P05163

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Turnover	3	37,876	51,632
Other revenue		467	447
Changes in inventories of finished goods		5,621	(192)
Raw materials and consumables used		(9,982)	(10,629)
Staff costs		(10,999)	(9,458)
Depreciation and amortisation expenses		(1,766)	(1,781)
Net exchange gain		4,822	379
Net gain on disposal of financial assets at fair value through profit or loss		120	13
Gain on disposal of held-to-maturity financial assets	9	755	–
Other operating expenses		(13,095)	(10,819)
Profit from operations before fair value changes of financial assets through profit or loss and properties		13,819	19,592
Revaluation surplus in respect of investment properties		6,250	–
Revaluation deficit in respect of properties other than investment properties		(2,117)	–
Net gain (loss) on financial assets at fair value through profit or loss		1,086	(3,826)
Profit from operations		19,038	15,766
Finance costs	4	(705)	(3,401)
Profit before taxation	4	18,333	12,365
Taxation	5	(2,372)	(1,826)
Profit for the period, attributable to equity holders of the Company		15,961	10,539

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

Six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Other comprehensive income (loss)			
Change in fair value of available-for-sale financial assets		(207)	(320)
Revaluation deficit in respect of properties other than investment properties, net of deferred tax of HK\$88,000		(444)	–
Exchange difference arising from translation of financial statements of overseas subsidiaries		11,607	(173)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries		(5,826)	(575)
Other comprehensive income (loss) attributable to equity holders of the Company		5,130	(1,068)
Total comprehensive income attributable to equity holders of the Company		21,091	9,471
Earnings per share			
Basic and diluted	7	6.1 cents	4.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Non-current assets			
Investment properties	8	150,460	132,948
Property, plant and equipment	8	28,389	32,548
Prepaid lease payments for leasehold land		38,854	39,097
Held-to-maturity financial assets	9	–	33,578
Available-for-sale financial assets		4,963	5,691
		222,666	243,862
Current assets			
Inventories		15,293	9,573
Trade and other receivables	10	22,199	35,733
Financial assets at fair value through profit or loss		40,862	19,168
Pledged bank deposits		8,606	16,523
Cash and cash equivalents		35,142	31,761
		122,102	112,758
Current liabilities			
Short-term borrowings, secured		55,952	85,757
Current portion of long-term bank loan, secured		1,772	1,754
Current portion of deferred income	11	27	21
Trade and other payables	12	9,731	11,804
Tax payable		2,817	1,581
Dividends payable		16,418	4,199
		86,717	105,116
Net current assets		35,385	7,642
Total assets less current liabilities		258,051	251,504

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2009

	Notes	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Non-current liabilities			
Long-term bank loan, secured		19,451	20,342
Long-term portion of deferred income	11	4,053	3,108
Provision for long service payments		1,900	1,900
Provision for directors' retirement benefits		9,080	8,514
Deferred taxation		8,626	7,689
		43,110	41,553
NET ASSETS		214,941	209,951
Capital and reserves			
Share capital		12,985	12,985
Reserves		201,956	196,966
TOTAL EQUITY		214,941	209,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009

	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 2009 (audited)	12,985	24,594	5,705	1,149	(11,395)	16,101	160,812	209,951
Total comprehensive income (loss) attributable to equity holders of the Company	-	-	(444)	(207)	5,781	-	15,961	21,091
Interim dividends declared	-	-	-	-	-	4,675	(4,675)	-
2008 final dividends transferred to dividends payable	-	-	-	-	-	(16,101)	-	(16,101)
At 30 June 2009 (unaudited)	12,985	24,594	5,261	942	(5,614)	4,675	172,098	214,941
At 1 January 2008 (audited)	13,000	24,925	5,261	2,504	3,663	14,300	210,178	273,831
Total comprehensive income (loss) attributable to equity holders of the Company	-	-	-	(320)	(748)	-	10,539	9,471
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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2009

	Six months ended 30 June	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Net cash generated from operating activities	20,082	21,526
Net cash generated from (used in) investing activities	18,588	(41,850)
Net cash (used in) generated from financing activities	(44,571)	40,129
Net (decrease) increase in cash and cash equivalents	(5,901)	19,805
Cash and cash equivalents at beginning of period	48,284	51,384
Effect of foreign exchange rate changes	1,365	(3)
Cash and cash equivalents at end of period	43,748	71,186
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	8,606	40,316
Bank balances and cash	35,142	30,870
	43,748	71,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2009

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 2008.

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 2008 except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRS") which are or have become effective for annual periods beginning on or after 1 January 2009:

HKAS 1 (Revised) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement: a statement of comprehensive income. The adoption of this revised standard had no impact on the reported results or financial position of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 8 Operating segments

This standard replaces HKAS 14 *Segment Reporting*. It requires segment information to be reported based on internal information used by the Group's chief operating decision maker to evaluate the performance of operating segments and allocate resources to those segments and replaces the requirement to determine primary and secondary reporting segments previously identified under HKAS 14. The Group has determined that the operating segments to be reported under HKFRS 8 would be the business segments previously identified under HKAS 14. The adoption of this standard did not have any 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

The Group's operating businesses are structured and managed separately according to the nature of their operations. Each of the Group's business segments represents a strategic business unit subject to risks and returns that are different from those of the other business segments. Turnover in the statement of comprehensive income represents revenue from external sales as included in the segment information.

3. SEGMENT INFORMATION (CONTINUED)

Business segment

	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 2009					
Segment revenue					
External sales	32,492	4,167	1,217	–	37,876
Segment results	9,213	7,406	7,738	(9)	24,348
Unallocated corporate expenses					(5,310)
Profit from operations					19,038
Finance costs					(705)
Profit before taxation					18,333
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
Finance costs					(3,401)
Profit before taxation					12,365

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Hong Kong (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Southeast Asia (unaudited) HK\$'000	North America (unaudited) HK\$'000	United Kingdom (unaudited) HK\$'000	Europe (excluding United Kingdom) (unaudited) HK\$'000	Others (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Six months ended 30 June 2009								
Geographical revenue								
External sales	19,695	5,815	6,108	1,828	2,897	1,018	515	37,876
Geographical results	7,937	1,178	4,850	521	7,240	1,931	328	23,985
Unallocated corporate expenses								(4,947)
Profit from operations								19,038
Finance costs								(705)
Profit before taxation								18,333
Six months ended 30 June 2008								
Geographical revenue								
External sales	25,341	13,781	5,060	2,041	4,004	1,112	293	51,632
Geographical results	11,019	4,886	(628)	325	3,581	1,044	762	20,989
Unallocated corporate expenses								(5,223)
Profit from operations								15,766
Finance costs								(3,401)
Profit before taxation								12,365

Certain corporate expenses can be allocated by geographical regions but cannot be allocated by business segment.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	(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	488	3,083
Interest on bank loan wholly repayable more than five years	217	318
	705	3,401

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(b) Other items		
Cost of inventories	10,726	16,885
Dividend income from listed securities	(326)	(389)

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) 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	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	760	2,000
Overseas tax	587	224
	1,347	2,224
Deferred tax		
Origination (Reversal) of temporary differences	1,025	(398)
	2,372	1,826
	2,372	1,826

6. DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the period

At the board meeting held on 22 April 2009, the directors proposed a final dividend of HK6.2 cents per share totalling HK\$16,101,000 for the year ended 31 December 2008 (year ended 31 December 2007: HK5.5 cents per share totalling HK\$14,300,000), which had been reflected as an appropriation of accumulated profits. Upon the approval by shareholders on 25 June 2009, the appropriation was transferred to dividends payable.

6. DIVIDENDS (CONTINUED)

Dividends attributable to the period

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
First interim dividend	7,791	7,800
Second interim dividend	4,675	3,380
	12,466	11,180

On 7 August 2009, the directors declared the first interim dividend of HK3 cents per share totalling HK\$7,791,000 (2008: HK3 cents per share totalling HK\$7,800,000), which is payable to the shareholders on the register of members of the Company on 28 August 2009.

On 21 September 2009, the directors declared the second interim dividend of HK1.8 cents per share totalling HK\$4,675,000 (2008: HK1.3 cents per share totalling HK\$3,380,000), which is payable to the shareholders on the register of members of the Company on 22 October 2009.

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\$15,961,000 (2008: HK\$10,539,000) and the 259,700,000 (2008: 260,000,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2008 and 2009.

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

The Group's investment properties and leasehold buildings situated in Hong Kong were stated at fair value as at 30 June 2009 as estimated by the directors with reference to the valuation provided by independent professional valuers. The Group recorded a surplus on revaluation of the investment properties situated in Hong Kong of HK\$6,250,000 during the period, which was recognised in the statement of comprehensive income. On the other hand, the Group recorded a deficit on revaluation of the leasehold buildings situated in Hong Kong of HK\$2,649,000 during the period, of which HK\$2,117,000 was recognised in the statement of comprehensive income and HK\$532,000 was recognised in the property revaluation reserve.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In the opinion of the directors, the fair value of the Group's investment properties situated in the United Kingdom and Singapore as at 30 June 2009 was not materially different from that as at 31 December 2008. The Group recorded a surplus on exchange realignment of HK\$11,262,000 on the investment properties situated in the United Kingdom 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. HELD-TO-MATURITY FINANCIAL ASSETS

During the period, the Group disposed of all of its investments in held-to-maturity financial assets, resulting in a gain of HK\$755,000.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Trade receivables	15,575	17,485
Bills receivables	3,840	14,140
Other receivables		
Deposits, prepayments and other debtors	2,784	4,108
	22,199	35,733

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

	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Within 30 days	6,759	9,937
31 – 60 days	8,816	2,702
61 – 90 days	–	4,845
More than 90 days	–	1
	15,575	17,485

11. DEFERRED INCOME

The amount represents lease premium received in advance in respect of the Group's investment properties in the United Kingdom, which is recognised as income on a straight-line basis over the lease term ranging from 152 to 153 years.

12. TRADE AND OTHER PAYABLES

	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Trade payables	2,183	1,988
Other payables		
Accrued charges and other creditors	7,548	9,816
	9,731	11,804

The ageing analysis of trade payables is as follows:

	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Within 30 days	1,645	1,646
31 – 60 days	415	342
61 – 90 days	123	–
	2,183	1,988

13. PLEDGE OF ASSETS

Certain of the Group's buildings situated on leasehold land, leasehold land interests, investment properties, bank deposits and financial assets at fair value through profit or loss were pledged to secure banking facilities, including bank loans, granted to the Group to the extent of HK\$95,058,000 (31 December 2008: HK\$135,086,000), of which HK\$77,175,000 (31 December 2008: HK\$107,853,000) were utilised at the balance sheet date.

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

	At 30 June 2009 (unaudited) HK\$'000	At 31 December 2008 (audited) HK\$'000
Buildings situated on leasehold land	8,200	9,100
Prepaid lease payments for leasehold land	30,352	30,483
Investment properties	86,872	75,610
Financial assets at fair value through profit or loss	33,242	12,067
Bank deposits	8,190	16,199
	166,856	143,459

In addition, certain bank deposits and financial assets at fair value through profit or loss of HK\$416,000 (31 December 2008: HK\$324,000) and HK\$2,805,000 (31 December 2008: HK\$2,610,000) respectively were pledged to secure standby banking facilities granted to the Group to the extent of HK\$15,600,000 (31 December 2008: HK\$15,600,000).

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.

	Six month ended 30 June	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	933	817
– Contributions to defined contribution plan	18	18
Royalty paid to a director (Note)	117	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 for the period from 1 January 2008 to 30 June 2009 for a total royalty payment of HK\$350,000.

15. LITIGATION

In 2007, a subsidiary of the Company had made a claim against a co-owner of the building (the "Co-owner") at which the Group's principal place of business is located (the "Building"), 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 the owners of the Building agrees to the change. In September 2008, a judgement was issued by the Court of First Instance in favour of the subsidiary. An appeal in respect of the judgement issued in September 2008 has been made by the Co-owner to the Court of Appeal and a judgement was issued by the Court of Appeal on 3 March 2009 in favour of the subsidiary.

15. LITIGATION (CONTINUED)

The Co-owner filed a Notice of Motion on 27 March 2009 for leave to lodge an appeal to the Court of Final Appeal. The Court of Appeal dismissed the appeal with an order nisi of costs in favour of the subsidiary and the Co-owner was adjudged to pay to the subsidiary a total of approximately HK\$0.3 million for the taxed costs together with interest on the taxed costs accruing thereon from 12 September 2008 at judgement rate until actual payment. Subsequent to the balance sheet date, the Co-owner has settled the taxed costs together with the accrued interest to the subsidiary.

16. POST BALANCE SHEET EVENT

On 8 September 2009, a subsidiary of the Company entered into an agreement to acquire the trademarks relating to the White Flower Embrocation for Hoe Hin Brand of products registered in Malaysia and Singapore (the "Trademarks") from Mr. Gan Wee Sean, an executive director and a major shareholder of the Company, at a total consideration of HK\$19,600,000 which is payable by 70 equal annual installments of HK\$280,000 each. The completion of the transaction is subject to the approval by independent shareholders of the Company at its special general meeting to be held no later than 31 October 2009 and the notice of assignment to be issued by the Malaysia and Singapore Trade Mark Offices respectively acknowledging the assignment of the Trade Marks.

17. CAPITAL COMMITMENT

In 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with commitment of maximum capital injection of US\$1 million (equivalent to HK\$7.8 million) up to 31 December 2011. As at 30 June 2009, US\$440,000 (equivalent to approximately HK\$3,432,000) (31 December 2008: US\$410,000 (equivalent to approximately HK\$3,198,000)) was called and paid. The remaining US\$560,000 (equivalent to approximately HK\$4,368,000) (31 December 2008: US\$590,000 (equivalent to approximately HK\$4,602,000)) would be payable upon receiving instructions from the bank.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION
DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2009, 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)	30.5%	
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	Personal interests	Number of non-voting deferred shares of HK\$1,000 each held			Total	Percentage owned
		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 30.5% 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, as at 30 June 2009, 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 2009, 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 HK1.8 cents per share in respect of the year ending 31 December 2009 payable to the shareholders on the register of members of the Company on 22 October 2009. Dividends warrants will be dispatched to the shareholders on or about 3 November 2009.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 19 October 2009 to Thursday, 22 October 2009, 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, 16 October 2009.

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 2009, the Company has met with the code provisions as set out in the Code, except for the following deviation:

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.

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 2009.

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 2009 has been reviewed by the audit committee. At the request of the directors, the interim financial statements set out on page 8 to page 25 have also been reviewed by the Company's auditor, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unmodified review report has been issued.