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**PAK FAH YEOW INTERNATIONAL LIMITED**

**白花油國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 239)

**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 30 JUNE 2022**

**HIGHLIGHTS**

- Revenue down 0.7% year-on-year.
- Underlying recurring profit, the performance indicator of the Group, down 37.7% year-on-year.
- Reported loss, arising from unrealised fair value loss on investment properties, was recorded in 2022.
- The Group's fundamentals are strong and remains confident of its ability to mitigate effects of disruptions ahead.

The board of directors (the “Board”) of Pak Fah Yeow International Limited (the “Company”) announces the interim results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2022 together with comparative figures for the previous year:

## RESULTS SUMMARY

	<i>Notes</i>	<b>Six months ended 30 June</b>		Change
		<b>2022</b>	2021	
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	
Revenue	<i>1</i>	<b>56,202</b>	56,606	-0.7%
Reported (loss) profit	<i>2</i>	<b>(2,207)</b>	10,282	n/m
Underlying recurring profit	<i>3</i>	<b>7,779</b>	12,496	-37.7%
		<b><i>HK cents</i></b>	<i>HK cents</i>	
(Loss) Earnings per share:	<i>4</i>			
Reported (loss) profit		<b>(0.7)</b>	3.3	n/m
Underlying recurring profit		<b>2.5</b>	4.0	-37.5%
Total dividends per share	<i>4</i>	<b>2.3</b>	2.8	-17.9%
		<b>At</b>	At	
		<b>30 June</b>	31 December	
		<b>2022</b>	2021	
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	
Shareholders' funds	<i>5</i>	<b>677,852</b>	707,722	-4.2%
		<b><i>HK\$</i></b>	<i>HK\$</i>	
Net asset value per share	<i>6</i>	<b>2.18</b>	2.27	-4.0%

n/m: not meaningful

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*Six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>56,202</b>	56,606
Other revenue	3	<b>72</b>	166
Other net income	4	<b>706</b>	175
Changes in inventories of finished goods		<b>3,509</b>	3,024
Raw materials and consumables used		<b>(12,765)</b>	(13,698)
Staff costs		<b>(17,158)</b>	(17,013)
Depreciation expenses		<b>(3,758)</b>	(3,617)
Net exchange loss		<b>(2,467)</b>	(378)
Other operating expenses		<b>(13,166)</b>	(8,762)
<b>Profit from operations before fair value changes of financial assets through profit or loss and of investment properties</b>		<b>11,175</b>	16,503
Net (loss) gain on changes in fair value of financial assets at fair value through profit or loss		<b>(2,885)</b>	1,244
Revaluation deficit in respect of investment properties		<b>(7,101)</b>	(3,458)
<b>Profit from operations</b>		<b>1,189</b>	14,289
Finance costs	5	<b>(457)</b>	(424)
<b>Profit before taxation</b>	5	<b>732</b>	13,865
Taxation	6	<b>(2,939)</b>	(3,583)
<b>(Loss) Profit for the period, attributable to owners of the Company</b>		<b>(2,207)</b>	10,282

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive (loss) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising from translation of financial statements of overseas subsidiaries		(7,379)	1,364
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments		283	(99)
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation (deficit) surplus of leasehold land and buildings, net of tax effect of HK\$616,000 (2021: HK\$2,911,000)		(3,115)	14,732
<b>Other comprehensive (loss) income for the period, net of tax, attributable to owners of the Company</b>		<u>(10,211)</u>	<u>15,997</u>
<b>Total comprehensive (loss) income for the period, attributable to owners of the Company</b>		<u><u>(12,418)</u></u>	<u><u>26,279</u></u>
<b>(Loss) Earnings per share</b>			
Basic and diluted	8	<u><u>(0.7 cent)</u></u>	<u><u>3.3 cents</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At <b>30 June 2022</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 December 2021 <b>(audited)</b> <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		<b>266,482</b>	285,624
Property, plant and equipment		<b>329,694</b>	337,115
Intangible assets		<b>2,450</b>	2,450
Financial assets at fair value through profit or loss		<b>5,058</b>	5,107
Deferred tax assets		<b>1,090</b>	1,014
		<hr/> <b>604,774</b> <hr/>	<hr/> 631,310 <hr/>
<b>Current assets</b>			
Inventories		<b>21,272</b>	15,142
Trade and other receivables	9	<b>16,638</b>	13,007
Financial assets at fair value through profit or loss		<b>9,546</b>	13,621
Tax recoverable		<b>9</b>	9
Bank balances and cash		<b>171,240</b>	164,660
		<hr/> <b>218,705</b> <hr/>	<hr/> 206,439 <hr/>
<b>Current liabilities</b>			
Bank borrowings, secured		<b>13,903</b>	16,212
Current portion of deferred income		<b>232</b>	281
Trade and other payables	10	<b>12,639</b>	10,924
Tax payables		<b>6,511</b>	3,572
Dividends payable		<b>18,217</b>	782
		<hr/> <b>51,502</b> <hr/>	<hr/> 31,771 <hr/>
<b>Net current assets</b>		<hr/> <b>167,203</b> <hr/>	<hr/> 174,668 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>771,977</b> <hr/>	<hr/> 805,978 <hr/>

		At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
<b>Non-current liabilities</b>			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		34,904	38,836
Provision for directors' retirement benefits		6,606	6,146
Deferred tax liabilities		<u>50,542</u>	<u>51,201</u>
		<u>94,125</u>	<u>98,256</u>
<b>NET ASSETS</b>		<u><b>677,852</b></u>	<u>707,722</u>
<b>Capital and reserves</b>			
Share capital	11	15,582	15,582
Share premium and reserves		<u>662,270</u>	<u>692,140</u>
<b>TOTAL EQUITY</b>		<u><b>677,852</b></u>	<u>707,722</u>

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of following new/revised HKFRSs that are effective for the Group's financial year beginning on 1 January 2022.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

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

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

## 2. OPERATING SEGMENT INFORMATION

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

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

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

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

### Business segments

	Six months ended 30 June 2022			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
Revenue from external customers	53,055	3,118	29	56,202
Segment results	18,571	(5,172)	(4,110)	9,289
Unallocated corporate expenses				(8,100)
<b>Profit from operations</b>				<b>1,189</b>
Finance costs				(457)
<b>Profit before taxation</b>				<b>732</b>
Taxation				(2,939)
<b>Loss for the period</b>				<b>(2,207)</b>
	Six months ended 30 June 2021			
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue from external customers	53,399	3,180	27	56,606
Segment results	21,276	(1,005)	859	21,130
Unallocated corporate expenses				(6,841)
<b>Profit from operations</b>				<b>14,289</b>
Finance costs				(424)
<b>Profit before taxation</b>				<b>13,865</b>
Taxation				(3,583)
<b>Profit for the period</b>				<b>10,282</b>

### Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 June 2022 and 31 December 2021:

	At 30 June 2022			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
<b>Assets</b>				
Segment assets	482,846	267,899	70,989	821,734
Unallocated corporate assets				1,745
Consolidated total assets				<u>823,479</u>
<b>Liabilities</b>				
Segment liabilities	12,917	50,087	–	63,004
Unallocated corporate liabilities				82,623
Consolidated total liabilities				<u>145,627</u>
		At 31 December 2021		
	Healthcare (audited) HK\$'000	Property investments (audited) HK\$'000	Treasury investments (audited) HK\$'000	Consolidated (audited) HK\$'000
<b>Assets</b>				
Segment assets	472,542	287,402	76,003	835,947
Unallocated corporate assets				1,802
Consolidated total assets				<u>837,749</u>
<b>Liabilities</b>				
Segment liabilities	10,281	56,393	–	66,674
Unallocated corporate liabilities				63,353
Consolidated total liabilities				<u>130,027</u>

## Geographical information

	Revenue from external customers		Results from operations	
	Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
China	37,512	40,314	8,328	21,958
Southeast Asia	12,409	12,334	4,966	6,379
North America	4,623	2,324	1,485	1,009
United Kingdom	1,208	1,330	(3,561)	(9,649)
Europe (excluding United Kingdom)	–	–	(2,331)	1,193
Other regions	450	304	(103)	240
Unallocated corporate expenses	–	–	(7,595)	(6,841)
	<u>56,202</u>	<u>56,606</u>	<u>1,189</u>	<u>14,289</u>

### 3. OTHER REVENUE

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	47	101
Gain on disposal of financial assets at fair value through profit or loss	<u>25</u>	<u>65</u>
	<u>72</u>	<u>166</u>

#### 4. OTHER NET INCOME

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Commission received	–	16
Gain on disposal of property, plant and equipment	–	105
Sundry income	706	54
	<u>706</u>	<u>54</u>
	<u><u>706</u></u>	<u><u>175</u></u>

#### 5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>This is stated after charging:</b>		
<b>(a) Finance costs</b>		
Interest on bank borrowings	177	144
Interest on consideration payable for acquisition of trademarks	280	280
	<u>457</u>	<u>424</u>
	<u><u>457</u></u>	<u><u>424</u></u>
<b>(b) Other items</b>		
Cost of inventories	19,969	21,298
	<u>19,969</u>	<u>21,298</u>
	<u><u>19,969</u></u>	<u><u>21,298</u></u>

## 6. TAXATION

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

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

The charge comprises:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Hong Kong Profits Tax		
– Current period	<b>2,942</b>	2,890
Overseas tax	<b>117</b>	229
	<b>3,059</b>	3,119
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>(120)</b>	464
	<b>2,939</b>	3,583

## 7. DIVIDENDS

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

At the board meeting held on 31 March 2022, the directors proposed a final dividend of HK3.8 cents per share totalling HK\$11,842,000 for the year ended 31 December 2021 (*year ended 31 December 2020: HK3.8 cents per share totalling HK\$11,842,000*) and a special dividend HK1.8 cents per share totalling HK\$5,610,000 (*2020: Nil*). Upon the approval by shareholders on 30 June 2022, the appropriation was transferred to dividends payable.

### Dividends attributable to the period

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK2.3 cents per share ( <i>2021: Interim dividend of HK2.8 cents</i> )	<b>7,168</b>	8,726

On 31 August 2022, the directors declared an interim dividend of HK2.3 cents per share totalling HK\$7,168,000 (*2021: HK2.8 cents per share totalling HK\$8,726,000 declared on 26 August 2021*), which was payable to the shareholders on the register of members of the Company on 7 October 2022.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the loss attributable to owners of the Company for the period of HK\$2,207,000 (*2021: profit of HK\$10,282,000*) and the weighted average number of 311,640,000 (*2021: 311,640,000*) ordinary shares in issue during the period.

Diluted (loss) earnings per share equals to basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2021 and 2022.

## 9. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Trade receivables	4,844	3,002
Bills receivable	8,156	5,729
Other receivables		
Deposits, prepayments and other debtors	<u>3,638</u>	<u>4,276</u>
	<u><b>16,638</b></u>	<u><b>13,007</b></u>

The Group allows credit period ranging from 30 days to 120 days (2021: 30 days to 120 days) to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Within 30 days	3,017	758
31 – 60 days	781	994
61 – 90 days	264	63
91 – 120 days	<u>782</u>	<u>1,187</u>
	<u><b>4,844</b></u>	<u><b>3,002</b></u>

## 10. TRADE AND OTHER PAYABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
<b>Trade payables</b>	<u>2,989</u>	<u>1,644</u>
<b>Other payables</b>		
Accrued charges and other creditors	2,726	4,113
Accrued advertising and promotion expenses	6,924	3,718
Accrued rebates and discounts	<u>–</u>	<u>1,449</u>
	<u>9,650</u>	<u>9,280</u>
	<u><b>12,639</b></u>	<u><b>10,924</b></u>

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

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Within 30 days	2,585	1,630
31 – 60 days	387	–
61 – 90 days	–	–
More than 90 days	<u>17</u>	<u>14</u>
	<u><b>2,989</b></u>	<u><b>1,644</b></u>

## 11. SHARE CAPITAL

	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At beginning and end of the reporting period – Ordinary share of HK\$0.05 each	<u>600,000,000</u>	<u>30,000</u>	<u>600,000,000</u>	<u>30,000</u>
Issued and fully paid:				
At beginning and end of the reporting period	<u>311,640,000</u>	<u>15,582</u>	<u>311,640,000</u>	<u>15,582</u>

## 12. PLEDGE OF ASSETS

The Group's investment properties were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$61,035,000 (31 December 2021: HK\$63,381,000), of which HK\$13,903,000 (31 December 2021: HK\$16,212,000) were utilised at the end of the reporting period.

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

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Investment properties	<u>109,135</u>	<u>125,277</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Results Overview

In the first half of 2022, the global economic recovery remained uncertain and the world had felt the effects of slower growth and faster inflation. Geopolitical tensions, inbound quarantine and reduce gatherings measures continued to affect Hong Kong. During this period, the Group adhered to its core business development despite the business was facing unprecedented challenges in the current environment.

The Group recorded total revenue of HK\$56,202,000 for the six months ended 30 June 2022, a slight decline of 0.7% from HK\$56,606,000 for the same corresponding period in 2021. Revenue of each business segment is as follows:

	Six months ended 30 June		Change %
	2022 HK\$'000	2021 HK\$'000	
Healthcare	53,055	53,399	-0.6
Property Investments	3,118	3,180	-1.9
Treasury Investments	29	27	+7.4
	<u>56,202</u>	<u>56,606</u>	-0.7

Underlying Recurring Profit, which excludes from Reported (Loss) Profit the unrealised fair value changes of financial assets and of investment properties, was HK\$7,779,000, down 37.7% from HK\$12,496,000 year-on-year. This mainly reflected increased advertising and promotional expenses for Healthcare business and additional property expenses due to building renovation and maintenance works. Earnings per share of Underlying Recurring Profit was HK2.5 cents as compared to HK4.0 cents for 2021.

Reported (Loss) Profit for the six months ended 30 June 2022 was a loss of HK\$2,207,000 (2021: a profit of HK\$10,282,000), primarily due to unrealised fair value loss on the Group's investment properties of HK\$7,101,000 (2021: HK\$3,458,000) and on the Group's listed investments of HK\$2,885,000 (2021: gain of HK\$1,244,000). Loss per share of Reported (Loss) Profit was HK0.7 cent as compared to earnings per share of HK3.3 cents for 2021.

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

	<b>Six months ended 30 June</b>		Change %
	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
<b>Underlying Recurring Profit</b>	<b>7,779</b>	12,496	-37.7
Unrealised fair value changes of:			
Financial assets	<b>(2,885)</b>	1,244	
Investment properties:			
United Kingdom	<b>(4,101)</b>	(10,758)	
Hong Kong and Singapore	<b>(3,000)</b>	7,300	
	<u><b>(2,207)</b></u>	<u>10,282</u>	
<b>Reported (Loss) Profit</b>	<b>(2,207)</b>	10,282	n/m

n/m: not meaningful

The revaluation of other properties, which is accounted for as other comprehensive (loss) income, has resulted in a net revaluation loss for the period of HK\$3,115,000 (2021: gain of HK\$14,732,000).

Total comprehensive loss attributable to owners for the six months ended 30 June 2022 was approximately HK\$12,418,000 (2021: income of HK\$26,279,000).

## OPERATIONS REVIEW

### Healthcare

Revenue from Healthcare segment slightly declined by 0.6% to HK\$53,055,000 (2021: HK\$53,399,000). Segment profit declined by 12.7% to HK\$18,571,000 (2021: HK\$21,276,000) mainly attributable to increased advertising and promotional expenses which is in line with the sales and marketing plan in 2022 and additional property expenses for building renovation and maintenance works for the Group's self-use properties in Hong Kong. Revenue of each geographical segment is as follows:

	Six months ended 30 June		
	2022 HK\$'000	2021 HK\$'000	Change %
China	35,685	38,549	-7.4
Southeast Asia	12,297	12,222	+0.6
North America	4,623	2,325	+98.8
Others	450	303	+48.5
<b>Segment revenue</b>	<b>53,055</b>	<b>53,399</b>	<b>-0.6</b>
<b>Segment result-profit</b>	<b>18,571</b>	<b>21,276</b>	<b>-12.7</b>

China market saw a decrease in sales year-on-year mainly due to citywide lockdowns in several cities in the mainland. The lockdowns had continued to restrict movements of people, affecting logistical operations and therefore had affected sales revenue in this market. Advertising and branding efforts had continued via online platforms throughout the first half of 2022 to ensure that consumers continued to remember and recall the brand thus strengthening brand awareness in the market.

Sales turnover in Southeast Asia continued to remain stable with modest growth as markets began to open up again. With a majority of cities in this region easing most, if not all restrictions, consumer sentiment and confidence had improved compared to a year earlier and therefore sales in this segment would continue to improve.

North America market had continued to see tremendous growth contributed mainly from the USA. The distributor had mainly focused their advertising efforts on the Asian community market through more traditional advertising channels in the first quarter of 2022 when the pandemic was less severe around that time of year. Unfortunately, the Omicron variant had disrupted this momentum temporarily in the second quarter due to rising cases in the country. However, more advertising campaigns will be rolled out in the second half of the year to capture new market segments and to continue to refine the retail sales channels to leverage on the growth momentum in the market.

### Property Investments

Revenue for this segment slightly declined by 1.9% to HK\$3,118,000 (2021: HK\$3,180,000). This change mainly represents a decrease in the United Kingdom rental income as a result of an overprovision adjustment made in 2022 for a turnover rent recognised in previous year. The decrease in average exchange rate in translating Pound Sterling to Hong Kong Dollar (ie. the reporting currency) also caused such decline. Revenue of each geographical segment is as follows:

	<b>Six months ended 30 June</b>		Change %
	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Hong Kong – office and residential	<b>1,810</b>	1,737	+4.2
Singapore – industrial	<b>111</b>	113	-1.8
United Kingdom – retail/residential	<b>1,197</b>	1,330	-10.0
	<u><b>3,118</b></u>	<u>3,180</u>	-1.9
<b>Segment revenue</b>	<b>3,118</b>	3,180	-1.9
	<u><b>(5,172)</b></u>	<u>(1,005)</u>	n/m
<b>Segment result – loss</b>	<b>(5,172)</b>	(1,005)	n/m

n/m: not meaningful

For the six months ended 30 June 2022, segment revenue of about 58.0%, 3.6% and 38.4% (2021: 54.6%, 3.6% and 41.8%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively, and their occupancy rates were 100%, 100% and 68.8% (2021: 100.0%, 100.0% and 68.8%) respectively.

Underlying Recurring Segment Result, which excludes from the segment result the unrealised fair value changes of financial assets and of investment properties, was a profit of HK\$1,929,000, down 21.4% from HK\$2,453,000 in 2021. Property expenses ratio as a percentage of segment revenue increased to 38.1% (2021: 22.9%) for the period. Both Underlying Recurring Segment Result and the property expenses ratio for 2022 reflected additional property expenses such as building renovation and maintenance works and related costs for the Group's investment properties in Hong Kong and the United Kingdom.

Segment result for the six months ended 30 June 2022 was a loss of HK\$5,172,000 (2021: HK\$1,005,000), principally reflecting a bigger unrealised fair value loss of investment properties as compared to the same period in 2021.

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

	<b>Six months ended 30 June</b>		
	<b>2022</b>	2021	Change
	<b>HK\$'000</b>	HK\$'000	%
<b>Underlying Recurring Segment Result</b>	<b>1,929</b>	2,453	-21.4
Unrealised fair value changes of investment properties:			
United Kingdom	<b>(4,101)</b>	(10,758)	
Hong Kong and Singapore	<b>(3,000)</b>	7,300	
<b>Segment result – loss</b>	<b><u>(5,172)</u></b>	<b><u>(1,005)</u></b>	n/m

n/m: not meaningful

### **Treasury Investments**

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

Revenue (mainly interest income) derived from this segment increased by 7.4% to HK\$29,000 (2021: HK\$27,000). Underlying Recurring Segment Result was a loss of HK\$1,225,000 (2021: HK\$385,000). Such change reflected weak performance on foreign currency transactions during the period.

The segment result decreased to a loss of HK\$4,110,000 (2021: profit of HK\$859,000), mainly attributable to, amongst others as mentioned above, unrealised fair value loss on listed investments.

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

	<b>Six months ended 30 June</b>		Change %
	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
<b>Underlying Recurring Segment Result</b>	<b>(1,225)</b>	(385)	n/m
Unrealised fair value changes of financial assets	<u><b>(2,885)</b></u>	<u>1,244</u>	
<b>Segment result – (loss) profit</b>	<u><u><b>(4,110)</b></u></u>	<u><u>859</u></u>	n/m

n/m: not meaningful

## FINANCIAL REVIEW

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

### Staff Costs

Staff costs are categorised into production (production-related payroll costs) and administration (other payroll costs, including management and head office staff), which slightly increased by 0.9% from HK\$17,013,000 to HK\$17,158,000. The overall costs were generally maintained at the same level comparing the two periods despite adjustment for salary increment in 2022.

### Other Operating Expenses

Other operating expenses increased by 50.3% to HK\$13,166,000 (2021: HK\$8,762,000), mainly attributable to overall increase in advertising and promotional expenses for the period. The sales and marketing budget in the first half of 2021 was substantially reduced due to the then market condition. Other operating expenses ratio as a percentage of total revenue increased to 23.4% (2021: 15.5%) for the period. This reflected higher proportional expenses due to more sales and marketing activities during the period and additional property expenses as mentioned in Healthcare and Property Investments sections above as compared to the same period in 2021.

## Finance Costs

Finance costs increased by 7.8% to HK\$457,000 (2021: HK\$424,000), mainly due to increase in interest rate for a Pound Sterling loan during the period, despite lower bank loan balance throughout the first half of 2022 after the loan being partly repaid. Interest coverage ratio (profit from operations before interest and taxes and before unrealised fair value changes of financial assets and of investment properties divided by finance costs) decreased to 24.5 (2021: 38.9) for the period.

## Taxation

Decrease in taxation from HK\$3,583,000 to HK\$2,939,000 was principally due to overall decrease in taxable operating profits of subsidiaries. The effect was partly offset by reversal of temporary difference of tax allowance.

## Investment Properties

The Group's investment properties in Hong Kong and the United Kingdom were valued at 30 June 2022 by an independent professional valuer on a fair value basis. No revaluation was made for the Group's investment properties in Singapore as its fair value change was considered insignificant for the period. The valuation as at 30 June 2022 was HK\$266,482,000, a decline of 6.7% from HK\$285,624,000 as at 31 December 2021. Such decrease reflected the weakened global economy which impacted both the retail and office sectors. The valuation of the Group's investment properties in each geographical segment as at the balance sheet date is as follows.

	As at 30 June 2022		As at 31 December 2021		Change in HK\$ %
	Original currency '000	HK\$'000	Original currency '000	HK\$'000	
Hong Kong – office and residential	HK\$146,100	146,100	HK\$149,100	149,100	-2.0
Singapore – industrial	S\$1,950	11,247	S\$1,950	11,247	–
United Kingdom – retail/residential	GBP11,500	109,135	GBP11,900	125,277	-12.9
		<u>266,482</u>		<u>285,624</u>	-6.7

Unrealised fair value loss on investment properties of HK\$7,101,000 (2021: HK\$3,458,000) was recognised for the period.

## **FINANCIAL RESOURCES AND TREASURY POLICIES**

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders' funds) as at 30 June 2022 was 2.1% (*31 December 2021: 2.3%*). Total bank borrowings of the Group amounted to HK\$13,903,000 (*31 December 2021: HK\$16,212,000*), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 4.2 times as at 30 June 2022 (*31 December 2021: 6.5 times*). The Group holds sufficient cash and marketable securities on hand to meet its short-term liabilities, commitments and working capital demand.

## **EXCHANGE RATE EXPOSURES**

Most of the Group's business transactions were conducted in Hong Kong Dollars and United States Dollars. Certain rental income is derived in the United Kingdom and denominated in Pound Sterling. As at 30 June 2022, the Group's debt borrowing was mainly denominated in Pound Sterling. The Group also had equity and debt securities and dual currency investments denominated in foreign currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States Dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. Other than United States Dollars whose exchange rate with Hong Kong Dollars remained relatively stable during the period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2022 were approximately HK\$41.1 million (*31 December 2021: HK\$44.1 million*) in total, or about 4.9% (*31 December 2021: 5.3%*) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debt borrowings) of approximately HK\$95.2 million (*31 December 2021: HK\$109.1 million*) relating to carrying amount of the investment properties in the United Kingdom.

## **PLEDGE OF ASSETS**

As at 30 June 2022, the Group's investment properties with an aggregate carrying value of approximately HK\$109.1 million (*31 December 2021: HK\$125.3 million*) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$61.0 million (*31 December 2021: HK\$63.4 million*), of which approximately HK\$13.9 million (*31 December 2021: HK\$16.2 million*) were utilised as at 30 June 2022.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims which may result in significant financial losses to the Group.

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had a total of 89 (*31 December 2021: 87*) employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees.

## **OUTLOOK**

Against an already turbulent backdrop of global inflationary pressures and disrupted supply chains following the coronavirus pandemic, the economic fallout from the Ukraine conflict has been exacerbating supply and demand tensions, damaging consumer sentiment and affecting business environment of all industries. As economic tension from the Ukraine conflict has impact on glass bottle supply, glass manufacturing in Europe might have to stop due to gas shortage and rising cost of fuel. Extreme weather including drought in China and Europe might affect harvest of some raw materials which being used for the Group's production. The overall operating environment and the underlying costs would inevitably be adjusted and the Group will closely monitor and respond to the market development. Budget control over advertising and promotional expenses for the second half of the year will be closely monitored.

Following the successful registration of Hoe Hin Strain Relief in Mainland China, the Group has launched it in the second half of the year. In addition, Hoe Hin White Flower Ointment is expected to be launched in Mainland China soon. These products will further complement our flagship product Hoe Hin White Flower Embrocation and strengthen and support our Hoe Hin brand in Mainland China. The Group's fundamentals are strong and remains confident of its ability to mitigate effects of disruptions ahead.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The directors resolved to declare an interim dividend of HK2.3 cents per share in respect of the six months ended 30 June 2022 (*30 June 2021: HK2.8 cents per share*) payable to the shareholders on the register of members of the Company on 7 October 2022. The interim dividend will be dispatched to the shareholders on or about 9 December 2022.

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

The register of members will be closed from Wednesday, 5 October 2022 to Friday, 7 October 2022, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 3 October 2022.

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

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

### **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

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

### **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the CG Code for the six months ended 30 June 2022 except the following deviation:

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board of directors, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the other executive directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the board as well as senior management. The board has one non-executive director and also three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate

balance of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2022.

### **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 2022 has been reviewed by the audit committee. At the request of the directors, the interim financial information has also been reviewed by the Company’s auditor, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and an unmodified review report has been issued, which will be included in the interim report.

### **BOARD OF DIRECTORS**

As at the date of this announcement, the Board of the Company comprises: (i) three executive directors, namely Mr. Gan Wee Sean, Mr. Gan Fock Wai, Stephen and Mr. Gan Cheng Hooi, Gavin; (ii) one non-executive director, namely Ms. Gan Fook Yin, Anita; and (iii) three independent non-executive directors, namely Ms. Wong Ying Kay, Ada, Mr. Ip Tin Chee, Arnold and Mr. Leung Man Chiu, Lawrence.

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

Hong Kong, 31 August 2022

\* *For identification purpose only*