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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)

ANNOUNCEMENT OF ANNUAL RESULTS 2021

HIGHLIGHTS

- Revenue up 27.9% year-on-year, attributable to increased sales contribution from Healthcare business.
- Underlying Recurring Profit, the performance indicator of the Group, up 34.9% year-on-year, reflecting improved performance of Healthcare business.
- Reported profit, arising from unrealised fair value gain on investment properties as compared to a loss in prior year, was recorded in 2021.
- We remain confident of our capability to get through current disruptions and to sustain growth.

The board of directors (the “Board”) of Pak Fah Yeow International Limited (the “Company”) is pleased to announce the consolidated audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with comparative figures for the previous year:

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

OVERVIEW

As the world contended against the extended impact of the epidemic situation, we continued to sustain our business performance despite different challenges across the various markets we have operation.

Our total revenue for the year 2021 was HK\$139.8 million, representing a year-on-year increase of 27.9% from HK\$109.3 million. Underlying Recurring Profit, the performance indicator of the Group, was up 34.9% to HK\$35.2 million from HK\$26.1 million in 2020. Such increases were mainly attributable to improved performance of Healthcare business, particularly China and US markets.

Reported profit for 2021 was HK\$38.2 million as compared to a loss for 2020 of HK\$38.4 million, primarily due to unrealised fair value changes of our investment properties between two years.

DIVIDENDS

We propose a final dividend of HK3.8 cents per share (2020: HK3.8 cents per share) and a special dividend of HK1.8 cents per share (2020: Nil) for the year ended 31 December 2021, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The final dividend and special dividend together with the interim dividend of HK2.8 cents per share (2020: HK2.6 cents per share) already declared, will make total dividends of HK8.4 cents per share (2020: HK6.4 cents per share).

BUSINESS

The pandemic has brought great suffering to communities around the world for over two years, claiming millions of innocent lives and affecting daily life and economic activities. The diverse impact persisted against sectors such as retail, tourism and property, which correlate to our businesses to some extent. During the latter half of 2021, we began to see improvement of the overall sentiment, and with the launch of vaccination schemes earlier in countries around the world, economic activities were gradually getting back to a better situation toward the end of 2021. As the local epidemic situation remained stable during the second half of 2021, the job and income conditions continued to improve and the price inflation remained mild.

As the economic regions have become more interconnected and interdependent with high degree of connection, our markets in Mainland China, Hong Kong and Macau have been consolidated to fully leverage the composite advantages for the overall development of our business. The Greater Bay Area, as one of the most open and economically vibrant regions in China, plays a significant strategic role in the overall development of the country. We took the opportunities and continued to focus on brand building and above-the-line marketing in this region which we saw an overall increase in sales turnover. Despite pandemic disruptions persisted in Southeast Asia, the overall sales saw a modest increase, attributable to steady sales growth in the Philippines market. The US market showed another year of improvement since the appointment of new distributor.

Our rental income for 2021 maintained at similar level as compared to 2020, notwithstanding some of our retail shops in the UK were vacant and under negotiation. Overall, the condition of the retail sector in the UK had generally improved in 2021. The fair value assessment of our investment properties as at year-end 2021 resulted in a net unrealised fair value gain of HK\$1.0 million as compared to a loss of HK\$64.8 million in 2020. Such small gain reflected uncertainty still remained over the global impact of the pandemic.

NON-FINANCIAL PERFORMANCE

Our environmental and social impacts as well as our progress towards sustainability will be reported in our 2021 Environmental, Social and Governance Report, which will be released in due course in the websites of The Stock Exchange of Hong Kong Limited and the Company.

OUTLOOK

After more than two years being disrupted by the pandemic, global economic outlook for 2022 continues to be clouded with increasing uncertainties. Global geopolitical tensions, potential rising interest rates and inflation further added on uncertainty over economy and business environment. With the emergence of a virus variant in the past few months, the pandemic situation in Hong Kong and countries around the world have taken a severe and sudden turn for getting worse. The spread of the virus is rapid and its impact has made disruptions to many people and corporations, creating a negative sentiment and unfavourable outlook for the future. Having said that, however, we are still in a position to believe that this condition will only pose significant temporary disruptions, and our financial strength will provide a strong cushion for long-term growth and sustainability.

Whilst the easing of pandemic restrictions in the UK has created an air of optimism that the retail sector will progressively recover, there nonetheless remains a risk that tenants may default on their leases and that we could be faced with further void periods and associated shortfalls. Over the short term, the re-letting prospects are also likely to remain relatively subdued as the market adjusts to the impact of the pandemic.

On a more encouraging note, we are pleased to report that our healthcare product Hoe Hin Strain Relief has successfully been approved for registration in Mainland China under the streamlined approval procedures for Hong Kong registered traditional proprietary Chinese medicines for external use to be registered and sold in the Greater Bay Area with eventual nationwide distribution coverage. This streamlined approval was promulgated by the Central Government and it is with great honour that we are the first manufacturer in Hong Kong that has obtained this registration certificate issued by the National Medical Products Administration. With this new registration, we have appointed a new distributor for Hoe Hin Strain Relief in Mainland China and will launch the product in 2022 to further complement our flagship product Hoe Hin White Flower Embrocation and strengthen and support our Hoe Hin brand in the territory.

Again, with our strong foundation we remain confident of our capability to get through current disruptions and to sustain growth while continuing our investments in brand building and market presence as our long-term growth strategy.

APPRECIATION

2021 was another difficult year and I would like to express my gratitude to my fellow board members, the management team and staff for their dedication and contribution, and to our shareholders, customers and business associates for their trust and continued support.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

The epidemic was still lingering in 2021 despite overall improvement in economic indicators as compared to 2020. The Group remained focused on core business development. Timely and prudent cost management of production as well as effective strategies for sales and marketing improved the Group's business performance during the year.

The Group's revenue was HK\$139,823,000 in 2021, an increase of 27.9% from HK\$109,343,000 in 2020 mainly attributable to improved sales contributions from Healthcare segment. Revenue of each business segment is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Healthcare	132,998	102,323	+30.0
Property Investments	6,780	6,737	+0.6
Treasury Investments	45	283	-84.1
	<u>139,823</u>	<u>109,343</u>	+27.9

Underlying Recurring Profit, which excludes from Reported Profit (Loss) the unrealised fair value changes of financial assets and of investment properties, was HK\$35,242,000 up 34.9% from HK\$26,134,000 year-on-year. This mainly reflected improved performance of Healthcare segment, particularly in the China and US markets. Earnings per share of Underlying Recurring Profit was HK11.3 cents, up 34.5% from HK8.4 cents in 2020.

Reported Profit (Loss) for 2021 improved to a profit of HK\$38,186,000 (2020: loss of HK\$38,356,000), primarily due to unrealised fair value gains on the Group's investment properties recognised in 2021 as compared to significant unrealised losses in 2020. Earnings per share of Reported Profit (Loss) was HK12.3 cents as compared to loss per share of HK12.3 cents in 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Underlying Recurring Profit	35,242	26,134	+34.9
Unrealised fair value changes of:			
Financial assets	1,954	267	
Investment properties:			
United Kingdom	1,070	(36,647)	
Others	(80)	(28,110)	
	<u> </u>	<u> </u>	
Reported Profit (Loss)	<u>38,186</u>	<u>(38,356)</u>	n/m

Note: n/m = not meaningful

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation gain in 2021 of HK\$17,356,000 (2020: deficit of HK\$31,741,000).

Total comprehensive income attributable to owners of the Company for 2021 was approximately HK\$55,098,000 (2020: comprehensive loss of HK\$66,980,000).

OPERATIONS REVIEW

Healthcare

Revenue from Healthcare segment increased by 30.0% to HK\$132,998,000 (2020: HK\$102,323,000). Revenue of each geographical segment is as follows:

	2021	2020	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
China	97,569	73,196	+33.3
Southeast Asia	24,138	22,695	+6.4
North America	10,508	5,210	+101.7
Others	783	1,222	-35.9
	<hr/>	<hr/>	
Segment revenue	132,998	102,323	+30.0
	<hr/> <hr/>	<hr/> <hr/>	
Segment profit	54,381	41,403	+31.3
	<hr/> <hr/>	<hr/> <hr/>	

Sales turnover from China (which includes Mainland China, Hong Kong and Macau) grew by 33.3% year-on-year in 2021 due to increased consumer confidence and better retail environment particularly in Hong Kong and Macau under a better controlled pandemic outbreak compared to 2020. Continuing with the marketing strategy adopted in 2020 with a higher concentration of above-the-line-advertising in the Greater Bay Area using various media platforms continues to extend brand awareness amongst consumers within this region.

Southeast Asian markets posted a modest increase of 6.4% in 2021 as many countries within this region continued to face drastic social distancing measures such as citywide lockdowns imposed by varying governments to contain COVID-19 outbreaks. Despite such measures, countries such as Philippines continued to bolster sales through different advertising and promotion strategies and campaigns that helped with steadying sales growth.

The US market saw strong growth in its domestic sales in 2021 as the distributor continued its efforts in expanding its sales channels on both online and offline platforms. It has continued to capture new retail accounts and opportunities throughout the country and has further solidified the branding presence there.

Property Investments

Revenue for this segment slightly increased 0.6% to HK\$6,780,000 (2020: HK\$6,737,000). Such change was mainly a net effect of: (a) a slight increase in effective rental income in Hong Kong upon a tenancy renewal; and (b) a decline in rental income in the United Kingdom as a result of renegotiation of new lease with a tenant who went into administration and vacant of some tenants who were terminated on dissolution, partly offset by higher average exchange rate in translating Pound Sterling to Hong Kong Dollar (the reporting currency). Revenue analysed by location is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Hong Kong – office and residential	3,564	3,484	+2.3
Singapore – industrial	223	224	-0.4
United Kingdom – retail/residential	2,993	3,029	-1.2
Segment revenue	<u>6,780</u>	<u>6,737</u>	+0.6
Segment profit (loss)	<u>6,351</u>	<u>(59,492)</u>	n/m

Note: n/m = not meaningful

For the year 2021, segment revenue of about 52.6%, 3.3% and 44.1% (2020: 51.7%, 3.3% and 45.0%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively, and their occupancy rates were 100%, 100% and 68.8% (2020: 97.3%, 100% and 75.9%) respectively.

Underlying Recurring Segment Result was a profit of HK\$5,361,000, up 1.8% from HK\$5,265,000 in 2020. Property expenses ratio as a percentage of segment revenue decreased to 20.9% in 2021 (2020: 21.8%). Both Underlying Recurring Segment Result and the property expenses ratio for 2021 reflected lower proportional property expenses due to lower maintenance and operating costs.

Segment result for 2021 was a profit of HK\$6,351,000 (2020: loss of HK\$59,492,000), mainly reflecting unrealised fair value gain of HK\$990,000 being recognised for the Group's investment properties in 2021 as compared to unrealised losses of HK\$64,757,000 in 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Underlying Recurring Segment Result	5,361	5,265	+1.8
Unrealised fair value changes of investment properties:			
United Kingdom	1,070	(36,647)	
Hong Kong and Singapore	(80)	(28,110)	
Segment profit (loss)	<u>6,351</u>	<u>(59,492)</u>	n/m

Note: 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 decreased by 84.1% to HK\$45,000 (2020: HK\$283,000). Underlying Recurring Segment Result decreased to a loss of HK\$623,000 (2020: profit of HK\$1,806,000). Such decrease reflected decreased interest income as lower bank deposit balances and lower interest rate as well as weak performance on foreign currency transactions during the year.

The segment result decreased to a profit of HK\$1,331,000 (2020: HK\$2,073,000), mainly attributable to, amongst others as mentioned above, less return on unrealised fair value change on listed investments.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Underlying Recurring Segment Result	(623)	1,806	n/m
Unrealised fair value changes of financial assets	<u>1,954</u>	<u>267</u>	
Segment profit	<u>1,331</u>	<u>2,073</u>	-35.8

Note: 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 from HK\$34,593,000 to HK\$34,600,000. This mainly reflected increased provision for management bonus of executive directors which was in line with improved financial results, partly offset by effective cost control on human resources.

Other Operating Expenses

Other operating expenses increased by 58.7% to HK\$23,696,000 (2020: HK\$14,930,000) mainly attributable to overall increase in sales and marketing expenses for the year. Other operating expenses ratio as a percentage of total revenue increased to 16.9% in 2021 (2020: 13.7%). This reflected higher proportional sales and marketing expenses in line with improvement in sales turnover.

Finance Costs

Finance costs decreased by 7.7% to HK\$567,000 (2020: HK\$614,000), mainly due to lower bank loan balances during the year after mortgage loans being partly repaid in the United Kingdom. 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) increased to 78.6 times in 2021 (2020: 50.9 times). Such increase reflected an improved financial performance in 2021.

Taxation

Increase in taxation from HK\$4,495,000 to HK\$8,736,000 was principally due to increase in taxable operating profit of subsidiaries in Hong Kong and deferred tax expenses provided for deductible temporary difference of depreciation allowances in Hong Kong.

Investment Properties

The Group's investment properties were valued at 31 December 2021 by independent professional valuers on a fair value basis. The valuation as at year-end 2021 was HK\$285,624,000, an increase of 0.2% from HK\$285,123,000 as at year-end 2020. Such slight increase reflected uncertainty still remained over global impact of COVID-19. The valuation of properties in each geographical segment as at the year-end date is as follows.

	2021		2020		Change in HK\$ %
	<i>Original currency '000</i>	<i>HK\$'000</i>	<i>Original currency '000</i>	<i>HK\$'000</i>	
Hong Kong – office and residential	HK\$149,100	149,100	HK\$149,000	149,000	+0.1
Singapore – industrial	S\$1,950	11,247	S\$1,950	11,427	-1.6
United Kingdom – retail/residential	GBP11,900	125,277	GBP11,800	124,696	+0.5
		285,624		285,123	+0.2

Unrealised fair value gain on investment properties of HK\$990,000 (2020: loss of HK\$64,757,000) was recognised for 2021.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continued to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders' funds) as at 31 December 2021 was 2.3% (2020: 2.7%). Total bank borrowings of the Group amounted to HK\$16,212,000 (2020: HK\$17,859,000), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 6.5 times as at 31 December 2021 (2020: 5.8 times). The Group holds sufficient cash, marketable securities on hand and available banking facilities 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 31 December 2021, the Group's debt borrowings were mainly denominated in Pound Sterling. 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 with Hong Kong Dollars remained relatively stable during the year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2021 were approximately HK\$44.1 million (2020: HK\$39.0 million) in total, or about 5.3% (2020: 4.9%) 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\$109.1 million (2020: HK\$107.1 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2021, the Group's investment properties in the United Kingdom with an aggregate carrying value of approximately HK\$125.3 million (2020: HK\$124.7 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$63.4 million (2020: HK\$65.0 million), of which approximately HK\$16.2 million (2020: HK\$17.9 million) were utilised as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, 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 31 December 2021, the Group had a total of 87 (2020: 92) 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	139,823	109,343
Other revenue	3	347	163
Other net income	4	391	4,162
Changes in inventories of finished goods		(2,291)	5,449
Raw materials and consumables used		(27,038)	(30,698)
Staff costs		(34,600)	(34,593)
Depreciation expenses		(7,180)	(8,024)
Net exchange (loss) gain		(1,211)	371
Other operating expenses	5	(23,696)	(14,930)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		44,545	31,243
Net gain on financial assets at fair value through profit or loss		1,954	267
Revaluation surplus (deficit) in respect of investment properties		990	(64,757)
Profit (Loss) from operations		47,489	(33,247)
Finance costs	5	(567)	(614)
Profit (Loss) before taxation	5	46,922	(33,861)
Taxation	6	(8,736)	(4,495)
Profit (Loss) for the year, attributable to owners of the Company		38,186	(38,356)

	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income (loss)		
<i>Item that will not be reclassified to profit or loss:</i>		
Revaluation surplus (deficit) of leasehold land and buildings, net of tax effect of HK\$3,430,000 (2020: HK\$6,272,000)	17,356	(31,741)
<i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising from translation of financial statements of overseas subsidiaries	(406)	3,610
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments	(38)	(493)
	(444)	3,117
Other comprehensive income (loss) for the year, net of tax, attributable to owners of the Company	16,912	(28,624)
Total comprehensive income (loss) for the year, attributable to owners of the Company	55,098	(66,980)
	<i>HK</i>	<i>HK</i>
Earnings (Loss) per share		
Basic and diluted	8	12.3 cents (12.3 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		285,624	285,123
Property, plant and equipment		337,115	323,111
Intangible assets		2,450	2,450
Financial assets at fair value through profit or loss		5,107	5,588
Deferred tax assets		1,014	1,021
		631,310	617,293
Current assets			
Inventories		15,142	18,417
Trade and other receivables	9	13,007	25,515
Financial assets at fair value through profit or loss		13,621	14,177
Tax recoverable		9	2,691
Bank balances and cash		164,660	117,303
		206,439	178,103
Current liabilities			
Bank borrowings, secured		16,212	17,859
Current portion of deferred income		281	258
Trade and other payables	10	10,924	10,637
Tax payable		3,572	1,220
Dividends payable		782	761
		31,771	30,735
Net current assets		174,668	147,368
Total assets less current liabilities		805,978	764,661
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		38,836	35,892
Provision for directors' retirement benefits		6,146	6,188
Deferred tax liabilities		51,201	47,316
		98,256	91,469
NET ASSETS		707,722	673,192
Capital and reserves			
Share capital		15,582	15,582
Share premium and reserves		692,140	657,610
TOTAL EQUITY		707,722	673,192

Notes:

1. ADOPTION OF NEW/REVISED HKFRSs

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective from the current year.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors. These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, leasehold land and buildings and financial assets at fair value through profit or loss (“FVPL”), which are measured at fair value.

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

	Year ended 31 December 2021			
	Healthcare	Property	Treasury	Consolidated
	HK\$'000	investments	investments	HK\$'000
		HK\$'000	HK\$'000	
Revenue from external customers	<u>132,998</u>	<u>6,780</u>	<u>45</u>	<u>139,823</u>
Segment results	<u>54,381</u>	<u>6,351</u>	<u>1,331</u>	<u>62,063</u>
Unallocated corporate expenses				<u>(14,574)</u>
Profit from operations				47,489
Finance costs				<u>(567)</u>
Profit before taxation				46,922
Taxation				<u>(8,736)</u>
Profit for the year				<u>38,186</u>
Assets				
Segment assets	472,542	287,402	76,003	835,947
Unallocated corporate assets				<u>1,802</u>
Consolidated total assets				<u>837,749</u>
Liabilities				
Segment liabilities	10,281	56,393	–	66,674
Unallocated corporate liabilities				<u>63,353</u>
Consolidated total liabilities				<u>130,027</u>
Other information				
Additions to non-current assets	(820)	–	–	(820)
Depreciation expenses	(7,111)	(69)	–	(7,180)
Revaluation surplus in respect of investment properties	–	990	–	990
Revaluation surplus of leasehold land and buildings (in other comprehensive income)	17,356	–	–	17,356
Net gain on financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>1,954</u>	<u>1,954</u>

Year ended 31 December 2020

	Healthcare <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	<u>102,323</u>	<u>6,737</u>	<u>283</u>	<u>109,343</u>
Segment results	<u>41,403</u>	<u>(59,492)</u>	<u>2,073</u>	<u>(16,016)</u>
Unallocated corporate expenses				<u>(17,231)</u>
Loss from operations				<u>(33,247)</u>
Finance costs				<u>(614)</u>
Loss before taxation				<u>(33,861)</u>
Taxation				<u>(4,495)</u>
Loss for the year				<u><u>(38,356)</u></u>
Assets				
Segment assets	435,144	285,777	70,279	791,200
Unallocated corporate assets				<u>4,196</u>
Consolidated total assets				<u><u>795,396</u></u>
Liabilities				
Segment liabilities	11,172	55,428	–	66,600
Unallocated corporate liabilities				<u>55,604</u>
Consolidated total liabilities				<u><u>122,204</u></u>
Other information				
Additions to non-current assets	(637)	–	–	(637)
Depreciation expenses	(7,932)	(92)	–	(8,024)
Revaluation deficit in respect of investment properties	–	(64,757)	–	(64,757)
Revaluation deficit of leasehold land and buildings (in other comprehensive income)	(31,741)	–	–	(31,741)
Net gain on financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>267</u>	<u>267</u>

Geographical information

The Group's businesses cover Hong Kong, Macau, other regions in the People's Republic of China (the "PRC" or "Mainland China"), Southeast Asia, North America and the United Kingdom.

The following tables provide an analysis of the Group's revenue and results from operations by geographical location of customers for healthcare products and geographical location of the related assets for property investment and treasury investment operations:

	Revenue from external customers		Results from operations	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
China (<i>Note</i>)	101,178	76,911	38,169	(3,721)
Southeast Asia	24,361	22,941	11,689	15,557
North America	10,508	5,210	4,416	2,800
United Kingdom	2,993	3,058	3,666	(34,063)
Other regions	783	1,223	2,406	1,492
Unallocated corporate expenses	–	–	(12,857)	(15,312)
	139,823	109,343	47,489	(33,247)

Note: China includes Hong Kong, Macau and the PRC.

	Non-current assets (<i>Note</i>)	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
China	486,215	472,111
Southeast Asia	13,697	13,877
United Kingdom	125,277	124,696
	625,189	610,684

Note: Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

Revenues from external customers contributing 10% or over of the total revenue from the Group's business segment of healthcare products are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	24,793	23,474
Customer B	19,630	15,879
Customer C	18,511	*
Customer D	17,161	*
Customer E	16,882	16,490
Customer F	15,916	*
	<u>112,893</u>	<u>55,843</u>

* These customers individually contributed less than 10% of the total revenue from the Group's healthcare products segment during the year ended 31 December 2020.

3. REVENUE AND OTHER REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15		
Sale of Hoe Hin products		
– Fixed price	74,730	73,184
– Variable price	58,268	29,139
	<u>132,998</u>	<u>102,323</u>
Revenue from other sources		
Lease income under operating leases with fixed lease payments	6,780	6,737
Interest revenue calculated using the effective interest method from bank deposits	45	283
	<u>139,823</u>	<u>109,343</u>
Listed investments		
Dividend income from financial assets at FVPL	169	176
Gain (Loss) on disposal of financial assets at FVPL	178	(13)
	<u>347</u>	<u>163</u>
Other revenue	<u>347</u>	<u>163</u>
Total revenue	<u><u>140,170</u></u>	<u><u>109,506</u></u>

4. OTHER NET INCOME

	2021 HK\$'000	2020 HK\$'000
Commission income	32	28
Sundry income	359	256
Government subsidies (<i>Note</i>)	–	3,878
	<u>391</u>	<u>4,162</u>

Note: The government subsidies represented a grant received from the Anti-epidemic Fund of the Government of the Hong Kong Special Administration Region under the Employment Support Scheme which aims to retain employment under the COVID-19 environment.

5. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2021 HK\$'000	2020 HK\$'000
(a) Other operating expenses		
Advertising, promotion and event expenses (<i>Note</i>)	11,995	4,188
Auditor's remuneration	450	448
Certificate and licensing fees	1,119	205
Legal and professional fees	1,288	1,361
Office and administrative expenses	3,060	2,647
Production overheads	2,075	2,076
Travelling and transportation	1,131	1,037
Others	2,578	2,968
	<u>23,696</u>	<u>14,930</u>
(b) Finance costs		
Interest on bank borrowings	287	334
Interest on consideration payable for acquisition of trademarks	280	280
	<u>567</u>	<u>614</u>
(c) Other items		
Cost of inventories	47,157	41,341
Contributions to defined contribution plan (included in staff costs) (<i>Note</i>)	828	822
Loss on disposal of property, plant and equipment	167	–
Gross rental income from investment properties less direct operating expenses of HK\$356,000 (2020: HK\$247,000)	(6,424)	(6,490)
	<u>(6,424)</u>	<u>(6,490)</u>

Note: Included lease charges on short-term leases of advertising spaces of HK\$251,000 (2020: HK\$1,097,000)

Note: The Group had no forfeited contribution available to reduce its contribution payable in future years as at 31 December 2021 and 2020.

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 in Hong Kong 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 regime continue to be taxed at a flat rate of 16.5%.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax	7,881	5,546
Overseas tax	<u>393</u>	<u>402</u>
	8,274	5,948
Deferred taxation		
Origination and reversal of temporary differences	<u>462</u>	<u>(1,453)</u>
	<u><u>8,736</u></u>	<u><u>4,495</u></u>
Reconciliation of effective tax rate		
	2021	2020
	%	%
Applicable tax rate in Hong Kong	16.5	16.5
Non-deductible expenses and losses	0.6	(35.9)
Non-taxable revenue and gains	(1.8)	2.3
Effect of two-tiered profits tax rate	(0.4)	0.5
Others	<u>3.7</u>	<u>3.3</u>
Effective tax rate for the year	<u><u>18.6</u></u>	<u><u>(13.3)</u></u>

7. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Attributable to the current year:		
Interim dividends of HK2.80 cents per share (2020: HK2.60 cents per share)	8,726	8,103
Final dividend of HK3.8 cents per share (2020: HK3.80 cents per share)	11,842	11,842
Special dividend of HK1.8 cents per share (2020: Nil)	5,610	–
	<u>26,178</u>	<u>19,945</u>
Attributable to previous years, approved and paid during the year:		
Final dividend of HK3.80 cents per share (2020: HK3.80 cents per share)	11,842	11,842
	<u>11,842</u>	<u>11,842</u>

The final dividend and special dividend for 2021 proposed after the end of the reporting period are subject to shareholders' approval at the forthcoming annual general meeting. These dividends have not been recognised as liabilities at the end of the reporting period.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the equity holders of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (Loss) attributable to owners of the Company	<u>38,186</u>	<u>(38,356)</u>
	2021	2020
Weighted average number of ordinary shares for basic earnings (loss) per share ('000)	<u>311,640</u>	<u>311,640</u>
	<i>HK</i>	<i>HK</i>
Earnings (Loss) per share		
Basic and diluted	<u>12.3 cents</u>	<u>(12.3 cents)</u>

Diluted earnings (loss) per share equal to basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<i>9(a)</i>	3,002	1,327
Bills receivables		5,729	20,658
Other receivables			
Deposits, prepayments and other debtors		<u>4,276</u>	<u>3,530</u>
		<u>13,007</u>	<u>25,515</u>

(a) Trade receivables

The Group allows credit period ranging from 30 days to 120 days (2020: 30 days to 120 days) to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	758	10
31 – 60 days	994	1,317
61 – 90 days	63	–
91 – 120 days	<u>1,187</u>	<u>–</u>
	<u>3,002</u>	<u>1,327</u>

All trade receivables are expected to be recovered within 12 months and no provision had been made for non-repayment of balances at the end of the reporting period.

10. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<i>10(a)</i>	<u>1,644</u>	<u>1,821</u>
Other payables			
Accrued charges and other creditors		4,113	2,920
Accrued advertising and promotion expenses		3,718	3,842
Accrued rebates and discounts	<i>10(b)</i>	<u>1,449</u>	<u>2,054</u>
		<u>9,280</u>	<u>8,816</u>
		<u>10,924</u>	<u>10,637</u>

(a) **Trade payables**

All trade payables are expected to be settled within one year. The ageing analysis of trade payables by invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	1,630	1,717
31 – 60 days	–	87
61 – 90 days	–	–
More than 90 days	14	17
	<u>1,644</u>	<u>1,821</u>

(b) **Accrued rebates and discounts**

During the year ended 31 December 2021, the Group had changed the composition of distributors and increased its direct-to-customer sales, thereby decreasing the estimated rebates and discounts to be payable. The drop in accrued rebates and discounts at 31 December 2020 was due to the drop of chain-store sales, through direct customers of the Group, resulted from the impact on global economies of the COVID-19 pandemic.

At 31 December 2021 and 2020, there were no contract liabilities arising from rebates and discounts that were expected to be settled after more than 12 months.

11. PLEDGE OF ASSETS

The Group's investment properties in the United Kingdom were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$63,381,000 (2020: HK\$65,029,000), of which HK\$16,212,000 (2020: HK\$17,859,000) were utilised at the end of the reporting period.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment properties	<u>125,277</u>	<u>124,696</u>

OTHER SUPPLEMENTARY INFORMATION

Audit Committee Review

The Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial results for the year ended 31 December 2021.

Scope of work of Mazars CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

Final Dividend and Special Dividend

The Board has proposed a final dividend of HK3.8 cents per share (2020: HK3.8 cents per share) and a special dividend of HK1.8 cents per share (2020: Nil) for the year ended 31 December 2021 payable to shareholders on the register of members of the Company on 15 July 2022.

Subject to approval of the proposed final dividend and special dividend by the shareholders at the forthcoming annual general meeting of the Company to be held on 30 June 2022, the final dividend and special dividend will be paid to the shareholders of the Company on 12 August 2022.

Closing of register of members

The register of members of the Company will be closed from Monday, 27 June 2022 to Thursday, 30 June 2022, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong but no later than 4:30 p.m. on Friday, 24 June 2022.

The register of members of the Company will also be closed from Wednesday, 13 July 2022 to Friday, 15 July 2022, both days inclusive, during which no transfer of shares will be effected. To rank for the proposed final dividend and special dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong but no later than 4:30 p.m. on Tuesday, 12 July 2022.

Purchase, sale or redemption of the Company's listed shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Corporate Governance Code

The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") contained 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 that were in force under the CG Code during the year ended 31 December 2021 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, the Chairman of the Board, was appointed as the acting Chief Executive Officer on 21 April 2008 until he becomes the Chief Executive Officer since 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with 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 ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2021.

Board of Directors

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

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

Hong Kong, 31 March 2022

* *For identification purpose only*