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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 2022

HIGHLIGHTS

- Revenue up 5.3% year-on-year, attributable to increased sales contribution from Healthcare business.
- Underlying Recurring Profit, the performance indicator of the Group, up 14.2% year-on-year, reflecting improved performance of Healthcare business.
- Reported profit, down 21.6% year-on-year, resulting from unrealised fair value losses on investment properties and financial assets as compared to unrealised fair value gains in 2021.
- A better outlook for 2023 is expected following complete opening of the borders and gradual resumption of business activities.

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 2022, together with comparative figures for the previous year:

RESULTS SUMMARY

	<i>Notes</i>	Year ended 31 December		Change
		2022	2021	
		<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	<i>1</i>	147,200	139,823	+5.3%
Reported profit	<i>2</i>	29,955	38,186	-21.6%
Underlying recurring profit	<i>3</i>	40,243	35,242	+14.2%
		<i>HK cents</i>	<i>HK cents</i>	
Earnings per share:				
Reported profit	<i>4</i>	9.6	12.3	-22.0%
Underlying recurring profit		12.9	11.3	+14.2%
Total dividends per share	<i>4</i>	9.1	8.4	+8.3%
		<i>HK\$</i>	<i>HK\$</i>	
		2.27	2.27	—

- Notes:*
- Revenue represents revenue derived from the three business segments, namely healthcare (“Healthcare”), property investments (“Property Investments”) and treasury investments (“Treasury Investments”).
 - Reported profit (“Reported Profit”) is the profit 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.
 - Underlying recurring profit (“Underlying Recurring Profit”) reflects the Group’s performance of the three business segments and is arrived at by excluding from Reported Profit the unrealised fair value changes of financial assets at fair value through profit or loss and of investment properties.
 - The basic and diluted earnings per share and the total dividends per share are calculated using the weighted average number of ordinary shares in issue during the year.
 - 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.
 - Net asset value per share represents shareholders’ funds divided by the number of ordinary shares of the Company in issue as at the year end date.

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

OVERVIEW

Throughout 2022, the global economic recovery remained uncertain. The world had felt the effects of slower growth, higher interest rates and faster inflation against the backdrop of Russia-Ukraine conflict and ongoing geopolitical tensions. The impact of restrictions imposed against COVID-19 pandemic continued to affect social and business activities in many countries. During the year, the Group adhered to its core business development despite the business was facing unprecedented challenges in the current environment.

Our total revenue for the year 2022 was HK\$147.2 million, representing a year-on-year increase of 5.3% from HK\$139.8 million. Underlying Recurring Profit, the performance indicator of the Group, was up 14.2% to HK\$40.2 million from HK\$35.2 million in 2021. Such increases were mainly attributable to improved performance of Healthcare business, particularly China and Southeast Asian markets.

Reported profit for 2022 was HK\$30.0 million, dropped 21.6% as compared to HK\$38.2 million for 2021, primarily due to unrealised fair value losses of our investment properties and of financial assets recognised in 2022.

DIVIDENDS

We propose a final dividend of HK3.8 cents per share (2021: HK3.8 cents per share) and a special dividend of HK3.0 cents (2021: HK1.8 cents) per share for the year ended 31 December 2022, subject to approval by shareholders at the forthcoming annual general meeting. The final dividend and special dividend together with the interim dividend of HK2.3 cents per share (2021: HK2.8 cents per share) already declared, will make total dividends of HK9.1 cents per share (2021: HK8.4 cents per share).

BUSINESS

The lingering effect of the pandemic continued to cause significant disruptions on social life and economic development. The diverse impact persisted for another year against sectors such as retail, tourism and property market in which our businesses are correlated. Travel restrictions and other measures had further hampered economic recovery in Mainland China and Hong Kong.

Since 2021, our markets in Mainland China, Hong Kong and Macau have been consolidated into a single China market to reflect their close interdependence with the growth of the Company as a whole. During 2022 under the pandemic disruptions in China, where social and economic activities were severely reduced in major cities whenever the spreading started, we continued to focus on brand building and above-the-line marketing in this market. Against this backdrop, the overall sales contribution from China market had achieved better results in 2022 as compared to 2021. As most markets in Southeast Asia had started recovering from the COVID-19 pandemic and the easing of restrictions, the overall sales saw a modest increase for a consecutive year, attributable to steady sales growth in the Philippines market. The US market remained steady comparing the two years.

Our rental income for 2022 was overall improved after tenancy renewal in Hong Kong and turnover rent recognition in the UK. During the year, the retail investment market had weakened in the UK due to a combination of economic and political uncertainty, but on a positive note, all our retail units are now fully let pursuant to securing of a multi-national fast food restaurant chain as new tenant. In response to anticipated interest rate hike, we repaid a high proportion of Pound Sterling bank loan in the second half of the year as a cost control measure. On the other hand, however, the fair value assessment of our investment properties as at year-end 2022 resulted in a net unrealised fair value loss of HK\$7.8 million as compared to a gain of HK\$1.0 million in 2021. Such loss reflected a valuation prepared against the backdrop of a very challenging economic outlook and financial market instability. Despite the foregoing, the unrealised fair value loss is non-cash in nature and has no effect on our operating cash flow. Our overall financial position remains healthy.

NON-FINANCIAL PERFORMANCE

Our Environmental, Social and Governance Report 2022, setting out our environmental and social impacts as well as our progress towards sustainability, will be available in the websites of The Stock Exchange of Hong Kong Limited and the Company at the same time as the publication of our annual report.

OUTLOOK

Global economic recovery continues to be affected by the impacts of rising interest rates, high inflation and rising energy prices. These impacts have been stemmed from ongoing geopolitical tensions and Russia-Ukraine conflict and a resolution to it is still unforeseeable. The lifting of restriction measures in Mainland China, Hong Kong and Macau will gradually bring visitors and business activities back to normal and will have a positive effect on the economy.

Looking ahead, we have a better outlook for 2023 with the complete opening of the Hong Kong and Mainland China border and the resumption of travellers coming into Hong Kong and Macau. The revival of the economy in China market should see an improvement in market sentiment and sales turnover in this region. Sales in South East Asia is expected to keep its pace through 2023 while we continue to closely engage and work together with our distributors and launch campaigns in different advertising platforms to sustain the growth in the markets within this region.

APPRECIATION

My heartfelt thanks to Ada and Arnold, who stepped down from the Board as independent non-executive directors. I am grateful for their wise advices and judgements and for all their contribution to the Board during their terms of office.

I would like to take this opportunity to welcome our two new independent non-executive directors. Renato has extensive experience in supply chain management and market expansion in healthcare sector. Simon is currently a consultant of a leading law firm in Hong Kong and has extensive experience in different sectors of the legal industry. I believe Renato and Simon will bring their expertise and in-depth knowledge from different perspectives to the Board.

2022 was another challenging year and I would like to thank my fellow board members and the management team for all their diligent work and to our shareholders, customers and business associates for their continued support throughout the years.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

The Group's revenue was HK\$147,200,000 in 2022, an increase of 5.3% from HK\$139,823,000 in 2021 mainly attributable to improved sales contributions from Healthcare segment. Revenue of each business segment is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change %
Healthcare	139,452	132,998	+4.9
Property Investments	7,132	6,780	+5.2
Treasury Investments	616	45	+1,268.9
	<u>147,200</u>	<u>139,823</u>	+5.3

Underlying Recurring Profit, which excludes from Reported Profit the unrealised fair value changes of financial assets and of investment properties, was HK\$40,243,000 up 14.2% from HK\$35,242,000 year-on-year. This mainly reflected improved performance of Healthcare segment, particularly in China and Southeast Asia markets. Earnings per share of Underlying Recurring Profit was HK12.9 cents, up 14.2% from HK11.3 cents in 2021.

Reported Profit for 2022 decreased to HK\$29,955,000 (2021: HK\$38,186,000), primarily due to unrealised fair value losses on the Group's investment properties and financial assets recognised in 2022 as compared to unrealised fair value gains in 2021. Earnings per share of Reported Profit was HK9.6 cents, dropped 22.0% from HK12.3 cents in 2021.

Below is the reconciliation between Underlying Recurring Profit and Reported Profit:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change %
Underlying Recurring Profit	40,243	35,242	+14.2
Unrealised fair value changes of:			
Financial assets	(2,465)	1,954	
Investment properties:			
United Kingdom	(2,436)	1,070	
Hong Kong and Singapore	(5,387)	(80)	
Reported Profit	<u>29,955</u>	<u>38,186</u>	-21.6

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation gain in 2022 of HK\$5,375,000 (2021: HK\$17,356,000).

Total comprehensive income attributable to owners of the Company for 2022 was approximately HK\$24,123,000 (2021: HK\$55,098,000).

OPERATIONS REVIEW

Healthcare

Revenue from Healthcare segment increased by 4.9% to HK\$139,452,000 (2021: HK\$132,998,000). Revenue of each geographical segment is as follows:

	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
China	101,387	97,569	+3.9
Southeast Asia	26,326	24,138	+9.1
North America	10,358	10,508	-1.4
Others	1,381	783	+76.4
	<hr/>	<hr/>	
Segment revenue	139,452	132,998	+4.9
	<hr/> <hr/>	<hr/> <hr/>	
Segment result – profit	57,369	54,381	+5.5
	<hr/> <hr/>	<hr/> <hr/>	

Sales turnover from China market saw a slight growth in 2022 posting a 3.9% increase compared to 2021 despite Hong Kong having battled the 5th wave of the COVID-19 pandemic which had dampened sales locally while Mainland China continued to see large citywide lockdowns through the second half of the year which affected logistic operations and retail businesses. As such, further efforts on online advertising and branding campaigns had continued in China to continue strengthening the branding presence in this market.

South East Asian markets posted an increase of 9.1% year on year with market sentiment seeing continued improvements through the year as most markets in the region recovered from the COVID-19 pandemic. The complete easing of all restrictions in most countries in this region helped boost consumer confidence and travel. Advertising on outdoor platforms such as public transportation and billboards with heavy traffic flow were utilised in 2022 in certain markets to take advantage of people returning back to the streets and as commuters headed back to offices.

While North America saw a growth in sales in the first half of 2022, sales turnover levelled off and remained steady for the second half of the year posting similar results compared to 2021. The US Distributor will continue to monitor the sales channels and continue to leverage growth opportunities in the market.

Property Investments

Revenue for this segment increased 5.2% to HK\$7,132,000 (2021: HK\$6,780,000). Such change was mainly a net effect of: (a) an increase in effective rental income in Hong Kong upon tenancy renewal; and (b) an overall increase in turnover rent in United Kingdom due to overall improvement in retail sector, partly offset by lower average exchange rate in translating Pound Sterling to Hong Kong Dollar (the reporting currency). Revenue analysed by location is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change %
Hong Kong – office and residential	3,856	3,564	+8.2
Singapore – industrial	219	223	-1.8
United Kingdom – retail/residential	3,057	2,993	+2.1
Segment revenue	7,132	6,780	+5.2
Segment result – (loss) profit	(3,804)	6,351	n/m

Note: n/m = not meaningful

For the year 2022, segment revenue of about 54.1%, 3.0% and 42.9% (2021: 52.6%, 3.3% and 44.1%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively, and their occupancy rates were 100%, 100% and 74.4% (2021: 100%, 100% and 68.8%) respectively.

Underlying Recurring Segment Result was a profit of HK\$4,019,000, down 25.0% from HK\$5,361,000 in 2021. Property expenses ratio as a percentage of segment revenue increased to 43.6% in 2022 (2021: 20.9%). 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 2022 was a loss of HK\$3,804,000 (2021: profit of HK\$6,351,000), mainly reflecting unrealised fair value loss of HK\$7,823,000 being recognised for the Group's investment properties in 2022 as compared to unrealised gain of HK\$990,000 in 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change %
Underlying Recurring Segment Result	4,019	5,361	-25.0
Unrealised fair value changes of investment properties:			
United Kingdom	(2,436)	1,070	
Hong Kong and Singapore	(5,387)	(80)	
	<u>(3,804)</u>	<u>6,351</u>	
Segment result – (loss) profit	<u>(3,804)</u>	<u>6,351</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 increased to HK\$616,000 (2021: HK\$45,000). Underlying Recurring Segment Result increased to a profit of HK\$2,141,000 (2021: loss of HK\$623,000). Such increase reflected more interest income received for higher yield fixed deposits as well as improved performance on foreign currency transactions during the year.

The segment result turned to a loss of HK\$324,000 (2021: profit of HK\$1,331,000), mainly attributable to, amongst others as mentioned above, unrealised fair value change on listed investments.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change %
Underlying Recurring Segment Result	2,141	(623)	n/m
Unrealised fair value changes of financial assets	(2,465)	1,954	
	<u>(324)</u>	<u>1,331</u>	
Segment result – (loss) profit	<u>(324)</u>	<u>1,331</u>	n/m

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\$34,600,000 to HK\$34,637,000. The overall costs were generally maintained at a similar level comparing the two years despite adjustment for salary increment in 2022 and provision for management bonus of executive directors which was in line with financial results.

Other Operating Expenses

Other operating expenses increased by 17.5% to HK\$27,832,000 (2021: HK\$23,696,000). Other operating expenses ratio as a percentage of total revenue increased to 18.9% in 2022 (2021: 16.9%). Such increase reflected higher proportional expenses due to overall increase in sales and marketing support during the year which is in line with improvement in sales turnover and additional property expenses as mentioned in Property Investments section above as compared to the same period in 2021.

Finance Costs

Finance costs increased by 13.6% to HK\$644,000 (2021: HK\$567,000), mainly due to interest rate rise for a Pound Sterling loan during the year, despite a markedly low bank loan balance in the second half of the year after repayment of a high proportion of loan amount. 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 75.6 times in 2022 (2021: 78.6 times).

Taxation

Decrease in taxation from HK\$8,736,000 to HK\$7,815,000 was principally due to a net effect of: (a) decrease in deferred tax liability provided for deductible temporary difference of depreciation allowances in Hong Kong; (b) overprovision for overseas taxation in the UK in previous year; and (c) increase in taxable operating profit of subsidiaries in Hong Kong.

Investment Properties

The Group's investment properties were valued at 31 December 2022 by independent professional valuers on a fair value basis. The valuation as at year-end 2022 was HK\$264,937,000, a drop of 7.2% from HK\$285,624,000 as at year-end 2021. Such drop reflected uncertainty over economic outlook which impacted both the retail and office sectors. The valuation of properties in each geographical segment as at the year-end date is as follows.

	2022		2021		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\$143,300	143,300	HK\$149,100	149,100	-3.9
Singapore – industrial	S\$2,000	11,661	S\$1,950	11,247	+3.7
United Kingdom – retail/residential	GBP11,650	109,976	GBP11,900	125,277	-12.2
		264,937		285,624	-7.2

Unrealised fair value loss on investment properties of HK\$7,823,000 (2021: gain of HK\$990,000) was recognised for 2022.

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 2022 was 0.8% (2021: 2.3%). Total bank borrowings of the Group amounted to HK\$5,496,000 (2021: HK\$16,212,000), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 10.8 times as at 31 December 2022 (2021: 6.5 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 2022, 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 2022 were approximately HK\$45.7 million (2021: HK\$44.1 million) in total, or about 5.6% (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\$104.5 million (2021: HK\$109.1 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2022, the Group's investment properties in the United Kingdom with an aggregate carrying value of approximately HK\$110.0 million (2021: HK\$125.3 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$60.3 million (2021: HK\$63.4 million), of which approximately HK\$5.5 million (2021: HK\$16.2 million) were utilised as at 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 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 31 December 2022, the Group had a total of 95 (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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	147,200	139,823
Other revenue	3	133	347
Other net income	4	2,327	391
Changes in inventories of finished goods		(1,322)	(2,291)
Raw materials and consumables used		(29,701)	(27,038)
Staff costs		(34,637)	(34,600)
Depreciation expenses		(7,484)	(7,180)
Net exchange gain (loss)		18	(1,211)
Other operating expenses	5	(27,832)	(23,696)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		48,702	44,545
Net (loss) gain on financial assets at fair value through profit or loss		(2,465)	1,954
Revaluation (loss) surplus in respect of investment properties		(7,823)	990
Profit from operations		38,414	47,489
Finance costs	5	(644)	(567)
Profit before taxation	5	37,770	46,922
Taxation	6	(7,815)	(8,736)
Profit for the year, attributable to owners of the Company		29,955	38,186

	2022	2021
<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 of leasehold land and buildings, net of tax effect of HK\$1,063,000 (2021: HK\$3,430,000)	<u>5,375</u>	<u>17,356</u>
<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	(11,276)	(406)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments	<u>69</u>	<u>(38)</u>
	<u>(11,207)</u>	<u>(444)</u>
Other comprehensive (loss) income for the year, net of tax, attributable to owners of the Company	<u>(5,832)</u>	<u>16,912</u>
Total comprehensive income for the year, attributable to owners of the Company	<u><u>24,123</u></u>	<u><u>55,098</u></u>
	<i>HK</i>	<i>HK</i>
Earnings per share		
Basic and diluted	8	
	<u><u>9.6 cents</u></u>	<u><u>12.3 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		264,937	285,624
Property, plant and equipment		336,223	337,115
Intangible assets		2,450	2,450
Financial assets at fair value through profit or loss		4,960	5,107
Deferred tax assets		883	1,014
		609,453	631,310
Current assets			
Inventories		15,826	15,142
Trade and other receivables	9	17,517	13,007
Financial assets at fair value through profit or loss		10,899	13,621
Tax recoverable		–	9
Bank balances and cash		169,441	164,660
		213,683	206,439
Current liabilities			
Bank borrowings, secured		5,496	16,212
Current portion of deferred income		268	281
Trade and other payables	10	12,231	10,924
Tax payable		927	3,572
Dividends payable		817	782
		19,739	31,771
Net current assets		193,944	174,668
Total assets less current liabilities		803,397	805,978
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		36,773	38,836
Provision for directors' retirement benefits		5,350	6,146
Deferred tax liabilities		51,976	51,201
		96,172	98,256
NET ASSETS		707,225	707,722
Capital and reserves			
Share capital		15,582	15,582
Share premium and reserves		691,643	692,140
TOTAL EQUITY		707,225	707,722

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 2021 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 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

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

Annual Improvements Project – 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – that is, if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

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 2022			
	Healthcare	Property	Treasury	Consolidated
	HK\$'000	investments	investments	HK\$'000
		HK\$'000	HK\$'000	
Revenue from external customers	<u>139,452</u>	<u>7,132</u>	<u>616</u>	<u>147,200</u>
Segment results	<u>57,369</u>	<u>(3,804)</u>	<u>(324)</u>	<u>53,241</u>
Unallocated corporate expenses				<u>(14,827)</u>
Profit from operations				38,414
Finance costs				<u>(644)</u>
Profit before taxation				37,770
Taxation				<u>(7,815)</u>
Profit for the year				<u>29,955</u>
Assets				
Segment assets	489,699	266,337	65,722	821,758
Unallocated corporate assets				<u>1,378</u>
Consolidated total assets				<u>823,136</u>
Liabilities				
Segment liabilities	11,199	44,117	–	55,316
Unallocated corporate liabilities				<u>60,595</u>
Consolidated total liabilities				<u>115,911</u>
Other information				
Additions to non-current assets	(156)	–	–	(156)
Depreciation expenses	(7,448)	(36)	–	(7,484)
Revaluation deficit in respect of investment properties	–	(7,823)	–	(7,823)
Revaluation surplus of leasehold land and buildings (in other comprehensive income)	5,375	–	–	5,375
Net loss on financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>(2,465)</u>	<u>(2,465)</u>

Year ended 31 December 2021

	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	132,998	6,780	45	139,823
Segment results	54,381	6,351	1,331	62,063
Unallocated corporate expenses				(14,574)
Profit from operations				47,489
Finance costs				(567)
Profit before taxation				46,922
Taxation				(8,736)
Profit for the year				38,186
Assets				
Segment assets	472,542	287,402	76,003	835,947
Unallocated corporate assets				1,802
Consolidated total assets				837,749
Liabilities				
Segment liabilities	10,281	56,393	–	66,674
Unallocated corporate liabilities				63,353
Consolidated total liabilities				130,027
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	–	–	1,954	1,954

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 and geographical location of the related assets for healthcare products, property investment and treasury investment operations:

	Revenue from external customers		Results from operations	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
China (<i>Note</i>)	105,673	101,178	35,135	38,169
Southeast Asia	26,670	24,361	11,796	11,689
North America	10,358	10,508	4,150	4,416
United Kingdom	3,117	2,993	(1,517)	3,666
Other regions	1,382	783	1,670	2,406
Unallocated corporate expenses	–	–	(12,820)	(12,857)
	<u>147,200</u>	<u>139,823</u>	<u>38,414</u>	<u>47,489</u>

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

	Non-current assets (<i>Note</i>)	
	2022 HK\$'000	2021 HK\$'000
China	479,523	486,215
Southeast Asia	14,111	13,697
United Kingdom	109,976	125,277
	<u>603,610</u>	<u>625,189</u>

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

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	27,037	24,793
Customer B	23,725	19,630
Customer C	*	18,511
Customer D	*	17,161
Customer E	18,078	16,882
Customer F	16,875	15,916
	<u>85,715</u>	<u>112,893</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 2022.

3. REVENUE AND OTHER REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15		
Sale of Hoe Hin brand of products		
– Fixed price	97,058	74,730
– Variable price	42,394	58,268
	<u>139,452</u>	<u>132,998</u>
Revenue from other sources		
Lease income under operating leases with:		
– fixed lease payments	6,505	6,063
– variable lease payments	627	717
	<u>7,132</u>	<u>6,780</u>
Interest revenue calculated using the effective interest method from bank deposits	616	45
	<u>7,748</u>	<u>6,825</u>
Revenue	<u>147,200</u>	<u>139,823</u>
Listed investments		
Dividend income from financial assets at FVPL	109	169
Gain on disposal of financial assets at FVPL	24	178
	<u>133</u>	<u>347</u>
Other revenue	<u>133</u>	<u>347</u>
Total revenue	<u>147,333</u>	<u>140,170</u>

4. OTHER NET INCOME

	2022 HK\$'000	2021 HK\$'000
Commission income	31	32
Sundry income	416	359
Government subsidies (<i>Note</i>)	1,880	–
	<u>2,327</u>	<u>391</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 BEFORE TAXATION

This is stated after charging (crediting):

	2022 HK\$'000	2021 HK\$'000
(a) Other operating expenses		
Advertising, promotion and event expenses (<i>Note</i>)	13,160	11,995
Auditor's remuneration	485	450
Certificate and licensing fees	331	1,119
Legal and professional fees	1,833	1,288
Office and administrative expenses	3,327	3,060
Production overheads	2,055	2,075
Repairs and maintenance	2,241	894
Travelling and transportation	1,467	1,131
Others	2,933	1,684
	<u>27,832</u>	<u>23,696</u>

Note: Included lease charges on short-term leases of advertising spaces of HK\$313,000 (2021: HK\$251,000).

	2022 HK\$'000	2021 HK\$'000
(b) Finance costs		
Interest on bank borrowings	364	287
Interest on consideration payable for acquisition of trademarks	280	280
	<u>644</u>	<u>567</u>
(c) Other items		
Cost of inventories	48,437	47,157
Contributions to defined contribution plan (included in staff costs) (<i>Note</i>)	795	828
Loss on disposal of property, plant and equipment	2	167
Gross rental income from investment properties less direct operating expenses of HK\$246,000 (2021: HK\$356,000)	(6,886)	(6,424)
	<u>(6,886)</u>	<u>(6,424)</u>

Note: The Group had no forfeited contribution available to reduce its contribution payable in future years as at 31 December 2022 and 2021.

6. TAXATION

Under the two-tiered profits tax rates regime introduced in 2018, the first HK\$2 million of profits of qualifying group entity in Hong Kong 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 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.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax	8,297	7,881
Overseas tax	<u>(325)</u>	<u>393</u>
	7,972	8,274
Deferred taxation		
Origination and reversal of temporary differences	<u>(157)</u>	<u>462</u>
	<u><u>7,815</u></u>	<u><u>8,736</u></u>
Reconciliation of effective tax rate		
	2022	2021
	%	%
Applicable tax rate in Hong Kong	16.5	16.5
Non-deductible expenses and losses	2.9	0.6
Non-taxable revenue and gains	(1.9)	(1.8)
Effect of two-tiered profits tax rate	(0.4)	(0.4)
Others	<u>3.6</u>	<u>3.7</u>
Effective tax rate for the year	<u><u>20.7</u></u>	<u><u>18.6</u></u>

7. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Attributable to the current year:		
Interim dividends of HK2.3 cents per share (2021: HK2.8 cents per share)	7,168	8,726
Final dividend of HK3.8 cents per share (2021: HK3.8 cents per share)	11,842	11,842
Special dividend of HK3.0 cents per share (2021: HK1.8 cents per share)	9,349	5,610
	<u>28,359</u>	<u>26,178</u>
Attributable to previous years, approved and paid during the year:		
Final dividend of HK3.80 cents per share (2021: HK3.80 cents per share)	11,842	11,842
Special dividend of HK1.8 cents per share (2021: Nil)	5,610	–
	<u>17,452</u>	<u>11,842</u>

The final dividend and special dividend for 2022 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 PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>29,955</u>	<u>38,186</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>311,640</u>	<u>311,640</u>
	<i>HK</i>	<i>HK</i>
Earnings per share Basic and diluted	<u>9.6 cents</u>	<u>12.3 cents</u>

Diluted earnings per share equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	9(a)	5,930	3,002
Bills receivables		7,541	5,729
Other receivables			
Deposits, prepayments and other debtors		<u>4,046</u>	<u>4,276</u>
		<u>17,517</u>	<u>13,007</u>

(a) Trade receivables

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	3,058	758
31 – 60 days	716	994
61 – 90 days	960	63
91 – 120 days	<u>1,196</u>	<u>1,187</u>
	<u>5,930</u>	<u>3,002</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>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<i>10(a)</i>	918	1,644
Other payables			
Accrued charges and other creditors		4,496	4,113
Accrued advertising and promotion expenses		6,648	3,718
Accrued rebates and discounts	<i>10(b)</i>	169	1,449
		11,313	9,280
		12,231	10,924

(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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	901	1,630
31 – 60 days	–	–
61 – 90 days	–	–
More than 90 days	17	14
	918	1,644

(b) Accrued rebates and discounts

During the second half of the year ended 31 December 2022, the sales to distributors decreased, thereby decreasing the estimated rebates and discounts to be payable.

At 31 December 2022 and 2021, 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\$60,252,000 (2021: HK\$63,381,000), of which HK\$5,496,000 (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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	<u>109,976</u>	<u>125,277</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 2022.

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 2022 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 (2021: HK3.8 cents per share) and a special dividend of HK3.0 cents per share (2021: HK1.8 cents per share) for the year ended 31 December 2022 payable to shareholders on the register of members of the Company on 14 July 2023.

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 7 June 2023, the final dividend and special dividend will be paid to the shareholders of the Company on 11 August 2023.

Closing of register of members

The register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but no later than 4:30 p.m. on Thursday, 1 June 2023.

The register of members of the Company will also be closed from Wednesday, 12 July 2023 to Friday, 14 July 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but no later than 4:30 p.m. on Tuesday, 11 July 2023.

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 2022 except for 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, 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 2022.

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, Mr. Dell'Orto Renato and Mr. Chan Chi Chung, Simon.

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

Hong Kong, 30 March 2023

* *For identification purpose only*