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PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 239)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2024**

HIGHLIGHTS

- Revenue up 4.8% year-on-year, building on the record high achieved in the previous period.
- Underlying recurring profit, the performance indicator of the Group, up 4.5% year-on-year.
- Reported profit down 15.3%, mainly attributable to fair value losses on investment properties.
- Despite Property Investments segment may face valuation volatility, the Group remains cautiously optimistic about H2 2024.

The board of directors (the “Board”) of Pak Fah Yeow International Limited (the “Company”) announces the interim results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2024 together with comparative figures for the previous year as follows:

RESULTS SUMMARY

	<i>Notes</i>	Six months ended 30 June		Change
		2024	2023	
		<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	<i>1</i>	132,468	126,414	+4.8%
Reported profit	<i>2</i>	47,407	55,993	-15.3%
Underlying recurring profit	<i>3</i>	61,710	59,054	+4.5%
		<i>HK cents</i>	<i>HK cents</i>	
Earnings per share:	<i>4</i>			
Reported profit		15.2	18.0	-15.6%
Underlying recurring profit		19.8	18.9	+4.8%
Total dividends per share	<i>4</i>	9.5	8.5	+11.8%
		At	At	
		30 June	31 December	
		2024	2023	
		<i>HK\$'000</i>	<i>HK\$'000</i>	
Shareholders' funds	<i>5</i>	751,410	765,183	-1.8%
		<i>HK\$</i>	<i>HK\$</i>	
Net assets value per share	<i>6</i>	2.41	2.46	-2.0%

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	2	132,468	126,414
Other revenue	3	85	60
Other net income	4	290	136
Changes in inventories of finished goods		(1,278)	(4,904)
Raw materials and consumables used		(16,600)	(18,923)
Staff costs		(20,871)	(18,746)
Depreciation expenses		(3,687)	(3,728)
Net exchange (loss) gain		(1,212)	1,898
Other operating expenses		(14,009)	(10,849)
		<hr/>	<hr/>
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		75,186	71,358
Net gain on changes in fair value of financial assets at fair value through profit or loss		481	532
Revaluation deficit in respect of investment properties		(14,784)	(3,593)
		<hr/>	<hr/>
Profit from operations		60,883	68,297
Finance costs	5	(440)	(434)
		<hr/>	<hr/>
Profit before taxation	5	60,443	67,863
Taxation	6	(13,036)	(11,870)
		<hr/>	<hr/>
Profit for the period, attributable to owners of the Company		47,407	55,993
		<hr/>	<hr/>

		Six months ended 30 June	
		2024	2023
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Other comprehensive (loss) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising from translation of financial statements of overseas subsidiaries		(468)	3,150
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments		(3)	(107)
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation (deficit) surplus of leasehold land and buildings, net of tax effect of HK\$4,607,000 (2023: HK\$2,542,000)		<u>(23,312)</u>	<u>12,863</u>
Other comprehensive (loss) income for the period, net of tax, attributable to owners of the Company		<u>(23,783)</u>	<u>15,906</u>
Total comprehensive income for the period, attributable to owners of the Company		<u><u>23,624</u></u>	<u><u>71,899</u></u>
Earnings per share			
Basic and diluted	8	<u><u>15.2 cents</u></u>	<u><u>18.0 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024 (unaudited) <i>HK\$'000</i>	At 31 December 2023 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties		239,678	255,264
Property, plant and equipment		295,439	326,596
Intangible assets		2,450	2,450
Financial assets at fair value through profit or loss		4,867	4,898
Deferred tax assets		1,020	983
		543,454	590,191
Current assets			
Inventories		11,420	12,197
Trade and other receivables	9	15,353	27,470
Financial assets at fair value through profit or loss		12,559	12,094
Bank balances and cash		352,281	265,513
		391,613	317,274
Current liabilities			
Bank borrowings, secured		4,121	4,737
Current portion of deferred income		285	287
Trade and other payables	10	17,924	21,970
Tax payables		29,431	16,323
Dividends payable		38,242	868
		90,003	44,185
Net current assets		301,610	273,089
Total assets less current liabilities		845,064	863,280

		At 30 June 2024 (unaudited) <i>HK\$'000</i>	At 31 December 2023 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		39,088	39,050
Provision for directors' retirement benefits		6,184	5,959
Deferred tax liabilities		46,309	51,015
		<u>93,654</u>	<u>98,097</u>
NET ASSETS		<u>751,410</u>	<u>765,183</u>
Capital and reserves			
Share capital	<i>11</i>	15,582	15,582
Share premium and reserves		735,828	749,601
TOTAL EQUITY		<u>751,410</u>	<u>765,183</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2023 Annual Financial Statements, except for the adoption of the following new/revised HKFRSs that are effective for the Group's financial year beginning on 1 January 2024.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2024. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

2. OPERATING SEGMENT INFORMATION

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

- (a) Healthcare – manufacture and sale of Hoe Hin brand of 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 each operating 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 Interim Financial Information. All assets are allocated to reportable segments other than deferred tax assets, tax recoverable and other corporate assets. All liabilities are allocated to reportable segments other than deferred tax liabilities, provision for directors' retirement benefits, tax payable, dividends payable and other corporate liabilities.

Business segments

	Six months ended 30 June 2024			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
Revenue from external customers	<u>123,442</u>	<u>4,752</u>	<u>4,274</u>	<u>132,468</u>
Segment results	<u>76,974</u>	<u>(10,763)</u>	<u>4,194</u>	<u>70,405</u>
Unallocated corporate expenses				<u>(9,522)</u>
Profit from operations				60,883
Finance costs				<u>(440)</u>
Profit before taxation				60,443
Taxation				<u>(13,036)</u>
Profit for the period				<u>47,407</u>
	Six months ended 30 June 2023			
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue from external customers	<u>120,942</u>	<u>4,334</u>	<u>1,138</u>	<u>126,414</u>
Segment results	<u>73,666</u>	<u>(180)</u>	<u>2,750</u>	<u>76,236</u>
Unallocated corporate expenses				<u>(7,939)</u>
Profit from operations				68,297
Finance costs				<u>(434)</u>
Profit before taxation				67,863
Taxation				<u>(11,870)</u>
Profit for the period				<u>55,993</u>

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 June 2024 and 31 December 2023:

	At 30 June 2024			Consolidated (unaudited) HK\$'000
	Healthcare (unaudited) HK\$'000	Property investments (unaudited) HK\$'000	Treasury investments (unaudited) HK\$'000	
	Assets			
Segment assets	614,420	240,803	77,551	932,774
Unallocated corporate assets				2,293
Consolidated total assets				<u>935,067</u>
Liabilities				
Segment liabilities	17,286	44,314	–	61,600
Unallocated corporate liabilities				122,057
Consolidated total liabilities				<u>183,657</u>
	At 31 December 2023			Consolidated (audited) HK\$'000
	Healthcare (audited) HK\$'000	Property investments (audited) HK\$'000	Treasury investments (audited) HK\$'000	
	Assets			
Segment assets	575,704	257,022	72,729	905,455
Unallocated corporate assets				2,010
Consolidated total assets				<u>907,465</u>
Liabilities				
Segment liabilities	19,969	45,135	–	65,104
Unallocated corporate liabilities				77,178
Consolidated total liabilities				<u>142,282</u>

Geographical information

	Revenue from external customers		Results from operations	
	Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
China	100,588	101,394	51,567	64,835
Southeast Asia	24,674	20,584	14,526	12,691
North America	3,855	1,882	2,159	929
United Kingdom	3,172	2,341	1,312	(3,376)
Europe (excluding United Kingdom)	–	–	173	537
Other regions	179	213	(45)	120
Unallocated corporate expenses	–	–	(8,809)	(7,439)
	132,468	126,414	60,883	68,297

3. OTHER REVENUE

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	84	57
Gain on disposal of financial assets at fair value through profit or loss	1	3
	85	60

4. OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sundry income	290	136

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

This is stated after charging:

(a) Finance costs

Interest on bank borrowings	160	154
Interest on consideration payable for acquisition of trademarks	280	280
	440	434

(b) Other items

Cost of inventories	30,597	35,159
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6. TAXATION

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

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

The charge comprises:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax		
– Current period	12,582	11,637
Overseas tax	591	371
	13,173	12,008
Deferred taxation		
Origination and reversal of temporary differences	(137)	(138)
	13,036	11,870

7. DIVIDENDS

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

At the board meeting held on 26 March 2024, the directors proposed for the year ended 31 December 2023 a final dividend of HK3.8 cents per share totalling HK\$11,842,000 (*year ended 31 December 2022: HK3.8 cents per share totalling HK\$11,842,000*) and a special dividend of HK8.2 cents per share totalling HK\$25,555,000 (*year ended 31 December 2022: HK3.0 cents per share totalling HK\$9,349,000*). Upon the approval by shareholders on 13 June 2024, the appropriation of the said dividends was transferred to dividends payable.

Dividends attributable to the period

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Interim dividend of HK3.0 cents per share (2023: HK3.0 cents per share)	9,349	9,349
Special interim dividend of HK6.5 cents per share (2023: HK5.5 cents per share) per share	20,257	17,140
	<u>29,606</u>	<u>26,489</u>

On 27 August 2024, the directors declared for the six months ended 30 June 2024 an interim dividend of HK3.0 cents per share (2023: HK3.0 cents per share) and a special interim dividend of HK6.5 cents per share (2023: HK5.5 cents per share) totalling HK\$29,606,000 (2023: HK\$26,489,000 declared on 30 August 2023), which will be payable to shareholders whose names appear on the register of members of the Company on 4 October 2024.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company for the period of HK\$47,407,000 (2023: HK\$55,993,000) and the weighted average number of 311,640,000 (2023: 311,640,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2023 and 2024.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 (unaudited) HK\$'000	At 31 December 2023 (audited) HK\$'000
Trade receivables	6,403	17,435
Bills receivable	5,462	5,566
Other receivables		
Deposits, prepayments and other debtors	<u>3,488</u>	<u>4,469</u>
	<u><u>15,353</u></u>	<u><u>27,470</u></u>

The Group allows a credit period ranging from 30 days to 120 days (2023: 30 days to 120 days) to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	At 30 June 2024 (unaudited) HK\$'000	At 31 December 2023 (audited) HK\$'000
Within 30 days	1,100	8,700
31 – 60 days	1,473	3,946
61 – 90 days	2,642	–
91 – 120 days	<u>1,188</u>	<u>4,789</u>
	<u><u>6,403</u></u>	<u><u>17,435</u></u>

10. TRADE AND OTHER PAYABLES

	At 30 June 2024 (unaudited) HK\$'000	At 31 December 2023 (audited) HK\$'000
Trade payables	<u>1,613</u>	<u>1,472</u>
Other payables		
Accrued charges and other creditors	5,298	7,530
Accrued advertising and promotion expenses	7,489	6,848
Accrued rebates and discounts	1,440	1,080
Contract liabilities	<u>2,084</u>	<u>5,040</u>
	<u>16,311</u>	<u>20,498</u>
	<u>17,924</u>	<u>21,970</u>

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

	At 30 June 2024 (unaudited) HK\$'000	At 31 December 2023 (audited) HK\$'000
Within 30 days	1,596	1,455
31 – 60 days	–	–
61 – 90 days	–	–
More than 90 days	<u>17</u>	<u>17</u>
	<u>1,613</u>	<u>1,472</u>

11. SHARE CAPITAL

	At 30 June 2024 (unaudited)		At 31 December 2023 (audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At beginning and end of the reporting period – Ordinary share of HK\$0.05 each	<u>600,000,000</u>	<u>30,000</u>	<u>600,000,000</u>	<u>30,000</u>
Issued and fully paid:				
At beginning and end of the reporting period	<u>311,640,000</u>	<u>15,582</u>	<u>311,640,000</u>	<u>15,582</u>

12. PLEDGE OF ASSETS

The Group's investment properties were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$58,647,000 (31 December 2023: HK\$59,483,000), of which HK\$4,121,000 (31 December 2023: HK\$4,737,000) were utilised at the end of the reporting period.

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

	At 30 June 2024 (unaudited) HK\$'000	At 31 December 2023 (audited) HK\$'000
Investment properties	<u>104,648</u>	<u>107,184</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Overview

The first half of 2024 has been characterised by a mix of optimism and caution on the global economic front. The global economy has continued its recovery trajectory at a slower pace, still shadowed by ongoing geopolitical tensions, notably the protracted conflict between Russia and Ukraine, as well as occasional disruptions stemming from other regional conflicts. Inflationary pressures have persisted across major economies, driven by high energy prices and supply chain disruptions. Central banks worldwide have maintained higher interest rates to combat inflation, which has impacted borrowing costs and investment activities. The Asia-Pacific region, particularly China and its neighbours, has shown resilience. China's economy has been bolstered by domestic consumption and government stimulus measures, although it continues to grapple with structural challenges.

Against this backdrop, the Group recorded total revenue of HK\$132,468,000 for the six months ended 30 June 2024, an increase of 4.8% from HK\$126,414,000 for the corresponding period in 2023. Revenue for each business segment is as follows:

	Six months ended 30 June		Change %
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	
Healthcare	123,442	120,942	+2.1
Property Investments	4,752	4,334	+9.6
Treasury Investments	4,274	1,138	+275.6
	<u>132,468</u>	<u>126,414</u>	+4.8

Underlying Recurring Profit, which excludes from Reported Profit the unrealised fair value changes of financial assets and of investment properties, was HK\$61,710,000, up 4.5% from HK\$59,054,000 year-on-year. This primarily reflected an increase in sales revenue from the Healthcare segment, which continued to build on the record high achieved in the previous period, alongside a rise in interest income resulting from higher levels of bank deposits. Earnings per share of Underlying Recurring Profit was HK19.8 cents as compared to HK18.9 cents for 2023.

Reported Profit for the six months ended 30 June 2024 was HK\$47,407,000 (2023: HK\$55,993,000), down 15.3%, primarily due to, amongst others mentioned above, a higher unrealised fair value loss on the Group's investment properties, which increased to HK\$14,784,000 from HK\$3,593,000 in 2023. Earnings per share of Reported Profit was HK15.2 cents as compared to HK18.0 cents for 2023.

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

	Six months ended 30 June		Change %
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	
Underlying Recurring Profit	61,710	59,054	+4.5
Unrealised fair value changes of:			
Financial assets	481	532	
Investment properties:			
United Kingdom	(1,734)	(5,293)	
Hong Kong and Singapore	(13,050)	1,700	
	<u> </u>	<u> </u>	
Reported Profit	<u>47,407</u>	<u>55,993</u>	-15.3

The revaluation of other properties, accounted for as other comprehensive (loss) income, resulted in a net revaluation loss for the period of HK\$23,312,000 (2023: gain of HK\$12,863,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2024 was approximately HK\$23,624,000 (2023: HK\$71,899,000).

OPERATIONS REVIEW

Healthcare

For the first half of 2024, Healthcare segment achieved a modest revenue increase of 2.1%, reaching HK\$123,442,000 compared to HK\$120,942,000 in the same period last year. Segment profit saw a more rise of 4.5%, amounting to HK\$76,974,000, up from HK\$73,666,000 in 2023. Revenue by geographical segment is as follows:

	Six months ended 30 June		Change %
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	
China (including Mainland China, Hong Kong and Macau)	95,660	98,560	-2.9
Southeast Asia	24,108	20,287	+18.8
North America	3,495	1,882	+85.7
Others	179	213	-16.0
	<hr/>	<hr/>	
Segment revenue	123,442	120,942	+2.1
	<hr/> <hr/>	<hr/> <hr/>	
Segment result – profit	76,974	73,666	+4.5
	<hr/> <hr/>	<hr/> <hr/>	

Revenue growth varied across geographical regions. In China, which includes Mainland China, Hong Kong, and Macau, revenue decreased slightly by 2.9% to HK\$95,660,000, down from HK\$98,560,000. This decline was anticipated following a period of significant growth in 2023. Despite this, stable sales volumes in key provinces such as Guangdong and Fujian present opportunities for further market share expansion. Consequently, alongside the ongoing advertising strategy that includes traditional media platforms, such as subway stations, the Group's advertising strategy in Mainland China for 2024 will focus on online channels and digital platforms, with an emphasis on targeted and precise advertising placements. Simultaneously, efforts to penetrate markets will be intensified in various provinces with high growth potential, consistently enhancing the Group's brand image to boost product sales in key regions.

Southeast Asia demonstrated steady performance, with revenue increasing by 18.8% to HK\$24,108,000. The Philippines led this growth, showing a robust outlook for the remainder of the year. Other Southeast Asian countries, such as Singapore, also contributed positively, driven by ongoing marketing and promotional activities. These efforts included marketing campaigns on social media and extensive brand advertising across various Out of Home platforms.

North America experienced a significant revenue boost of 85.7%, reaching HK\$3,495,000. This increase reflects strong market demand and effective sales strategies implemented during the period. The positive momentum is expected to continue, improving upon the performance seen in 2023.

Property Investments

Revenue for this segment increased by 9.6% to HK\$4,752,000 (2023: HK\$4,334,000). This change mainly reflected increased rental income in the United Kingdom where rent for some retail units was uplifted after rent reviews. However, this increase was partly offset by decreased rental income in Hong Kong due to a tenant moving out without renewal. The revenue breakdown for each geographical segment is as follows:

	Six months ended 30 June		Change %
	2024 HK\$'000	2023 HK\$'000	
Hong Kong – office and residential	1,723	1,883	-8.5
Singapore – industrial	158	159	-1.0
United Kingdom – retail/residential	2,871	2,292	+25.3
Segment revenue	4,752	4,334	+9.6
Segment result – loss	(10,763)	(180)	+5,879.4

For the six months ended 30 June 2024, segment revenue of about 36.3%, 3.3% and 60.4% (2023: 43.4%, 3.7% and 52.9%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively. The occupancy rates for these properties were 93.4%, 100.0% and 100.0% (2023: 100.0%, 100.0% and 100.0%) respectively.

Underlying Recurring Segment Result, which excludes from the segment result the unrealised fair value changes of financial assets and of investment properties, was a profit of HK\$4,021,000, up 17.8% from HK\$3,413,000 in 2023. Property expenses ratio as a percentage of segment revenue decreased to 15.4% (2023: 21.3%) for the period, reflecting higher rental income in 2024.

Segment result for the six months ended 30 June 2024 was a loss of HK\$10,763,000 (2023: HK\$180,000), primarily due to an increase of unrealised fair value loss of investment properties as compared to the same period in 2023.

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

	Six months ended 30 June		Change %
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	
Underlying Recurring Segment Result	4,021	3,413	+17.8
Unrealised fair value changes of investment properties:			
United Kingdom	(1,734)	(5,293)	
Hong Kong and Singapore	(13,050)	1,700	
	<u>(10,763)</u>	<u>(180)</u>	+5,879.4
Segment result – loss	(10,763)	(180)	

Treasury Investments

In addition to depositing funds in reputable banks, the Group diversified its investments into equity and debt securities, mutual funds, and dual currency investments to optimise returns.

Segment revenue, primarily generated from interest income, increased by 275.6% to HK\$4,274,000 (2023: HK\$1,138,000). Underlying Recurring Segment Result saw a 67.4% increase to a profit of HK\$3,713,000 (2023: HK\$2,218,000), while the segment result also increased to a profit of HK\$4,194,000 (2023: HK\$2,750,000). These changes were primarily attributed to a higher overall level of bank deposits, which earned high-yield fixed deposits secured during the period, resulting in increased interest income.

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

	Six months ended 30 June		Change %
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	
Underlying Recurring Segment Result	3,713	2,218	+67.4
Unrealised fair value changes of financial assets	481	532	
Segment result – profit	<u>4,194</u>	<u>2,750</u>	+52.5

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). These costs increased by 11.3% from HK\$18,746,000 to HK\$20,871,000. This increase primarily reflected the impact of annual salary increments, partly offset by decreased provision for management bonuses of executive directors, which were in line with Reported Profit as compared to the same period in 2023.

Other Operating Expenses

Other operating expenses increased by 29.1% to HK\$14,009,000 (2023: HK\$10,849,000), mainly attributable to an overall increase in advertising and promotional expenses for the period. The ratio of other operating expenses to total revenue increased to 10.6% (2023: 8.6%) for the period. This reflected higher proportional advertising and promotional expenses compared to the increase in sales turnover from Healthcare business during the period.

Finance Costs

Finance costs slightly increased by 1.4% to HK\$440,000 (2023: HK\$434,000). The overall finance costs were maintained at similar levels over the two periods. Interest coverage ratio, calculated as profit from operations before interest, taxes and unrealised fair value changes of financial assets and investment properties divided by finance costs, improved to 170.9 times (2023: 164.4 times) for the period.

Taxation

The increase in taxation from HK\$11,870,000 to HK\$13,036,000 was principally due to an overall increase in taxable operating profits of subsidiaries.

Investment Properties

The Group's investment properties in Hong Kong and the United Kingdom were valued at 30 June 2024 by an independent professional valuer on a fair value basis. No revaluation was made for the Group's investment properties in Singapore as its fair value change was considered insignificant for the period. The valuation of the investment property portfolio as at 30 June 2024 was HK\$239,678,000, a drop of 6.1% from HK\$255,264,000 as at 31 December 2023. The fall in value was primarily due to a weaker office investment market conditions in Hong Kong. The valuation of the Group's investment properties in each geographical segment as at the balance sheet date is as follows:

	As at 30 June 2024		As at 31 December 2023		Change in HK\$ %
	Original currency '000	HK\$'000	Original currency '000	HK\$'000	
Hong Kong – office and residential	HK\$122,600	122,600	HK\$135,650	135,650	-9.6
Singapore – industrial	S\$2,100	12,430	S\$2,100	12,430	–
United Kingdom – retail/residential	GBP10,600	104,648	GBP10,775	107,184	-2.4
		<u>239,678</u>		<u>255,264</u>	-6.1

An unrealised fair value loss on investment properties of HK\$14,784,000 (2023: HK\$3,593,000) was recorded for the period.

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 30 June 2024 was 0.5% (*31 December 2023: 0.6%*). Total bank borrowings of the Group amounted to HK\$4,121,000 (*31 December 2023: HK\$4,737,000*), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 4.4 times as at 30 June 2024 (*31 December 2023: 7.2 times*). The Group holds sufficient cash and 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. Some sales to Mainland China and overseas markets were conducted in Renminbi, Australian Dollars and Malaysian Ringgit. Rental income generated in the United Kingdom was denominated in Pound Sterling. As at 30 June 2024, the Group's debt borrowing was 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 period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2024 were approximately HK\$54.2 million (*31 December 2023: HK\$58.7 million*) in total, or about 5.8% (*31 December 2023: 6.5%*) 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\$100.5 million (*31 December 2023: HK\$102.4 million*) relating to carrying amount of the investment properties in the United Kingdom.

PLEDGE OF ASSETS

As at 30 June 2024, the Group's investment properties with an aggregate carrying value of approximately HK\$104.6 million (*31 December 2023: HK\$107.2 million*) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$58.6 million (*31 December 2023: HK\$59.5 million*), of which approximately HK\$4.1 million (*31 December 2023: HK\$4.7 million*) were utilised as at 30 June 2024.

CONTINGENT LIABILITIES

As at 30 June 2024, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims which may result in significant financial losses to the Group.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 101 (*31 December 2023: 102*) employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees.

OUTLOOK

Looking ahead to the second half of 2024, the Group remains cautiously optimistic about its performance despite prevailing economic uncertainties. The Group is well-positioned to leverage the economic recovery and capitalise on growth opportunities in its core markets, driving sustained revenue growth and profitability in Healthcare segment. Continued focus on innovation, market expansion, and operational efficiency will be key to maintaining positive momentum and delivering value to shareholders.

Property Investments segment may face ongoing valuation volatility due to fluctuating real estate market conditions. Hong Kong rental market continues to face challenges, with office and retail spaces experiencing varying degrees of demand fluctuation. Despite these challenges, the Group remains focused on enhancing the value of its property portfolio through prudent management, aiming to achieve stable rental income and long-term growth.

OTHER INFORMATION

INTERIM DIVIDENDS

The directors resolved to declare in respect of the six months ended 30 June 2024 an interim dividend of HK3.0 cents per share (*30 June 2023: HK3.0 cents per share*) and a special interim dividend of HK6.5 cents per share (*30 June 2023: HK5.5 cents per share*) payable to the shareholders whose names appear on the register of members of the Company on 4 October 2024. The interim dividend and the special interim dividend will be dispatched to the shareholders on 6 December 2024.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 2 October 2024 to Friday, 4 October 2024, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend and the special interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 30 September 2024.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the CG Code for the six months ended 30 June 2024 except the following deviation:

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

director and also three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there are adequate balance of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 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 their compliance with the required standard set out in the Model Code during the six months ended 30 June 2024.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial information of the Company for the six months ended 30 June 2024 has been reviewed by the audit committee. At the request of the directors, the interim financial information has also been reviewed by the Company’s auditor, Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and an unmodified review report has been issued, which will be included in the interim report.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises: (i) three executive directors, namely Mr. Gan Wee Sean, Mr. Gan Fock Wai, Stephen and Mr. Gan Cheng Hooi, Gavin; (ii) one non-executive director, namely Ms. Gan Fook Yin, Anita; and (iii) three independent non-executive directors, namely 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, 27 August 2024

* *For identification purpose only*