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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 2024

HIGHLIGHTS

- Revenue and Underlying Recurring Profit decreased year-on-year by 8.6% and 13.0% respectively, primarily due to a decline in sales revenue in Healthcare business.
- Reported profit decreased by 25.1%, mainly attributable to higher non-cash fair value losses on investment properties recognised in 2024.
- A final dividend of HK3.8 cents per share and a special final dividend of HK6.7 cents per share were proposed.

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 2024, together with comparative figures for the previous year:

RESULTS SUMMARY

	<i>Notes</i>	Year ended 31 December		Change
		2024	2023	
		HK\$'000	HK\$'000	
Revenue	<i>1</i>	236,759	259,158	-8.6%
Reported profit	<i>2</i>	78,629	105,039	-25.1%
Underlying recurring profit	<i>3</i>	103,611	119,078	-13.0%
		HK cents	HK cents	
Earnings per share:				
Reported profit	<i>4</i>	25.2	33.7	-25.2%
Underlying recurring profit		33.2	38.2	-13.1%
Total dividends per share	<i>4</i>	20.0	20.5	-2.4%
		At 31 December		
		2024	2023	
		HK\$'000	HK\$'000	
Shareholders' funds	<i>5</i>	731,908	765,183	-4.3%
		HK\$	HK\$	
Net asset value per share	<i>6</i>	2.35	2.46	-4.5%

- 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 year.
5. Shareholders' funds are the equity attributable to owners of the Company, which is equivalent to the total equity as presented in the Company's consolidated statement of financial position.
6. Net asset value per share represents shareholders' funds divided by the number of ordinary shares of the Company in issue as at the year end date.

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

OVERVIEW

The year 2024 presented a challenging economic landscape marked by continued global uncertainties, including prolonged geopolitical tensions, high interest rates, and shifting consumer behavior in key markets. Inflationary pressures and volatility in financial markets further impacted business operations. Despite these headwinds, we remained resilient, leveraging its diversified business model to navigate market challenges while focusing on long-term sustainable growth.

Our total revenue for 2024 amounted to HK\$236.8 million, reflecting an 8.6% decline from HK\$259.2 million in 2023. Underlying Recurring Profit fell 13.0% to HK\$103.6 million, while Reported Profit declined 25.1% to HK\$78.6 million, primarily due to unrealised fair value losses on investment properties amounting to HK\$26.0 million (2023: HK\$15.4 million). Despite these challenges, our Treasury Investments segment delivered strong growth, helping to offset some of the declines in other segments.

DIVIDENDS

In line with our commitment to delivering value to shareholders, we proposes a final dividend of HK3.8 cents per share (2023: HK3.8 cents per share) and a special final dividend of HK6.7 cents per share (2023: HK8.2 cents per share), subject to approval at the upcoming annual general meeting. Including the interim dividends of HK9.5 cents per share (2023: HK8.5 cents per share), the total dividends for 2024 will amount to HK20.0 cents per share (2023: HK20.5 cents per share).

BUSINESS

In 2024, we faced a challenging operating environment, with softer demand in the Healthcare and Property Investments segments impacting overall performance. Despite these challenges, we remained focused on strategic growth initiatives and operational resilience.

Healthcare segment continued to be the primary revenue driver, though sales in China moderated following the post-pandemic surge. Changing consumer behavior and the shift toward e-commerce influenced purchasing patterns, prompting us to enhance its digital marketing efforts and expand online sales channels. Meanwhile, Southeast Asia and North America markets delivered steady growth, supported by strong branding initiatives and increased production capacity. Moving forward, we will focus on strengthening its presence in high-potential markets and optimising its distribution strategies.

Property Investments segment experienced some pressure due to adjustments in the rental market, particularly in Hong Kong, while the United Kingdom portfolio remained stable. Despite valuation fluctuations, we continue to implement prudent asset management strategies to maintain occupancy levels and optimise rental returns.

Treasury Investments segment delivered better results, benefiting from higher interest rate environments and proactive treasury management. Higher returns from treasury investments helped mitigate some of the challenges faced in other segments.

NON-FINANCIAL PERFORMANCE

We believe that business sustainability can only be accomplished by operating a profitable business without sacrificing the well-being of either its society or the environment. Driven by a deep commitment to environmental sustainability, we actively take measures to minimise carbon emissions within the workplace. The strategies encompass optimising energy efficiency, implementing a comprehensive recycling programme and enhancing packaging materials to reduce the overall environmental footprint. Our Environmental, Social and Governance Report 2024, detailing our environmental and social impacts alongside progress towards sustainability, will be available in the websites of The Stock Exchange of Hong Kong Limited and the Company concurrently with our annual report publication.

OUTLOOK

Our market development efforts in China will focus on fostering and expanding e-commerce growth, allocating additional resources to enhance online engagement and digital marketing strategies, aligning with evolving consumer purchasing habits. We are optimistic about the growth potential in Southeast Asia, where we aim to leverage the strong momentum achieved in 2024 to sustain sales expansion. However, USA in the North American market may face potential headwinds due to the possible implementation of higher import tariffs, which could dampen demand and constrain growth prospects.

Hong Kong rental market is expected to remain challenging, particularly for office and retail spaces, which continue to experience fluctuating demand. We will continue to focus on prudent asset management to enhance occupancy rates and sustain stable rental income. Meanwhile, our UK and Singapore portfolios are expected to provide steady contributions.

For Treasury Investments segment, we will continue to take a prudent approach to optimise returns, leveraging higher interest rate environments to enhance overall profitability.

Looking ahead with moderate optimism, while external market conditions remain dynamic, our diversified business model, prudent financial management, and strategic growth initiatives will support long-term sustainability and shareholder value creation.

CLOSING REMARKS

On behalf of the Board, I extend my sincere gratitude to our shareholders, customers, business partners, and employees for their unwavering support and dedication. Your trust and commitment have been invaluable in navigating challenges and driving our continued growth. As we move forward, we remain focused on creating long-term value and seizing new opportunities together.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For the year ended 31 December 2024, the Group reported total revenue of HK\$236.8 million, down 8.6% from HK\$259.2 million in 2023. The decline was mainly attributed to softer performance in Healthcare and Property Investments segments, partially offset by strong growth in Treasury Investments. Revenue breakdown for each business segment is as follows:

	2024 HK\$'000	2023 HK\$'000	Change %
Healthcare	217,367	245,165	-11.3
Property Investments	9,111	9,612	-5.2
Treasury Investments	10,281	4,381	+134.7
	<u>236,759</u>	<u>259,158</u>	-8.6

Underlying Recurring Profit fell 13.0% to HK\$103.6 million, primarily due to reduced profitability in Healthcare segment. Earnings per share of Underlying Recurring Profit stood at HK33.2 cents, marking a 13.1% decrease from HK38.2 cents in 2023.

Reported Profit declined 25.1% to HK\$78.6 million, largely due to higher unrealised fair value losses on investment properties, particularly in Hong Kong and Singapore, where the total fair value loss widened to HK\$23.9 million (2023: HK\$6.9 million). Meanwhile, fair value losses in the United Kingdom portfolio narrowed to HK\$2.1 million (2023: HK\$8.5 million), reflecting a more stable market environment. Earnings per share of Reported Profit stood at HK25.2 cents, reflecting a 25.2% decrease from HK33.7 cents in 2023.

The reconciliation between Underlying Recurring Profit and Reported Profit is as follows:

	2024 HK\$'000	2023 HK\$'000	Change %
Underlying Recurring Profit	103,611	119,078	-13.0
Unrealised fair value changes of:			
Financial assets	1,061	1,345	
Investment properties:			
United Kingdom	(2,149)	(8,503)	
Hong Kong and Singapore	(23,894)	(6,881)	
Reported Profit	<u>78,629</u>	<u>105,039</u>	-25.1

The revaluation of other properties, accounted for as other comprehensive income, resulted in a net revaluation loss of HK\$43.0 million in 2024 compared to HK\$4.4 million in 2023.

Total comprehensive income attributable to owners of the Company for 2024 amounted to approximately HK\$33.7 million compared to HK\$105.6 million in 2023.

OPERATIONS REVIEW

Healthcare

Revenue from our Healthcare segment declined by 11.3% to HK\$217.4 million (2023: HK\$245.2 million), primarily due to a shift in consumer purchasing behavior in China. Geographically, segment revenue is detailed below:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	Change %
China	167,797	202,725	-17.2
Southeast Asia	36,569	34,068	+7.3
North America	11,546	7,294	+58.3
Others	1,455	1,078	+35.0
Segment revenue	217,367	245,165	-11.3
Segment result – profit	127,752	150,635	-15.2

Healthcare segment remained the Group's core revenue contributor, recording HK\$217.4 million in revenue (2023: HK\$245.2 million), reflecting an 11.3% decline year-on-year. Segment profit also fell 15.2% to HK\$127.8 million (2023: HK\$150.6 million), mainly due to weaker sales in China.

Market Analysis:

China

Revenue declined 17.2% to HK\$167.8 million (2023: HK\$202.7 million), reflecting shifting consumer behaviour following the easing of overbuying trends after the reopening of the Hong Kong-Mainland China border in 2023. This led to a notable drop in purchasing power within the pharmaceutical market in China in 2024.

The market is also experiencing a transition in purchasing models, with online sales channels continuing to expand. While this marks a new phase in pharmaceutical e-commerce, the Group's domestic operations remain primarily offline, with online sales contributing less than 3% of total revenue. This limited online presence has impacted overall sales performance.

Looking ahead, market development efforts in China will increasingly focus resources on fostering and promoting the growth of e-commerce in the region. To maintain overall sales growth in China, the Group will continue to monitor market dynamics and introduce timely sales promotions to maintain steady performance while actively exploring further growth opportunities. As consumer patterns evolve, the Group will adjust marketing strategies accordingly, enhancing online promotions to support e-commerce and maintain market competitiveness.

Southeast Asia

Revenue in Southeast Asia grew 7.3% to HK\$36.6 million (2023: HK\$34.1 million), driven by strong sales growth in the Philippines. Ongoing branding and promotional activities in the Philippines and Singapore have further strengthened Hoe Hin brand's presence in these regions.

North America

The USA posted a double digit percentage sales increase in 2024 compared to 2023. This growth was primarily driven by the normalisation of sales following an increase in production capacity, facilitated by the acquisition of new machinery in the prior year.

Looking ahead, the Group maintains a positive outlook for 2025 in the Southeast Asia region, focusing on sustaining the sales growth achieved in 2024 by leveraging the established growth momentum. However, sales in the USA may encounter challenges due to the potential implementation of higher import tariffs, which could dampen demand and limit growth.

Property Investments

Property Investments segment reported revenue of HK\$9.1 million, a 5.2% decline from HK\$9.6 million in 2023, primarily due to reduced rental income from the Hong Kong portfolio. The segment recorded a loss of HK\$18.5 million, significantly widening from HK\$7.1 million in 2023, largely attributed to fair value losses on investment properties. Revenue breakdown by location is as follows:

	2024 HK\$'000	2023 HK\$'000	Change %
Hong Kong – office and residential	3,192	3,973	-19.7
Singapore – industrial	317	316	+0.3
United Kingdom – retail/residential	5,602	5,323	+5.2
Segment revenue	9,111	9,612	-5.2
Segment result – loss	(18,483)	(7,130)	+159.2

In 2024, approximately 35.0%, 3.5% and 61.5% (2023: 41.3%, 3.3% and 55.4%) of segment revenue was derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively. Occupancy rates for these properties were 79.5%, 100.0% and 100.0% respectively (2023: 100.0%, 100.0% and 100.0%). The decline in Hong Kong's occupancy rate was due to the expiration of certain office leases in the first half of the year; new agreements were secured in the fourth quarter.

Underlying Recurring Segment Result, which excludes unrealised fair value changes of investment properties, recorded a profit of HK\$7.6 million in 2024, reflecting an 8.4% decline from HK\$8.3 million in 2023. The property expenses ratio as a percentage of segment revenue increased to 17.0% in 2024 (2023: 14.1%), primarily due to lower rental income.

Segment result for 2024 reflected a loss of HK\$18.5 million (2023: HK\$7.1 million), primarily due to increased unrealised fair value losses of investment properties compared to 2023.

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

	2024 HK\$'000	2023 HK\$'000	Change %
Underlying Recurring Segment Result	7,560	8,254	-8.4
Unrealised fair value changes of investment properties:			
United Kingdom	(2,149)	(8,503)	
Hong Kong and Singapore	(23,894)	(6,881)	
Segment result – loss	<u>(18,483)</u>	<u>(7,130)</u>	+159.2

Hong Kong overall office market faced significant challenges in 2024, with vacancy rates reaching 17.0% by year-end, contributing to declining rental income and increased fair value losses on investment properties. Despite these challenges, the Singapore and United Kingdom portfolios maintained full occupancy and stable rental income, underscoring the benefits of a diversified property investment strategy.

Treasury Investments

In addition to placing funds in reputable banks, the Group diversified its investment portfolio to include equity and debt securities, mutual funds, and dual currency investments, aiming to optimise returns.

Segment revenue, primarily derived from interest income, surged 134.1% to HK\$10.3 million (2023: HK\$4.4 million). Underlying Recurring Segment Result also posted a substantial increase of 101.5%, reaching HK\$8.5 million (2023: HK\$4.2 million). This growth was mainly driven by a higher level of fixed deposits secured during the year, resulting in increased interest income.

The segment recorded a profit of HK\$9.5 million, marking a 71.7% increase from HK\$5.5 million in 2023. This improvement was primarily attributed to higher interest income, partially offset by a lower unrealised fair value gain on listed investments compared to 2023.

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

	2024 HK\$'000	2023 HK\$'000	Change %
Underlying Recurring Segment Result	8,458	4,198	+101.5
Unrealised fair value changes of financial assets	<u>1,061</u>	<u>1,345</u>	
Segment result – profit	<u>9,519</u>	<u>5,543</u>	+71.7

FINANCIAL REVIEW

The preceding sections, including the results overview and operations review, provide insights into the financial performance of the Group's three business segments. This section discusses other significant financial items.

Staff Costs

Staff costs are classified into production-related payroll expenses and administration payroll expenses, which include costs for management and head office staff. Total staff costs declined slightly by 1.6% from HK\$44.0 million to HK\$43.3 million. This decrease was primarily due to a lower provision for management and staff bonuses, aligning with the Group's financial performance compared to 2023. The decline was partially offset by the impact of annual salary increments.

Other Operating Expenses

Other operating expenses increased by 15.6% to HK\$28.2 million (2023: HK\$24.4 million), primarily due to a higher overall expenditure on advertising and promotional activities. The ratio of other operating expenses to total revenue rose to 11.9% in 2024 (2023: 9.4%), reflecting higher proportional marketing expenses relative to the decline in sales turnover from Healthcare business during the year.

Finance Costs

Finance costs declined by 5.0% to HK\$584,000 (2023: HK\$615,000), primarily due to a lower bank loan balance throughout the year, despite an increase in the interest rates on the underlying loan. The 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, decreased to 211.2 times in 2024 (2023: 233.3 times).

Taxation

Taxation decreased by 19.7% from HK\$23.8 million to HK\$19.1 million, primarily due to a decline in taxable operating profits of subsidiaries.

Investment Properties

The Group's investment properties were valued at 31 December 2024 by independent professional valuers on a fair value basis. The total valuation as at year-end 2024 was HK\$227.0 million, a drop of 11.1% from HK\$255.3 million as at year-end 2023. The decrease was primarily driven by weaker office investment market conditions in Hong Kong, where rising vacancy rates, declining rental yields, and economic uncertainties have led to subdued investor sentiment. The valuation decline was less pronounced in the United Kingdom, reflecting a more resilient retail and residential market, supported by stable tenant demand and long-term lease agreements. The valuation of properties in each geographical segment as at the year-end date is as follows:

	2024		2023		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\$111,480	111,480	HK\$135,650	135,650	-17.8
Singapore – industrial	S\$2,225	12,706	S\$2,100	12,430	+2.2
United Kingdom – retail/residential	GBP10,560	102,854	GBP10,775	107,184	-4.0
		227,040		255,264	-11.1

An unrealised fair value loss on investment properties of HK\$26.0 million (2023: HK\$15.4 million) and an exchange loss realignment of HK\$2.2 million (2023: gain of HK\$5.7 million) were recognised for 2024.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group maintained a prudent treasury policy throughout the year. The gearing ratio (interest-bearing borrowings divided by total shareholders' funds) as at 31 December 2024 was 0.6% (2023: 0.6%). The Group's total bank borrowings amounted to HK\$4.2 million (2023: HK\$4.7 million), primarily denominated in Pound Sterling with floating interest rates.

The current ratio (current assets divided by current liabilities) stood at 16.2 times as at 31 December 2024 (2023: 7.2 times). The Group maintained sufficient cash reserves, marketable securities and available banking facilities to meet its short-term liabilities, commitments and working capital requirements.

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 denominated in Renminbi, Australian Dollars and Malaysian Ringgit, while rental income in the United Kingdom was received in Pound Sterling. As at 31 December 2024, 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 2024 were approximately HK\$72.6 million (2023: HK\$58.7 million) in total, or about 8.6% (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\$98.7 million (2023: HK\$102.4 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2024, the Group's investment properties in the United Kingdom with an aggregate carrying value of approximately HK\$102.9 million (2023: HK\$107.2 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$57.8 million (2023: HK\$59.5 million), of which approximately HK\$4.2 million (2023: HK\$4.7 million) were utilised as at 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 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 31 December 2024, the Group had a total of 106 (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 as part of its commitment to employee well-being.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	<i>3</i>	236,759	259,158
Other revenue	<i>3</i>	156	154
Other net income	<i>4</i>	555	284
Changes in inventories of finished goods		(874)	(2,276)
Raw materials and consumables used		(31,745)	(38,023)
Staff costs		(43,289)	(44,035)
Depreciation expenses		(7,383)	(7,388)
Net exchange (loss) gain		(2,684)	10
Other operating expenses	<i>5</i>	(28,166)	(24,424)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		123,329	143,460
Net gain on financial assets at fair value through profit or loss		1,061	1,345
Revaluation deficit in respect of investment properties		(26,043)	(15,384)
Profit from operations		98,347	129,421
Finance costs	<i>5</i>	(584)	(615)
Profit before taxation	<i>5</i>	97,763	128,806
Taxation	<i>6</i>	(19,134)	(23,767)
Profit for the year, attributable to owners of the Company		78,629	105,039

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation deficit of leasehold land and buildings, net of tax effect of HK\$8,488,000 (2023: HK\$872,000)		<u>(42,953)</u>	<u>(4,418)</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		(1,988)	5,149
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments		<u>40</u>	<u>(132)</u>
		<u>(1,948)</u>	<u>5,017</u>
Other comprehensive (loss) income for the year, net of tax, attributable to owners of the Company		<u>(44,901)</u>	<u>599</u>
Total comprehensive income for the year, attributable to owners of the Company		<u><u>33,728</u></u>	<u><u>105,638</u></u>
		<i>HK</i>	<i>HK</i>
Earnings per share			
Basic and diluted	8	<u><u>25.2 cents</u></u>	<u><u>33.7 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current assets			
Investment properties		227,040	255,264
Property, plant and equipment		268,690	326,596
Intangible assets		2,450	2,450
Financial assets at fair value through profit or loss		4,867	4,898
Deferred tax assets		1,066	983
		504,113	590,191
Current assets			
Inventories		12,083	12,197
Trade and other receivables	9	33,217	27,470
Financial assets at fair value through profit or loss		14,202	12,094
Tax recoverable		3,921	—
Bank balances and cash		275,818	265,513
		339,241	317,274
Current liabilities			
Bank borrowings, secured		4,204	4,737
Current portion of deferred income		294	287
Trade and other payables	10	13,941	21,970
Tax payable		1,406	16,323
Dividends payable		1,042	868
		20,887	44,185
Net current assets		318,354	273,089
Total assets less current liabilities		822,467	863,280
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks		2,073	2,073
Long-term portion of deferred income		39,693	39,050
Provision for directors' retirement benefits		6,465	5,959
Deferred tax liabilities		42,328	51,015
		90,559	98,097
NET ASSETS		731,908	765,183
Capital and reserves			
Share capital		15,582	15,582
Share premium and reserves		716,326	749,601
TOTAL EQUITY		731,908	765,183

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and in compliance with the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

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

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for a debt a company might settle by converting it into equity.

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

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

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

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This Interpretation is revised as a consequence of the above Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

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

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

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 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 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 2024			
	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>217,367</u>	<u>9,111</u>	<u>10,281</u>	<u>236,759</u>
Segment results	<u>127,752</u>	<u>(18,483)</u>	<u>9,519</u>	118,788
Unallocated corporate expenses				<u>(20,441)</u>
Profit from operations				98,347
Finance costs				<u>(584)</u>
Profit before taxation				97,763
Taxation				<u>(19,134)</u>
Profit for the year				<u>78,629</u>
Assets				
Segment assets	360,292	228,193	248,616	837,101
Unallocated corporate assets				<u>6,253</u>
Consolidated total assets				<u>843,354</u>
Liabilities				
Segment liabilities	12,578	45,143	–	57,721
Unallocated corporate liabilities				<u>53,725</u>
Consolidated total liabilities				<u>111,446</u>
Other information				
Additions to non-current assets	(590)	(347)	–	(937)
Depreciation expenses	(7,262)	(121)	–	(7,383)
Revaluation deficit in respect of investment properties	–	(26,043)	–	(26,043)
Revaluation deficit of leasehold land and buildings (in other comprehensive income)	(42,953)	–	–	(42,953)
Net gain on financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>1,061</u>	<u>1,061</u>

	Year ended 31 December 2023			
	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>245,165</u>	<u>9,612</u>	<u>4,381</u>	<u>259,158</u>
Segment results	<u>150,635</u>	<u>(7,130)</u>	<u>5,543</u>	149,048
Unallocated corporate expenses				<u>(19,627)</u>
Profit from operations				129,421
Finance costs				<u>(615)</u>
Profit before taxation				128,806
Taxation				<u>(23,767)</u>
Profit for the year				<u>105,039</u>
Assets				
Segment assets	441,720	257,022	206,713	905,455
Unallocated corporate assets				<u>2,010</u>
Consolidated total assets				<u>907,465</u>
Liabilities				
Segment liabilities	19,969	45,135	–	65,104
Unallocated corporate liabilities				<u>77,178</u>
Consolidated total liabilities				<u>142,282</u>
Other information				
Additions to non-current assets	(2,535)	(526)	–	(3,061)
Depreciation expenses	(7,362)	(26)	–	(7,388)
Revaluation deficit in respect of investment properties	–	(15,384)	–	(15,384)
Revaluation deficit of leasehold land and buildings (in other comprehensive income)	(4,418)	–	–	(4,418)
Net gain on financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>1,345</u>	<u>1,345</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 and geographical location of the related assets for healthcare products, property investment and treasury investment operations:

	Revenue from external customers		Results from operations	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
China (Note)	179,040	210,207	83,148	125,934
Southeast Asia	38,244	35,067	21,217	19,694
North America	11,907	7,294	6,411	3,587
United Kingdom	6,113	5,513	3,622	(3,435)
Other regions	1,455	1,077	1,756	1,465
Unallocated corporate expenses	–	–	(17,807)	(17,824)
	236,759	259,158	98,347	129,421

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

	Non-current assets (Note)	
	2024 HK\$'000	2023 HK\$'000
China	380,170	462,247
Southeast Asia	15,156	14,879
United Kingdom	102,854	107,184
	498,180	584,310

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:

	2024 HK\$'000	2023 HK\$'000
Customer A	32,470	*
Customer B	37,648	40,311
Customer C	27,463	37,789
Customer D	26,969	24,754
Customer E	*	30,979
	124,550	133,833

* These customers individually contributed less than 10% of the total revenue from the Group's healthcare products segment during the year ended 31 December 2024 or 2023.

3. REVENUE AND OTHER REVENUE

	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of Hoe Hin brand of products		
– Fixed price	116,411	110,816
– Variable price	100,956	134,349
	<u>217,367</u>	<u>245,165</u>
Revenue from other sources		
Lease income under operating leases with		
– Fixed lease payments	9,111	9,548
– Variable lease payments	–	64
	<u>9,111</u>	<u>9,612</u>
Interest income calculated using the effective interest method from bank deposits	<u>10,281</u>	<u>4,381</u>
	<u>19,392</u>	<u>13,993</u>
Revenue	<u>236,759</u>	<u>259,158</u>
Listed investments		
Dividend income from financial assets at FVPL	144	148
Gain on disposal of financial assets at FVPL	12	6
Other revenue	<u>156</u>	<u>154</u>
Total revenue	<u>236,915</u>	<u>259,312</u>

The amount of revenue from contracts with customers within HKFRS 15 recognised for the year ended 31 December 2024 that was included in the contract liabilities at the beginning of the year is HK\$5,040,000 (2023: HK\$21,000).

4. OTHER NET INCOME

	2024 HK\$'000	2023 HK\$'000
Commission income	40	35
Sundry income	<u>515</u>	<u>249</u>
	<u>555</u>	<u>284</u>

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2024 HK\$'000	2023 HK\$'000
(a) Other operating expenses		
Advertising, promotion and event expenses (<i>Note</i>)	14,134	10,813
Auditor's remuneration	507	497
Certificate and licensing fees	340	353
Legal and professional fees	1,853	1,687
Office and administrative expenses	3,218	3,967
Production overheads	2,469	2,339
Repairs and maintenance	1,099	420
Travelling and transportation	1,800	1,873
Others	2,746	2,475
	<u>28,166</u>	<u>24,424</u>

Note: Included lease charges on short-term leases of advertising spaces of HK\$2,219,000 (2023: HK\$2,127,000).

	2024 HK\$'000	2023 HK\$'000
(b) Finance costs		
Interest on bank borrowings	304	335
Interest on consideration payable for acquisition of trademarks	280	280
	<u>584</u>	<u>615</u>

	2024 HK\$'000	2023 HK\$'000
(c) Other items		
Cost of inventories	53,396	60,206
Contributions to defined contribution plan (included in staff costs) (<i>Note</i>)	899	824
Loss on disposal of property, plant and equipment	19	10
Gross rental income from investment properties less direct operating expenses of HK\$445,000 (2023: HK\$216,000)	(8,665)	(9,396)
	<u>(8,665)</u>	<u>(9,396)</u>

Note: The Group had no forfeited contribution available to reduce its contribution payable in future years as at 31 December 2024 and 2023.

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 is 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.

	2024 HK\$'000	2023 HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	18,371	23,220
Overseas tax	1,045	735
	<u>19,416</u>	<u>23,955</u>
Deferred taxation		
Origination and reversal of temporary differences	(282)	(188)
	<u>19,134</u>	<u>23,767</u>

Reconciliation of effective tax rate

	2024 %	2023 %
Applicable tax rate in Hong Kong	16.5	16.5
Non-deductible expenses and losses	5.8	3.1
Non-taxable revenue and gains	(2.6)	(0.9)
Effect of two-tiered profits tax rate	(0.2)	(0.1)
Others	0.1	(0.1)
	<u>19.6</u>	<u>18.5</u>
Effective tax rate for the year	<u>19.6</u>	<u>18.5</u>

7. DIVIDENDS

	2024 HK\$'000	2023 HK\$'000
Attributable to the current year:		
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)	20,257	17,140
Final dividend of HK3.8 cents per share (2023: HK3.8 cents per share) (Note)	11,842	11,842
Special final dividend of HK6.7 cents per share (2023: HK8.2 cents per share) (Note)	20,880	25,555
	<u>62,328</u>	<u>63,886</u>
Attributable to previous years, approved and paid during the year:		
Final dividend of HK3.8 cents per share (2023: HK3.8 cents per share)	11,842	11,842
Special dividend of HK8.2 cents per share (2023: HK3.0 cents per share)	25,555	9,349
	<u>37,397</u>	<u>21,191</u>

Note: The final dividend and special final dividend for the year ended 31 December 2024 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:

	2024 HK\$'000	2023 HK\$'000
Profit attributable to owners of the Company	<u>78,629</u>	<u>105,039</u>
	2024	2023
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>311,640</u>	<u>311,640</u>
	HK	HK
Earnings per share Basic and diluted	<u>25.2 cents</u>	<u>33.7 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 2024 and 2023.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Trade receivables	9(a)	19,190	17,435
Bills receivables		9,529	5,566
Other receivables			
Deposits, prepayments and other debtors		<u>4,498</u>	<u>4,469</u>
		<u>33,217</u>	<u>27,470</u>

(a) Trade receivables

The Group allows 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:

	2024 HK\$'000	2023 <i>HK\$'000</i>
Within 30 days	14,638	8,700
31 – 60 days	1,537	3,946
61 – 90 days	1,917	–
91 – 120 days	<u>1,098</u>	<u>4,789</u>
	<u>19,190</u>	<u>17,435</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

		2024	2023
	Notes	HK\$'000	HK\$'000
Trade payables	10(a)	<u>1,444</u>	<u>1,472</u>
Other payables			
Accrued charges and other creditors		6,610	7,530
Accrued advertising and promotion expenses		5,382	6,848
Accrued rebates and discounts	10(b)	505	1,080
Contract liabilities	10(c)	<u>–</u>	<u>5,040</u>
		<u>12,497</u>	<u>20,498</u>
		<u>13,941</u>	<u>21,970</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:

	2024	2023
	HK\$'000	HK\$'000
Within 30 days	1,054	1,455
31 – 60 days	373	–
61 – 90 days	–	–
More than 90 days	<u>17</u>	<u>17</u>
	<u>1,444</u>	<u>1,472</u>

(b) Accrued rebates and discounts

During the year ended 31 December 2024, sales to distributors decreased, thereby decreasing the estimated rebates and discounts payable.

At 31 December 2024 and 2023, there were no contract liabilities arising from rebates and discounts that were expected to be settled after more than 12 months.

(c) **Contract liabilities**

Contract liabilities represents consideration received from customers before the related goods are delivered.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
At beginning of the reporting period	5,040	21
Recognised as revenue	(5,040)	(21)
Receipt of advances or recognition of receivables	—	5,040
At end of the reporting period	—	5,040

The contract liabilities as at 1 January 2024 amounting to HK\$5,040,000 were fully recognised as revenue during the year ended 31 December 2024.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2023 was part of contracts that had an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

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\$57,758,000 (2023: HK\$59,483,000), of which HK\$4,204,000 (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:

	2024 HK\$'000	2023 HK\$'000
Investment properties	102,854	107,184

Except for the above, there are no significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

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 2024.

Scope of work of Forvis 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 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Forvis Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024. The work performed by Forvis Mazars CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Forvis Mazars CPA Limited on the preliminary announcement.

Final Dividend and Special Final Dividend

The Board has proposed a final dividend of HK3.8 cents per share (2023: HK3.8 cents per share) and a special final dividend of HK6.7 cents per share (2023: HK8.2 cents per share) for the year ended 31 December 2024 payable to shareholders on the register of members of the Company on 11 July 2025.

Subject to approval of the proposed final dividend and special final dividend by the shareholders at the forthcoming annual general meeting of the Company to be held on 16 June 2025, the final dividend and special final dividend will be paid to the shareholders of the Company on 8 August 2025.

Closing of register of members

The register of members of the Company will be closed from Wednesday, 11 June 2025 to Monday, 16 June 2025, 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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but no later than 4:30 p.m. on Tuesday, 10 June 2025.

The register of members of the Company will also be closed from Wednesday, 9 July 2025 to Friday, 11 July 2025, both days inclusive, during which no transfer of shares will be effected. To rank for the proposed final dividend and special final 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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but no later than 4:30 p.m. on Tuesday, 8 July 2025.

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 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 that were in force under the CG Code during the year ended 31 December 2024 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 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 compliance with the required standard set out in the Model Code during the year ended 31 December 2024.

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, 27 March 2025

* *For identification purpose only*