Annual Report 2013

WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

This Annual Report is printed on environmentally friendly paper

Contents

Corporate Information

DIRECTORS

Executive Directors	Gan Wee Sean *(Chairman and Chief Executive Officer)* Gan Fock Wai, Stephen *(R)*
Independent Non-executive Directors	Leung Man Chiu, Lawrence *(chairing A, chairing R and chairing N)* Wong Ying Kay, Ada *(A, R, N)* Ip Tin Chee, Arnold *(A, R, N)*
COMPANY SECRETARY	Lo Tai On
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	11th Floor, 200 Gloucester Road Wan Chai Hong Kong
AUDITOR	Mazars CPA Limited 42nd Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
SOLICITOR	Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
PRINCIPAL REGISTRAR	Codan Services Limited Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
HONG KONG SHARE REGISTRAR	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
STOCK CODE	239
HOME PAGE	www.pakfahyeow.com
EMAIL	pfy@pfy.com.hk
TELEPHONE	(852) 2881 7713

(A) Audit Committee member
(R) Remuneration Committee member
(N) Nomination Committee member

About Us

We are principally engaged in the manufacture, marketing and distribution of medicated embrocation using our brand name "Hoe Hin" ("Hoe Hin Products"). One of our products has been well-known as Hoe Hin White Flower Embrocation or Hoe Hin Pak Fah Yeow, a traditional medicated oil, which has been manufactured for over 85 years and is available in Hong Kong, Mainland China, most South-east Asian countries and major western countries. Our other products include Hoe Hin Strain Relief, Hoe Hin White Flower Ointment and Fúzăi 239 (floral-scented White Flower Embrocation).

We are also principally engaged in property and treasury investments. We have property investments in the United Kingdom, Hong Kong and Singapore which were purchased a long time ago and intended to be held for long term to generate steady income.

HOE HIN BRAND AND PRODUCTS

"Being recognised in most of the markets as premium products amongst other brands, which reflects recognition of our brand as Using Top Quality Ingredients, Top Quality Management and Hong Kong-Made Production."

OUR VISION

"To be the premier provider of top quality medicated products for all walks of life that is superior to other choices in the markets."

OUR STRATEGIES

Manufacture, Marketing and Distribution of Hoe Hin Products

Short to Medium Term:	"Expanding existing markets using our existing products while seeking opportunities to explore and develop new markets."
Long Term:	"Extending our markets to mainstream channels and chains to cover local communities in overseas markets."

Property Investments

"Being intended for long term to generate steady income and enable us to create cushion irrespective of uncertain economic conditions, while recognised as important to realise premium capital gain for maximising the return as and when considered appropriate."

Treasury Investments

"Making use of our surplus cash for low to medium-risk investments for better return as opposed to earning historic-low interest from bank deposits."

Chairman's Statement

Dear fellow shareholders,

OVERVIEW

In 2013, we continued to show consistent growth in both sales and profitability, despite economic uncertainty and increasing operating costs. The Group's total turnover for the year ended 31 December 2013 was HK$161.0 million, representing an increase of 25.2% over the previous year. Profit from operations before fair value changes of financial assets through profit or loss and of investment properties was HK$55.2 million, an increase of 28.6%. Such increase mainly reflected increased contribution from sales of Hoe Hin brand of products ("Hoe Hin Products"). Profit attributable to shareholders was HK$70.9 million, an increase of 10.2%. The extent of increase in profit attributable to shareholders was less than that of the profit from operations because there were less unrealised holding gain on our securities investments and less revaluation surplus from investment properties recognised for the year as compared to the previous year.

The Board proposes a final dividend of HK6.5 cents per share (2012: HK6.2 cents per share) and a special dividend of HK4.5 cents per share (2012: HK2.8 cents per share) subject to approval by shareholders at the forthcoming annual general meeting of the Company. These together with the interim dividends of HK7.5 cents per share (2012: HK6.9 cents per share) already declared, will make a total dividends of HK18.5 cents per share for 2013 (2012: HK15.9 cents per share).

BUSINESS

Global economy was recovering in the year 2013 and we saw moderate growth in Hong Kong's economy. Cost inflation still persisted and competition remained fierce. In this light, coupled with our marketing effort in advertising and promotion, we recorded a record high in sales of Hoe Hin Products for the year 2013 and achieved encouraging growth in all major markets. Increased Mainland tourists buying consumer products in Hong Kong and Macau continued to make positive contribution to such growth. We were also pleased to see improvement in Mainland market following measures taken in the past for maintaining a healthy stock level.

Despite concerns over tapering of quantitative easing measures in the United States, we saw overall gain on the fair value change of our securities investments. The effect of additional stamp duty applied to commercial, industrial and residential properties in Hong Kong and Singapore slowed down the increase in fair value of our properties. In the United Kingdom, retail investment opportunities in Central London continued to attract investors looking for a safe haven investment against the uncertain global economic backdrop, with demand remains high from overseas private investors, resulting in a significant increase in fair value of our properties there. Rental level of our properties in United Kingdom and Singapore remained stable, while those in Hong Kong uplifted after rent review.

OUTLOOK

Continue our strategy to focus on market penetration and market development for our existing products, we shall complete the renovation of our websites shortly to enhance our corporate and brand images as well as advance our online marketing development and online purchase platform. This will enable us to open up many opportunities to access new markets and reach new customers. In expanding new business opportunities in existing markets, we are proceeding with product registration of Hoe Hin Strain Relief in Canada and hopefully approval can be obtained in the third quarter of this year. For new markets, after a satisfactory review we have appointed a distributor in Vietnam which has a strong local distribution network that would contribute to our business development.

We are still awaiting the approval of the renewal of product license in the Mainland. Meanwhile, we have managed to obtain a further one-off permit expiring in late July 2014 and will arrange production of that shipment. We believe that this would be sufficient for our sales in the Mainland for the rest of this year.

Chairman's Statement

We have refined our strategy in recognition of the importance of maximising the return from our investment properties as and when considered appropriate. Despite the foregoing, as you may have learned from our recent announcement, the buyer of our investment properties in London failed to complete the transaction on the completion date. Under the law of the United Kingdom, the buyer had been given 5 working days (expiring on 1 April 2014) for completion. If the buyer fails again to complete, we shall be entitled to forfeit the deposit, rescind the sale and purchase agreement and sue for damages.

APPRECIATION

On behalf of the Board, I would like to thank our management team and staff for their dedication and hard work, our investors and business partners for their continuous support and my fellow directors for their valuable advices.

By order of the Board
Pak Fah Yeow International Limited

GAN Wee Sean
Chairman

Hong Kong, 27 March 2014

Management Discussion and Analysis

RESULTS OVERVIEW

For the year ended 31 December 2013, the Group's turnover increased by 25.2% to HK$160,993,000 (2012: HK$128,543,000) as a result of increased contributions from sales of Hoe Hin brand of products (the "Hoe Hin Products"), rental income and treasury investment.

Revaluation surplus of the Group's investment properties was HK$21,933,000 (2012: HK$25,147,000), including a surplus of HK$16,965,000 (2012: HK$800,000) which related to the Group's investment properties in the United Kingdom.

Profit attributable to owners for the year ended 31 December 2013 was approximately HK$70,880,000 (2012: HK$64,344,000).

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation surplus in this year of HK$9,276,000 (2012: HK$55,818,000).

Total comprehensive income attributable to owners for the year ended 31 December 2013 was approximately HK$82,267,000 (2012: HK$123,591,000).

MANUFACTURING AND SALES OF HOE HIN BRAND OF PRODUCTS

Revenue from sales of the Hoe Hin Products increased by 26.7% to HK$150,093,000 (2012: HK$118,451,000).

Hong Kong market accounts for about 60.7% (2012: 65.5%) of the segment revenue. Macau and Mainland China account for about 8.8% (2012: 9.6%) and 12.0% (2012: 7.2%) respectively. Sales in Hong Kong and Macau surged about 13.0% and 22.4% respectively as a result of continuous inbound tourists from Mainland China buying the Hoe Hin Products. Sales in Mainland China were improved during the year, following measures taken in previous years for a healthy stock level of the distributor. Sales in other major markets were also improved. Though sales in new markets for the year were comparably insignificant, the Group had made encouraging progress in Papua New Guinea and Cambodia markets.

With the increase in revenue, segment profit increased by 23.2% to HK$55,954,000 (2012: HK$45,428,000). In 2013, the overall profit margin decreased as a result of costs inflation and change of product mix sold.

PROPERTY INVESTMENT

Revenue for this segment increased by 4.3% to HK$10,139,000 (2012: HK$9,722,000). This change mainly represents increased rental income from the Group's investment properties in Hong Kong as a result of rent review, partly offset by decreased average exchange rate in translating rental income derived in the United Kingdom.

Net revaluation surplus in respect of the Group's investment properties of HK$21,933,000 (2012: HK$25,147,000) was recognised for the year. As a result, the segment profit slightly decreased by 1.2% to HK$33,160,000 (2012: HK$33,551,000).

TREASURY INVESTMENT

Revenue derived from this segment increased by 105.7% to HK$761,000 (2012: HK$370,000), primarily due to more interest income earned from debt securities and dual currency deposits. The segment profit decreased to HK$3,584,000 (2012: HK$5,402,000), mainly attributable to less revaluation gain on listed investments and increased losses on foreign currency transactions, partly offset by increased interest income as aforesaid.

FINANCE COSTS

The decrease in finance cost of HK$66,000 (6.4%) to HK$968,000 was mainly due to lower bank loan balances.

Management Discussion and Analysis

TAXATION

Increase in taxation from HK$6,919,000 to HK$8,855,000 was principally due to an increase in taxable operating profits of subsidiaries in Hong Kong.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2013 was 9.7% (2012: 11.7%). Total bank borrowings of the Group amounted to HK$49,950,000 (2012: HK$56,003,000), mainly denominated in Pound Sterling, Euro and Hong Kong Dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 1.12 as at 31 December 2013 (2012: 1.18). 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 2013, the Group's debt borrowings were mainly denominated in Pound Sterling, Euro and Hong Kong Dollars. 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 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 2013 were approximately HK$42.8 million (2012: HK$27.8 million) in total, or about 6.3% (2012: 4.3%) 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$99.2 million (2012: HK$73.6 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2013, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with an aggregate carrying value of approximately HK$306.2 million (2012: HK$258.8 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$93.5 million (2012: HK$95.7 million), of which approximately HK$50.0 million (2012: HK$56.0 million) were utilised as at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 89 (2012: 85) 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.

Board of Directors and Senior Management

Executive Directors

Mr. GAN Wee Sean, aged 67, is the Chairman of the board, the Chief Executive Officer and an executive director of the Company. He has been actively involved in the management of the Group since 1971. He was appointed as an executive director of the Company on 8 October 1991 and acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. He attended North Western Polytechnic, London, England where he majored in business administration and marketing. He is a Fellow of the Institute of Chartered Secretaries and Administrators and Fellow of the Chartered Institute of Marketing. From 1981 to 1986, and from 1987 to 1990, he held the position of vice-chairman and chairman respectively of Chung Sing Benevolent Society. He was chairman of the Malaysian Association in Hong Kong from 1987 to 1989, and was a founder member of the Institute of Marketing in Hong Kong. He is also vice president of the St. John's Ambulance Brigade Island Command Hong Kong. He is the eldest grandson of the founder, Mr. Gan Geok Eng. He is a director and shareholder of Hexagan Enterprises Limited, a substantial shareholder of the Company.

Mr. GAN Fock Wai, Stephen, aged 52, is an executive director of the Company and is a member of the remuneration committee. He was the Chief Executive Officer until 21 April 2008. He possessed an honorary bachelor degree in food process engineering from Loughborough University of Technology in England. He has been actively involved in the management of the Group since 1986. He is a son of the founder, Mr. Gan Geok Eng. In 2001, he was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He was also a committee member (Practitioners Board) of the Chinese Medicine Council of Hong Kong from 1999 to 2005. He is a director and shareholder of Gan's Enterprises Limited, a substantial shareholder of the Company.

Independent Non-executive Directors

Mr. LEUNG Man Chiu, Lawrence, aged 65, was appointed as an independent non-executive director of the Company in July 2006 and is the chairman of the audit committee, remuneration committee and nomination committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now known as the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 40 years. He has extensive experience in accounting and auditing and served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practising as a partner in Tang and Fok. Mr. Leung is an independent non-executive director of Safety Godown Company, Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. WONG Ying Kay, Ada, aged 54, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee, remuneration committee and nomination committee. She is a practicing solicitor and China-Appointed Attesting Officer. She is also an independent non-executive director of Hengan International Group Company Limited, a company listed on the Stock Exchange. She is a member of Art Museum Advisory Panel.

She is appointed as member of Consultation Panel of the West Kowloon Cultural District Authority on 1 March 2013 and appointed as board of director of Hong Kong Design Centre on 12 March 2013.

Mr. IP Tin Chee, Arnold, aged 51, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee, remuneration committee and nomination committee. He is a graduate of Trinity College, Cambridge University, and qualified as a chartered accountant in 1988. Between 1989 and March 1997, he worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Limited thereafter until January 2001, specialising in a range of corporate finance and advisory activities for companies based in Hong Kong and China. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is chairman of the management company which acts as manager of Saizen REIT, a real estate investment trust listed on the Singapore Stock Exchange. He is also an independent non-executive director of Pioneer Global Group Limited, a company listed on the Stock Exchange.

Board of Directors and Senior Management

Senior Management

Mr. TSANG Hung Kei, aged 43, is the Chief Financial Officer of the Group responsible for the overall financial management and control. He is also an executive director of major subsidiaries of the Company. Mr. Tsang is a Fellow of the Association of Chartered Certified Accountants, an Associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in May 2005, he worked for an international accounting firm for 8 years and was the group financial controller of a listed company in Hong Kong thereafter until April 2005. He obtained a bachelor degree in computer science and accounting from the University of Manchester, England.

Ms. YAU Lai Ching, aged 49, is an executive director and the Chief Operating Officer of Hoe Hin Pak Fah Yeow Manufactory, Limited ("HHPFY") responsible for the overall management of operation. She has been with HHPFY since 1992. Prior to joining HHPFY, she worked for tourism board for 3 years. She possessed a Professional Diploma in Marketing from the Hong Kong Polytechnic (presently known as Hong Kong Polytechnic University).

Mr. TANG Ho Kwong, Anthony, aged 52, is the Head of Sales and Marketing of HHPFY responsible for the overall sales and customer management and the formulation and implementation of marketing strategies for the Hoe Hin brand of products. He joined HHPFY in November 2004 as Business Development Manager and had progress to become the present position since July 2006. He is a renowned athlete and was a member of Hong Kong swimming team participating in Asian Games and Olympic Games. Prior to joining HHPFY, he was an artist in the movie and television broadcasting businesses for over 20 years.

Mr. GAN Cheng Hooi, Gavin, aged 33, is the Business Development Manager of HHPFY responsible for developing new and existing markets as well as brand building. He joined HHPFY in October 2007 as management trainee and had progress to become Executive Officer in December 2007 and the present position since November 2011. Prior to joining HHPFY, he worked in different industries including market research, information technology and management consultancy. He obtained a bachelor degree in management from Royal Holloway University of London. He is a son of the Chairman of the board.

Corporate Responsibility Report

We are guided by the principle of being a responsible business. We aim to achieve our business objectives within a framework of high standards that takes account of the needs of our stakeholders, including our impact on the communities in which we operate and on the environment.

PROMOTING HEALTH AND QUALITY STANDARDS

We adhere to our strict compliance in our quality standards. Product quality is of the utmost importance for health and well-being. We are committed to continuous improvement in our quality management system to meet the quality requirements of our customers, enhance customer satisfaction and comply with relevant regulations. We, through our production arm, Hoe Hin Pak Fah Yeow Manufactory, Limited, have obtained the following in recognition of our high standard of quality:

- Good Manufacturing Practice ("GMP") certificate awarded by Therapeutic Goods Administration, Department of Health, Australia;
- Hong Kong GMP certificate;
- ISO9001:2008 certificate for design, manufacture and distribution of our products;
- Q-Mark certificates for White Flower Embrocation (including floral-scented) and Hoe Hin Strain Relief (The first Strain Relief product in Hong Kong with Q-Mark certificate); and
- Hong Kong Top Brand Mark (Top Mark) for Hoe Hin Pak Fah Yeow on registered product category Chinese Medicine External Analgesic (White Flower Embrocation).

Promoting consumer health and well-being is one of our priorities. This is achieved through our social media platforms unceasingly providing information of health consciousness of physical fitness as well as health of mind & soul to our customers and consumers worldwide. We also provided donation support to activities organised by communities promoting health and well-being.

COMMUNITY AND EDUCATIONAL SUPPORT

We have maintained the tradition of donating funds and contributing our products in Hong Kong and South East Asia to charities and to people in need as philanthropic support, such as Sichuan earthquake victims and Philippines victims of typhoon Haiyan destruction etc.

In addition, we have always been active in community services by sponsoring activities co-organised with or held by non-profit making organisations. In 2013, we supported a number of community activities as follows:

- School touring drama "因為有你" co-organised with Will in Action ("WIA") for promoting a positive attitude towards life and death and organ donation to students;
- Charity Night Run held by WIA;
- Chinese New Year fair charity sale at Victoria Park and "Facebook 1 Like=$1 donation" and the fund raised from these events for The Office of the United Nations High Commissioner for Refugees ("UNHCR") was HK$180,000; and
- Rehab Power Day 2013 at Victoria Park held by Hong Kong Rehabilitation Power etc..

As supporting organisation and selected company for case study, we also supported The Accounting and Business Management Case Competition 2013-2014 co-organised by Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Accredited Accounting Technicians, which aims to develop the ability of students from secondary schools and tertiary institutes in using accounting information for business development and to improve their soft skills as required by today's business world.

Corporate Responsibility Report

ENVIRONMENT

We are committed to environmental sustainability and we believe that using resources more efficiently to reduce carbon footprint can also reduce costs. With this in mind, we have adopted the following measures to lower carbon emissions and encouraged all employees to participate and do their part to contribute in life.

- Monitoring room temperature in work places;
- Using environmentally friendly paper, recycling and controlling paper consumption by printing both sides, turning off excess lights to conserve energy; and
- Adopting the use of solar panels and LED lights on our rooftop outdoor advertising at Gordon House to conserve energy and prevent mercury pollution resulting from dumped and abandoned neon lights.

RECOGNITION AND AWARD

In recognition of our efforts in caring for the community, employees and the environment, we have been awarded the 5 Consecutive Years Caring Company Logo by The Hong Kong Council of Social Service.

Corporate Governance Report

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders, and continues to review and reinforce our corporate governance practice.

The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of 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 during the year ended 31 December 2013 except for the following deviations:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated 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 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 executive director 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 three independent non-executive directors ("INED(s)") 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.

THE BOARD

Composition

The board consists of two executive directors and three INEDs who have professional qualification, experience and expertise in accounting, finance or legal field. The names and biographical details of each director are disclosed on page 8 of this annual report.

The directors have given sufficient time and attention to the Group's affairs. The directors have disclosed to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments. The board believes that the balance between executive directors and INEDs is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

Each INED has, pursuant to the rule 3.13 of the Listing Rules, confirmed that he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a term of two years until 30 September 2014 subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. Save as disclosed in the biographical details of each director, there is no other relationship (including financial, business, family or other material/relevant relationship) among members of the board.

Role of the Board

The board is responsible both for how the Company is managed and the Company's direction. Approval of the board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management comprising the two executive directors and senior executives.

The board has established schedule of matters specifically reserved to the board for its decision and those reserved for the management. The board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out below:–

1. develop and review the Company's policies and practices on corporate governance and make recommendations;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Directors' Training

Based on the training records provided to the Company by the directors, the directors have participated in the following training during 2013:

Directors	Type of trainings
Executive Directors	
Gan Wee Sean	A, B
Gan Fock Wai, Stephen	A, B
Independent Non-Executive Directors	
Leung Man Chiu, Lawrence	A, B
Wong Ying Kay, Ada	A, B
Ip Tin Chee, Arnold	A, B

A: attending seminars and/or conferences and/or forums

B: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	1

Particulars regarding directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 6 and 7 to the consolidated financial statements, respectively.

Corporate Governance Report

The board held four regular board meetings at approximately quarterly intervals during the year 2013. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the CG Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at board meetings in 2013	
Number of meetings:	4
Executive directors	
Gan Wee Sean *(Chairman and Chief Executive Officer)*	4
Gan Fock Wai, Stephen	4
INEDs	
Leung Man Chiu, Lawrence	4
Wong Ying Kay, Ada	4
Ip Tin Chee, Arnold	3

The board has established written procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive Officer

The role of the Chairman should be separated from that of the Chief Executive Officer. Such division of responsibilities allows a balance of power between the board and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the board and he oversees the board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive director and senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Mr. Gan Wee Sean is the Chairman of the board. He was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011.

BOARD COMMITTEES

To strengthen the functions of the board and to enhance its expertise, there are three board committees namely, the Audit Committee, Remuneration Committee and Nomination Committee formed under the board, with specific written terms of reference which deal clearly with committee's authority and duties.

Audit Committee

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

– to serve as a focal point for communication between other directors and the auditor in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the board may determine from time to time;

– to assist the board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits;

– to review the appointment of auditor on an annual basis including the review of the audit scope and approval of the audit fees;

– to review the annual and interim financial statements prior to their approval by the board, and recommend application of accounting policies and changes to the financial reporting requirements; and

– to ensure continuing auditor objectivity and to safeguard independence of the Company's auditor.

Set out below is the summary of work done in year 2013:

– considered and approved the 2013 audit fees and audit work;

– reviewed the auditor's report to the audit committee and the letters of representation;

– reviewed the consolidated financial statements for the year ended 31 December 2012 and for the six months ended 30 June 2013;

– considered and approved the scope of internal control review for the year 2013 and reviewed the results thereof; and

– reviewed the arrangement (including investigation and follow-up action) that employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters through the whistle blower policy adopted by the Company.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2013

Number of meetings:	3
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	3
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	3

Remuneration Committee

The board has established a Remuneration Committee, comprising three INEDs and Mr. Gan Fock Wai, Stephen. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the board the annual remuneration policy, and determination of the remuneration of the executive directors and senior management.

Set out below is the summary of work of the Remuneration Committee done in the year 2013:

– reviewed and made recommendations to the board on the remuneration packages of individual executive directors, the INEDs and senior management; and

– reviewed the bonus to senior management.

The Remuneration Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meetings in 2013	
Number of meetings:	3
Executive Director	
Gan Fock Wai, Stephen	3
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	3
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	2

Nomination Committee

The board has established a Nomination Committee, comprising three INEDs. The role and function of the Nomination Committee include making recommendations to the board on appointment of directors regarding the qualification and competency of the candidates, so as to ensure that all nominations are fair and transparent.

Set out below is the summary work of the Nomination Committee done in the year 2013:

– reviewed the structure, size and composition of the board;

– recommendations on the directors subject to retirement by rotation under the bye-laws at the 2014 annual general meeting; and

– reviewed the board diversity policy and matters relating thereto.

The Nomination Committee held one meeting during the year. Details of individuals attendance of its members are set out in the table below:

Attendance of individual members at Nomination Committee meeting in 2013	
Number of meetings:	1
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	1
Wong Ying Kay, Ada	1
Ip Tin Chee, Arnold	1

Board Diversity Policy

The Company has formulated and adopted a board diversity policy in August 2013 aiming at setting out the approach on diversity of the board.

The board recognises the importance of having a diverse board in enhancing the board effectiveness and corporate governance. A diverse board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities of directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the board and when possible should be balanced appropriately.

The Nomination Committee of the Company has responsibility for identifying and nominating for approval by the board, candidates for appointment to the board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the board and assessing the extent to which the required skills are represented on the board and overseeing the board succession. It is also responsible for reviewing and reporting to the board in relation to board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates to join the board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the board.

At present, the Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objects from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding director's securities transactions. Having made specific enquiry of all the directors, the directors have confirmed compliance with the required standards set out in the Model Code during the year ended 31 December 2013.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider as the company secretary of the Company. The primary contact person with the company secretary of the Company is the Chief Financial Officer of the Company. Mr. Lo has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

AUDITOR'S REMUNERATION

The fees payable to the Company's auditor, Mazars CPA Limited in respect of audit, review and non-audit services for the year ended 31 December 2013 amounted to HK$418,000, HK$62,000 and HK$14,000 respectively.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the consolidated financial statements. The finance department of the Company is taken charge by the Chief Financial Officer of the Company. With the assistance of the finance department, the directors ensure that the consolidated financial statements of the Group have been properly prepared in accordance with relevant regulations and applicable accounting principles. The statement of the auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 25.

INTERNAL CONTROL

The board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguard its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

For the year ended 31 December 2013, the Company has engaged a professional firm to assist the board in conducting a review of certain key parts of the internal control systems of the Group. The report and findings have been submitted to the board and follow-up action has been taken based on recommendations, which will be monitored by the board. The board also reviewed adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The board recognises the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars of the Company.

The general meetings of the Company are valuable forum for the board to communicate directly with the shareholders. The shareholders are encouraged to attend the general meetings of the Company.

An annual general meeting of the Company was held on 17 June 2013 (the "2013 AGM"). A notice convening the 2013 AGM contained in the circular dated 17 April 2013 was despatched to the shareholders together with the 2012 annual report. The Chairman of the board Mr. Gan Wee Sean, the other executive director Mr. Gan Fock Wai, Stephen, the Chairman of the committees of the board Mr. Leung Man Chiu, Lawrence and an INED Ms. Wong Ying Kay, Ada attended the 2013 AGM to answer the questions from the shareholders. The Chairman explained detailed procedures for conducting a poll. All the resolutions proposed at the 2013 AGM were passed separately by the shareholders by way of poll. The results of the poll were published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company on 17 June 2013. No other general meeting was held during 2013.

The forthcoming annual general meeting of the Company will be held on 25 June 2014 (the "2014 AGM"). A notice convening 2014 AGM will be published on the websites of the Stock Exchange and the Company and despatched together with the 2013 annual report to the shareholders as soon as practicable in accordance with the bye-laws and the CG Code.

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.pakfahyeow.com, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the board in writing through the Company Secretary whose contact details are as follows:–

Address: 11th Floor, 200 Gloucester Road, Wan Chai, Hong Kong
Fax: (852) 2577 2895
Email: pfy@pfy.com.hk

SHAREHOLDERS' RIGHTS

Shareholders are entitled to requisition a special general meeting and put forward proposals at general meeting. The procedures are as follows:

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the board or the Company Secretary signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

The procedures for the shareholders to propose a person for election of a director at an annual general meeting is available for viewing at the Company's website at www.pakfahyeow.com.

The above procedures are subject to the bye-laws of the Company and applicable legislation and regulation from time to time.

Besides, the updated memorandum of association and bye-laws of the Company has been posted on the website of the Company at www.pakfahyeow.com and the designated website of the Stock Exchange at www.hkexnews.hk.

Directors' Report

The directors have pleasure in submitting their report and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 26.

Interim dividends (as set out in note 10 to the consolidated financial statements) amounting to HK$19,478,000 were paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6.5 cents per share and a special dividend of HK4.5 cents per share, amounting to a total sum of approximately HK$28,568,000, to the shareholders of the Company whose names appear on the register of members on 18 July 2014. Subject to approval by the shareholders at the forthcoming annual general meeting to be held on 25 June 2014, the final dividend and special dividend will be dispatched to the shareholders of the Company on or about 8 August 2014.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 June 2014 to Wednesday, 25 June 2014, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 31 March 2014 or at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or after 31 March 2014 but no later than 4:30 p.m. on Friday, 20 June 2014.

The register of members of the Company will also be closed from Thursday, 17 July 2014 to Friday, 18 July 2014, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 31 March 2014 or at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or after 31 March 2014 but no later than 4:30 p.m. on Wednesday, 16 July 2014.

DONATIONS

During the year, the Group made charitable donations amounting to HK$258,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the consolidated financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 73.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are carried at their revalued amounts.

Movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 12 and 13 to the consolidated financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on page 74.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year under review, there were no transactions, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). To the best of the directors' knowledge, information and belief having made all reasonable enquiries, none of the related party transactions as disclosed in note 34 to the consolidated financial statements contained in this annual report is a connected transaction which need to be disclosed under the Listing Rules.

PURCHASE, SALE AND 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors
Mr. Gan Wee Sean *(Chairman and Chief Executive Officer)*
Mr. Gan Fock Wai, Stephen

Independent Non-executive Directors ("INED(s)")
Mr. Leung Man Chiu, Lawrence
Ms. Wong Ying Kay, Ada
Mr. Ip Tin Chee, Arnold

In accordance with the bye-laws of the Company, Mr. Gan Fock Wai, Stephen and Mr. Ip Tin Chee, Arnold will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of services of the INEDs, namely Mr. Leung Man Chiu, Lawrence, Ms. Wong Ying Kay, Ada and Mr. Ip Tin Chee, Arnold is of two years from 1 October 2012 to 30 September 2014.

The Company has received written confirmation from each of the INEDs as regards their independence to the Company and considers that each of the INEDs is independent to the Company.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2013, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company

	Number of shares held				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued share capital of the Company**
Mr. Gan Wee Sean	22,673,600	1,983,800 *(Note 1)*	54,436,200 *(Note 2)*	79,093,600 *(Note 2)*	30.46%
Mr. Gan Fock Wai, Stephen	8,342,400	–	52,106,600 *(Note 3)*	60,449,000 *(Note 3)*	23.28%

Long positions in non-voting deferred shares of associated corporations

	Number of shares held				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued non-voting deferred share capital of the respective corporation**
(a) Hoe Hin Pak Fah Yeow Manufactory, Limited (non-voting deferred shares of HK$1,000 each)					
Mr. Gan Wee Sean	8,600	800 *(Note 1)*	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%
(b) Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK$1 each)					
Mr. Gan Wee Sean	8,244,445	711,111 *(Note 1)*	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.

2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,093,600 shares in aggregate represented approximately 30.46 percent of the issued share capital of the Company.

3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32 percent. The total number of 60,449,000 shares in aggregate represented approximately 23.28 percent of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES (continued)

Long positions in non-voting deferred shares of associated corporations (continued)

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 34 to the accompanying consolidated financial statements, no other contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen respectively entered into a service agreement with the Company on 28 November 1991 for a term of two years and one month commencing from 1 December 1991. The appointment shall continue thereafter subject to termination by either party giving not less than 6-month notice in writing to the other party pursuant to the terms of the service agreement. Accordingly, the appointment continued upon completion of the initial term on 31 December 1993.

Saved as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests or short positions of every person, other than the directors and their respective associates as disclosed in "DIRECTORS' INTERESTS IN SECURITIES" above, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Long positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of shares held	Percentage of issued share capital of the Company
Brooke Capital Limited	Beneficial owner and investment manager	23,580,000 *(note)*	9.08%
East of Suez Fund	Beneficial owner	13,700,000	5.28%

Note: As reported by Brooke Capital Limited, these 23,580,000 shares included 15,580,000 shares interested by East of Suez Fund.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 98.8% of the total sales of the Group in 2013 with the largest customer accounting for 64.7%.

The five largest suppliers of the Group accounted for 87.6% of the total purchases of the Group in 2013 with the largest supplier accounting for 33.2%.

To the best of the directors' knowledge, no director of the Company or any of its subsidiaries, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the five largest customers or suppliers referred to above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules except for the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated 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 executive director 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 three INEDs 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by Mazars CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board
Pak Fah Yeow International Limited

GAN Wee Sean
Chairman

Hong Kong, 27 March 2014

Independent Auditor's Report

MAZARS

Mazars CPA Limited
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the shareholders of
Pak Fah Yeow International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 72, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
27 March 2014

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	3	**160,993**	128,543
Other revenue	4	**1,023**	916
Other net income	4	**2,236**	196
Changes in inventories of finished goods		**(4,476)**	2,262
Raw materials and consumables used		**(35,829)**	(29,989)
Staff costs		**(28,218)**	(24,606)
Depreciation expenses		**(2,246)**	(2,056)
Net exchange (loss) gain		**(400)**	78
Other operating expenses		**(37,866)**	(32,392)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		**55,217**	42,952
Net gain on financial assets at fair value through profit or loss		**3,553**	4,198
Revaluation surplus in respect of investment properties		**21,933**	25,147
Profit from operations		**80,703**	72,297
Finance costs	5	**(968)**	(1,034)
Profit before taxation	5	**79,735**	71,263
Taxation	8	**(8,855)**	(6,919)
Profit for the year, attributable to owners of the Company	9	**70,880**	64,344
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation surplus of leasehold land and buildings, net of tax effect of HK$1,833,000 *(2012: HK$11,030,000)*		**9,276**	55,818
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**1,153**	1,265
Exchange difference arising from translation of financial statements of overseas subsidiaries		**1,643**	4,569
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments		**(685)**	(2,405)
		2,111	3,429
Other comprehensive income for the year, net of tax, attributable to owners of the Company		**11,387**	59,247
Total comprehensive income for the year, attributable to owners of the Company		**82,267**	123,591
Earnings per share			
Basic and diluted	11	**27.3 cents**	24.8 cents

The notes on pages 31 to 72 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	12	**272,442**	247,283
Property, plant and equipment	13	**282,813**	272,059
Intangible assets	14	**2,450**	2,450
Available-for-sale financial assets	15	**9,122**	9,577
		566,827	531,369
Current assets			
Inventories	17	**14,817**	20,850
Trade and other receivables	18	**24,847**	33,881
Financial assets at fair value through profit or loss	15	**32,071**	25,455
Pledged bank deposits		**31,430**	17,077
Cash and cash equivalents	19	**12,646**	20,996
		115,811	118,259
Current liabilities			
Bank borrowings, secured	20	**49,950**	56,003
Current portion of consideration payable for acquisition of trademarks	22	**–**	376
Current portion of deferred income	23	**82**	68
Trade and other payables	21	**43,564**	34,515
Tax payable		**3,372**	3,747
Dividends payable		**6,198**	5,663
		103,166	100,372
Net current assets		**12,645**	17,887
Total assets less current liabilities		**579,472**	549,256
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks	22	**2,074**	2,074
Long-term portion of deferred income	23	**11,997**	10,003
Long-term portion of customers' deposits		**–**	13,557
Provision for long service payments	24	**836**	788
Provision for directors' retirement benefits	25	**11,226**	10,777
Deferred taxation	26	**36,484**	34,618
		62,617	71,817
NET ASSETS		**516,855**	477,439
Capital and reserves			
Share capital	27	**12,985**	12,985
Share premium and reserves	28	**503,870**	464,454
TOTAL EQUITY		**516,855**	477,439

Approved and authorised for issue by the Board of Directors on 27 March 2014.

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 31 to 72 form part of these consolidated financial statements.

Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	*16*	**84,340**	84,340
Current assets			
Deposits, prepayments and other debtors		**210**	210
Amounts due from subsidiaries	*29*	**148,594**	151,434
Cash and cash equivalents	*19*	**768**	771
		149,572	152,415
Current liabilities			
Accrued charges and other creditors		**2,058**	1,908
Amounts due to subsidiaries	*29*	**101,623**	107,816
Dividends payable		**6,198**	5,663
		109,879	115,387
Net current assets		**39,693**	37,028
Total assets less current liabilities		**124,033**	121,368
Non-current liabilities			
Provision for directors' retirement benefits	*25*	**11,226**	10,777
NET ASSETS		**112,807**	110,591
Capital and reserves			
Share capital	*27*	**12,985**	12,985
Share premium and reserves	*28*	**99,822**	97,606
TOTAL EQUITY		**112,807**	110,591

Approved and authorised for issue by the Board of Directors on 27 March 2014.

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

The notes on pages 31 to 72 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	12,985	24,594	121,432	3,226	(8,645)	16,101	218,175	387,868
Profit for the year	–	–	–	–	–	–	64,344	64,344
Other comprehensive income	–	–	55,818	1,265	2,164	–	–	59,247
Total comprehensive income attributable to owners of the Company	–	–	55,818	1,265	2,164	–	64,344	123,591
Distributions to owners:								
Interim dividends declared	–	–	–	–	–	–	(17,919)	(17,919)
Final dividends proposed	–	–	–	–	–	23,373	(23,373)	–
Final dividends in respect of previous years approved	–	–	–	–	–	(16,101)	–	(16,101)
At 31 December 2012	**12,985**	**24,594**	**177,250**	**4,491**	**(6,481)**	**23,373**	**241,227**	**477,439**
At 1 January 2013	12,985	24,594	177,250	4,491	(6,481)	23,373	241,227	477,439
Profit for the year	–	–	–	–	–	–	70,880	70,880
Other comprehensive income	–	–	9,276	1,153	958	–	–	11,387
Total comprehensive income attributable to owners of the Company	–	–	9,276	1,153	958	–	70,880	82,267
Distributions to owners:								
Interim dividends declared	–	–	–	–	–	–	(19,478)	(19,478)
Final dividends proposed	–	–	–	–	–	28,568	(28,568)	–
Final dividends in respect of previous years approved	–	–	–	–	–	(23,373)	–	(23,373)
At 31 December 2013	**12,985**	**24,594**	**186,526**	**5,644**	**(5,523)**	**28,568**	**264,061**	**516,855**

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	30	**65,128**	75,015
Interest received		**761**	370
Interest paid		**(968)**	(1,034)
Income taxes paid		**(9,218)**	(3,479)
Net cash generated from operating activities		**55,703**	70,872
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		**–**	(625)
Purchase of property, plant and equipment		**(1,891)**	(1,517)
Proceeds from disposal of property, plant and equipment		**20**	126
Proceeds from disposal of available-for-sale financial assets		**1,608**	574
Increase in pledged deposits		**(14,353)**	(3,492)
Net cash used in investing activities		**(14,616)**	(4,934)
FINANCING ACTIVITIES			
Consideration payable for acquisition of trademarks		**(376)**	–
Net movement in bank borrowings		**(6,813)**	(17,698)
Dividends paid		**(42,316)**	(33,725)
Net cash used in financing activities		**(49,505)**	(51,423)
Net (decrease) increase in cash and cash equivalents		**(8,418)**	14,515
Cash and cash equivalents at beginning of the reporting period		**20,996**	6,455
Effect of foreign exchange rate changes		**68**	26
Cash and cash equivalents at end of the reporting period	19	**12,646**	20,996

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business is 11th Floor, 200 Gloucester Road, Wan Chai, Hong Kong. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of Hoe Hin Brand of products, treasury and property investment.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong 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 (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements. The adoption of new/revised HKFRS that are relevant to the Group and effective from the current year had no significant effect on the results and financial position of the Group and the Company for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRS

Amendments to HKAS 1: Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. The Group's presentation of other comprehensive income in these consolidated financial statements has been modified accordingly. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Further, these amendments change the title for the "statement of comprehensive income" to the "statement of profit or loss and other comprehensive income". However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use the "statement of comprehensive income" instead of the "statement of profit or loss and other comprehensive income".

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HK-SIC 12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2012.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised HKFRS (Continued)

HKFRS 12: Disclosure of interests in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. The adoption of the disclosure requirements does not have an impact on the Group.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements for the current year, the application of the new standard does not have any material impact on the amounts recognised.

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, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease which satisfy the definition of investment property and carried at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in the profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings held for own use, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance expenses are charged to profit or loss during the year in which they are incurred.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the leasehold land under a finance lease, the prepaid cost representing the fair value of the leasehold land is included in leasehold land and buildings held for own use under property, plant and equipment.

Leasehold land and buildings held for own use are carried at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations which are performed periodically by independent valuers who hold recognised professional qualifications and have recent experience in the location and category of property being valued. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to profit or loss. Any subsequent increases are credited to profit or loss up to the amount previously charged and thereafter to property revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Leasehold land and buildings held for own use:

Leasehold land	Over the relevant lease term
Buildings situated on leasehold land	50 years or over the relevant lease term, whichever is shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

Intangible assets

Acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Financial instruments

Recognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling or repurchasing in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated as effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

The Group's short-term dual currency deposits are in the nature of hybrid financial instruments under HKAS 39. Since they are measured at fair value with changes in fair value recognised in profit or loss, the embedded derivatives are not separately accounted for.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are carried at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired.

Loans and receivables
An allowance for impairment loss of a financial asset is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the financial asset.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the financial asset is impaired.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

When a receivable is uncollectible, it is written off against the relevant allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Available-for-sale financial assets
For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to profit or loss. Reversal of impairment loss of available-for-sale equity instruments is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments is reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, consideration payable for acquisition of trademarks and bank borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are carried at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset expire; the financial asset is transferred and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability is derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For classification in the consolidated statement of financial position, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease term.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of investments in subsidiaries and non-financial assets

At the end of each reporting period, the Group and the Company review internal and external sources of information to assess whether there is any indication that its investments in subsidiaries, intangible assets and property, plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately, except where the relevant asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease in accordance to the accounting policy relevant to that asset.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately, except where the relevant asset is carried at revalued amount, in which case the reversal of impairment loss is treated as a revalued amount increase in accordance to the accounting policy relevant to that asset.

Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34: *Interim financial reporting* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities and unlisted equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not in profit or loss.

Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Defined contribution plans

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF") scheme for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the scheme at a rate specified in the rules. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss.

Long service payments

The Group's net obligations in respect of long service payment under the Employment Ordinance and directors' retirement scheme benefits are the amounts of future benefit that employees and directors have earned in return for their services in the current and prior periods. The obligations are calculated using the projected unit credit method and discounted to their present value and after deducting the fair value of any related assets, including retirement scheme benefits.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Share capital

Ordinary shares are classified as equity. Where any group entity purchases the Company's equity shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset against current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxable authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, namely, the executive directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products or services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and make allowance for obsolete and slow-moving items identified that are no longer recoverable or suitable for use in production. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

Allowance for bad and doubtful debts

The impairment allowance policy for bad and doubtful debts of the Group is based on the evaluation of collectibility of the accounts receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Impairment of intangible assets

The Group determines whether intangible assets having indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 14.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS which are not yet effective for the year ended 31 December 2013, which the Group has not early adopted.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC) – Int 21	*Levies* [1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [2]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle* [3]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle* [3]
HKFRS 14	*Regulatory Deferral Accounts* [4]
HKFRS 9	*Financial Instruments* [5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)* [5]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] No mandatory effective date determined but is available for adoption

The Group is in the process of making an assessment of what the impact of these HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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. 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) Manufacturing and sale of Hoe Hin Brand of products

(b) Property investment

(c) Treasury investment

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 and allocating resources between segments, the executive directors assess segment profit or loss before income tax without allocation of finance costs, directors' emoluments, and central administrative costs and consider the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than corporate assets. All liabilities are allocated to reportable segments other than deferred taxation, provision for directors' retirement benefits, tax payable, dividends payable and other corporate liabilities.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments

	Year ended 31 December 2013			
	Manufacturing and sales of Hoe Hin Brand of products *HK$'000*	Property investment – rental income *HK$'000*	Treasury investment – interest income *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	150,093	10,139	761	160,993
Segment results	55,954	33,160	3,584	92,698
Unallocated corporate expenses				(11,995)
Profit from operations				80,703
Finance costs				(968)
Profit before taxation				79,735
Taxation				(8,855)
Profit for the year				70,880
Assets				
Segment assets	329,877	272,938	79,001	681,816
Unallocated corporate assets				822
Consolidated total assets				682,638
Liabilities				
Segment liabilities	37,683	63,943	5,787	107,413
Unallocated corporate liabilities				58,370
Consolidated total liabilities				165,783
Other information				
Additions to non-current assets *(note)*	1,401	490	–	1,891
Depreciation expenses	2,173	73	–	2,246
Forfeiture of non-returnable option fee for disposal of investment properties	–	1,660	–	1,660
Revaluation surplus in respect of investment properties	–	21,933	–	21,933
Revaluation surplus of leasehold land and buildings	11,109	–	–	11,109
Net gain on financial assets at fair value through profit or loss	–	–	3,553	3,553
Deposit for disposal of investment properties forfeited	–	458	–	458

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Year ended 31 December 2012			
	Manufacturing and sales of Hoe Hin Brand of products *HK$'000*	Property investment – rental income *HK$'000*	Treasury investment – interest income *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	118,451	9,722	370	128,543
Segment results	45,428	33,551	5,402	84,381
Unallocated corporate expenses				(12,084)
				72,297
Profit from operations				
Finance costs				(1,034)
				71,263
Profit before taxation				
Taxation				(6,919)
Profit for the year				64,344
Assets				
Segment assets	338,281	248,385	62,580	649,246
Unallocated corporate assets				382
Consolidated total assets				649,628
Liabilities				
Segment liabilities	61,891	49,375	4,498	115,764
Unallocated corporate liabilities				56,425
Consolidated total liabilities				172,189
Other information				
Additions to non-current assets *(note)*	3,967	–	–	3,967
Depreciation expenses	2,056	–	–	2,056
Revaluation surplus in respect of investment properties	–	25,147	–	25,147
Revaluation surplus of leasehold land and buildings	66,848	–	–	66,848
Net gain on financial assets at fair value through profit or loss	–	–	4,198	4,198

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong, Macau, other regions in the People's Republic of China (the "PRC"), Southeast Asia, North America, United Kingdom and Europe (excluding United Kingdom). The Group's manufacturing operating business is located in Hong Kong. Property investment and treasury investment operating businesses are in various locations.

The following table provides an analysis of the Group's revenue and results from operations by geographical location of customers for manufacturing and sales of Hoe Hin Brand of products and geographical location of the related assets for property investment and treasury investment:

	Revenue from external customers		**Results from operations**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**90,670**	80,596	**50,818**	62,141
Macau	**13,973**	11,415	**9,346**	7,531
PRC	**19,369**	8,604	**(3,562)**	(6,047)
Southeast Asia	**18,305**	15,950	**832**	10,059
North America	**10,593**	4,918	**4,345**	1,732
United Kingdom	**6,583**	6,488	**26,050**	6,589
Europe (excluding United Kingdom)	**65**	27	**1,500**	818
Other regions	**1,435**	545	**2,085**	561
Unallocated corporate expenses	**–**	–	**(10,711)**	(11,087)
	160,993	128,543	**80,703**	72,297

The following is an analysis of non-current assets (note) by geographical locations:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**414,113**	398,009
Macau	**–**	–
PRC	**–**	–
Southeast Asia	**13,159**	13,541
North America	**–**	–
United Kingdom	**130,433**	110,242
Europe (excluding United Kingdom)	**–**	–
Other regions	**–**	–
	557,705	521,792

Note: Non-current assets exclude financial instruments.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue from the Group's business segment of direct sales of Hoe Hin Brand of products are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**87,607**	74,238
Customer B	**19,277**	–
	106,884	74,238

4. OTHER REVENUE AND OTHER NET INCOME

	2013 *HK$'000*	2012 *HK$'000*
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	493	588
Gain on disposal of financial assets at fair value through profit or loss	530	328
Other revenue	1,023	916
Commission received	32	28
Deposit for disposal of investment properties forfeited	458	–
Forfeiture of non-returnable option fee for disposal of investment properties	1,660	–
Gain on disposal of property, plant and equipment	20	126
Sundry income	66	42
Other net income	2,236	196
	3,259	1,112

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2013 *HK$'000*	2012 *HK$'000*
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	504	716
Interest on bank borrowings wholly repayable more than five years	280	318
Interest on consideration payable for acquisition of trademarks	184	–
	968	1,034

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause in accordance with the agreed schedule repayment dates set out in the loan agreements. For the years ended 31 December 2013 and 2012, the interest on bank borrowings wholly repayable more than five years which contain a repayment on demand clause amounted to HK$280,000 and HK$318,000 respectively.

	2013 *HK$'000*	2012 *HK$'000*
(b) Other items		
Auditor's remuneration	478	520
Cost of inventories	53,480	39,406
Contributions to defined contribution plan	495	506
Operating lease charges on advertising spaces	224	216
Gain on disposal of property, plant and equipment	(20)	(126)
Gross rental income from investment properties less outgoings of HK$244,000 *(2012: HK$315,000)*	(9,895)	(9,406)
Interest income from bank deposits and debt securities	(761)	(370)

6. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments received and receivable by the Company's directors are as follows:

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 25)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2013 Total HK$'000
Executive directors							
Gan Wee Sean	32	3,649	709	208	1,175	–	5,773
Gan Fock Wai, Stephen	32	2,375	709	241	644	15	4,016
Independent non-executive directors							
Wong Ying Kay, Ada	101	–	–	–	–	–	101
Ip Tin Chee, Arnold	101	–	–	–	–	–	101
Leung Man Chiu, Lawrence	101	–	–	–	–	–	101
	367	6,024	1,418	449	1,819	15	10,092

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Management bonus HK$'000	Retirement benefits HK$'000 (note 25)	Housing and other allowances HK$'000	Contributions to defined contribution plan HK$'000	2012 Total HK$'000
Executive directors							
Gan Wee Sean	31	3,340	644	409	1,128	–	5,552
Gan Fock Wai, Stephen	31	2,174	644	229	619	14	3,711
Independent non-executive directors							
Wong Ying Kay, Ada	98	–	–	–	–	–	98
Ip Tin Chee, Arnold	98	–	–	–	–	–	98
Leung Man Chiu, Lawrence	98	–	–	–	–	–	98
	356	5,514	1,288	638	1,747	14	9,557

Management bonus is calculated at 1 percent of the consolidated net profit after taxation according to the terms specified in the executive directors' service agreements.

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two *(2012: two)* are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate of the emoluments of the other three *(2012: three)* individuals are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**3,275**	2,446
Contributions to defined contribution plan	**45**	41
	3,320	2,487

The one *(2012: three)* individual with the highest emolument is within the HK$Nil – HK$1 million band and the two *(2012: Nil)* individuals with the highest emoluments are within the HK$1,000,001 – HK$1,500,000 band for the years ended 31 December 2012 and 2013.

During the years ended 31 December 2012 and 2013, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2012 and 2013, no directors waived any of their emoluments.

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% *(2012: 16.5%)* of the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

	2013	2012
The charge comprises:	***HK$'000***	*HK$'000*
Current tax		
Hong Kong Profits Tax	**7,311**	5,917
Overseas tax	**1,511**	970
	8,822	6,887
Deferred taxation *(note 26)*		
Current year	**33**	32
	8,855	6,919

Reconciliation of effective tax rate

	2013	2012
	%	*%*
Applicable tax rate in Hong Kong	**16.5**	16.5
Effect of overseas tax rate differences	**1.1**	0.2
Non-deductible expenses and losses	**0.4**	0.1
Non-taxable revenue and gains	**(6.4)**	(6.9)
Utilisation of previously unrecognised tax losses	**(0.2)**	(0.2)
Unrecognised temporary difference	**(0.1)**	(0.1)
Others	**(0.2)**	0.1
Effective tax rate for the year	**11.1**	9.7

9. PROFIT FOR THE YEAR

The consolidated profit attributable to owners of the Company for the year includes a profit of HK$45,067,000 *(2012: HK$33,682,000)* dealt with in the financial statements of the Company.

10. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim dividends of HK7.50 cents per share *(2012: HK6.90 cents)*	**19,478**	17,919
Final dividend of HK6.50 cents per share *(2012: HK6.20 cents)*	**16,881**	16,101
Special dividend of HK4.50 cents per share *(2012: HK2.80 cents)*	**11,687**	7,272
	48,046	41,292

The final dividend and special dividend for 2013 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 a liability at the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$70,880,000 *(2012: HK$64,344,000)* and the weighted average number of 259,700,000 *(2012: 259,700,000)* ordinary shares in issue during the year.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2013.

12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases	**Freehold investment properties in United Kingdom and Singapore**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Valuation			
At 1 January 2012	104,610	113,494	218,104
Exchange realignment	–	4,032	4,032
Revaluation surplus	21,340	3,807	25,147
At 31 December 2012	125,950	121,333	247,283
At 1 January 2013	125,950	121,333	247,283
Exchange realignment	–	3,226	3,226
Revaluation surplus	5,350	16,583	21,933
At 31 December 2013	**131,300**	**141,142**	**272,442**

Investment properties in Hong Kong were valued on a market value basis on 31 December 2013 by Memfus Wong Surveyors Limited, independent professional valuers. Investment properties in United Kingdom and Singapore were valued on a market value basis respectively by Cushman & Wakefield LLP and Hilco Appraisal Singapore Pte Limited, independent professional valuers.

At the end of the reporting period, all of the investment properties of the Group was rented out under operating leases.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings in Hong Kong under long leases	Land and buildings in Hong Kong under medium-term leases	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 31 December 2012						
At beginning of the reporting period	97,000	105,360	1,300	1,634	456	205,750
Additions	–	–	271	531	715	1,517
Revaluation	21,647	45,201	–	–	–	66,848
Depreciation	(447)	(761)	(228)	(494)	(126)	(2,056)
At end of the reporting period	118,200	149,800	1,343	1,671	1,045	272,059
Reconciliation of carrying amount – year ended 31 December 2013						
At beginning of the reporting period	118,200	149,800	1,343	1,671	1,045	272,059
Additions	–	–	479	264	1,148	1,891
Revaluation	8,247	2,862	–	–	–	11,109
Depreciation	(447)	(762)	(272)	(434)	(331)	(2,246)
At end of the reporting period	**126,000**	**151,900**	**1,550**	**1,501**	**1,862**	**282,813**
At 1 January 2013						
Cost	–	–	14,341	18,162	1,287	33,790
Valuation	118,200	149,800	–	–	–	268,000
Accumulated depreciation	–	–	(12,998)	(16,491)	(242)	(29,731)
	118,200	149,800	1,343	1,671	1,045	272,059
At 31 December 2013						
Cost	–	–	14,820	17,958	2,435	35,213
Valuation	126,000	151,900	–	–	–	277,900
Accumulated depreciation	–	–	(13,270)	(16,457)	(573)	(30,300)
	126,000	**151,900**	**1,550**	**1,501**	**1,862**	**282,813**

The leasehold land and buildings held for own use were valued on a market value basis on 31 December 2013 by Memfus Wong Surveyors Limited, independent professional valuers.

The carrying amount of the leasehold land and buildings held for own use as at 31 December 2013 would have been HK$61,954,000 *(2012: HK$63,163,000)* had they been carried at cost less accumulated depreciation and accumulated impairment losses.

14. INTANGIBLE ASSETS

	Trademarks
	HK$'000
Reconciliation of carrying amount – year ended 31 December 2012	
At beginning of the reporting period	–
Additions	2,450
At end of the reporting period	2,450
Reconciliation of carrying amount – year ended 31 December 2013	
At beginning of the reporting period and **at end of the reporting period**	**2,450**

In 2012, the Group completed the acquisition of the trademarks relating to the White Flower Embrocation and White Flower Ointment for Hoe Hin Brand of products registered in Malaysia and Singapore (the "Trademarks") from Mr. Gan Wee Sean, an executive director and a major shareholder of the Company, at a total consideration of HK$19,600,000. The consideration is payable by 70 equal annual installments of HK$280,000 each. The initial amount of the Trademarks recognised at the date of acquisition is approximate to both the present value of the consideration payable on the trademarks registered in Singapore, discounted at the rate of 13.5% and the fair value of these trademarks. The fair value of the trademark registered in Malaysia at the date of acquisition was assessed to be insignificant to the Group.

The useful lives of the Trademarks are assessed as indefinite because the Trademarks are expected to contribute to net cash inflow indefinitely and can be renewed for every ten years by the Group without significant cost.

Estimates used to measure recoverable amounts of cash-generating units containing the trademarks:

The trademarks registered in Singapore have been allocated to the cash-generating unit of manufacturing and sale of Hoe Hin Brand of products in Singapore for impairment test purposes.

The recoverable amount of the trademarks registered in Singapore has been determined by a value in use calculation. Cash flow projections are based on profit forecast covering a period of five years. The discount rate applied to the cash flow projections is 13.5% and cash flows beyond the 5-year period are extrapolated using a growth rate of 3% to 5% which is the same as the long term average growth rate for this cash-generating unit.

Management determined the budgeted gross profit margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with external sources of information. Values assigned to key assumptions reflect past experience. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Management is of the opinion that any reasonably possible change in the key assumptions would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Available-for-sale financial assets		Financial assets at fair value through profit or loss		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities:						
Listed						
Hong Kong	–	–	**4,474**	4,019	**4,474**	4,019
Overseas	–	–	**14,212**	14,170	**14,212**	14,170
Unlisted	**9,122**	9,577	–	–	**9,122**	9,577
	9,122	9,577	**18,686**	18,189	**27,808**	27,766
Debt securities:						
Listed						
Overseas	–	–	**7,769**	–	**7,769**	–
Unlisted	–	–	**5,616**	7,266	**5,616**	7,266
	–	–	**13,385**	7,266	**13,385**	7,266
	9,122	9,577	**32,071**	25,455	**41,193**	35,032
Carrying amount included in:						
Current assets	–	–	**32,071**	25,455	**32,071**	25,455
Non-current assets	**9,122**	9,577	–	–	**9,122**	9,577
	9,122	9,577	**32,071**	25,455	**41,193**	35,032

All financial assets at fair value through profit or loss are held for trading.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**84,340**	84,340

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	*Indirectly*	
Biotech Marketing Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Advertising agency
Digi Star Advertising Company Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	–	100	Dissolved in 2013 *(2012:Inactive)*
Hoe Hin Pak Fah Yeow (B. V. I.) Limited	British Virgin Islands/ Hong Kong	20,000 ordinary shares of US$1 each	100	–	Investment holding
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares* of HK$1,000 each, and 2 ordinary shares of HK$1,000 each	–	100	Manufacturing and sale of Hoe Hin Brand of products
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Inactive
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares* of HK$1 each, and 2 ordinary shares of HK$1 each	–	100	Property and treasury investment
Princely Profits Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Inactive
Princesland International Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Property investment

* The non-voting deferred shares carry no right to receive notice of or attend or vote at any general meeting of these subsidiaries. They also carry very limited rights in respect of dividends and share of surplus assets upon winding up.

17. INVENTORIES

	2013 *HK$'000*	2012 *HK$'000*
Finished goods	**978**	5,455
Raw materials	**11,129**	11,248
Bottles, caps and packing materials	**2,710**	4,147
	14,817	20,850

18. TRADE AND OTHER RECEIVABLES

	2013 *HK$'000*	2012 *HK$'000*
Trade receivables *(note 18(a))*	**20,466**	25,923
Bills receivable	**1,737**	4,483
Other receivables		
Deposits, prepayments and other debtors	**2,644**	3,475
	24,847	33,881

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

18(a) The Group allows credit period ranging from 30 days to 120 days *(2012: 30 days to 120 days)* to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	2013 HK$'000	2012 HK$'000
Within 30 days	**20,250**	6,432
31 – 60 days	**–**	7,146
61 – 90 days	**–**	12,345
Over 90 days	**216**	–
	20,466	25,923

Included in the Group's trade receivable balance is a debtor with a carrying amount of HK$216,000 *(2012: HK$Nil)* which was past due over 180 days at the end of the reporting period but which the Group has not impaired as there has not been any significant changes in credit quality and the directors believe that the amount is fully recoverable. The remaining balance of HK$20,250,000 *(2012: HK$25,923,000)* was neither past due nor impaired, which relate to a number of customers for whom there was no history of default. The Group does not hold any collateral over these balances.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**12,646**	20,996	**768**	771

20. BANK BORROWINGS, SECURED

The analysis of the carrying amount of bank borrowings is as follows:

	2013 HK$'000	2012 HK$'000
Term loans from banks due for repayment within one year	**38,928**	43,042
Term loan from a bank due for repayment after one year which contains a repayment on demand clause	**11,022**	12,961
	49,950	56,003

A term loan of HK$11,022,000 *(2012: HK$12,961,000)*, with a clause in its terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, is classified as current liabilities even though the directors do not expect that the lenders would exercise their rights to demand repayment.

The amounts due based on the scheduled repayment dates set out in the loan agreements ignoring the effect of any repayment on demand clause are as follows:

20. BANK BORROWINGS, SECURED (CONTINUED)

	2013	2012
	HK$'000	*HK$'000*
Within 1 year	**38,928**	43,042
After 1 year but within 2 years	**1,978**	1,939
After 2 years but within 5 years	**6,177**	6,055
After 5 years	**2,867**	4,967
	11,022	12,961
	49,950	56,003

The maturity of the above borrowings is as follows:

	2013	2012
	HK$'000	*HK$'000*
Wholly repayable within five years	**47,083**	51,036
Wholly repayable more than five years	**2,867**	4,967
	49,950	56,003

The term loans are denominated in the following currencies:

	2013	2012
	HK$'000	*HK$'000*
British Pound Sterling *(note (i))*	**31,202**	41,141
Euro *(note (ii))*	**5,787**	–
Hong Kong dollars *(note (iii))*	**12,961**	14,862
	49,950	56,003

(i) Included in the amount is a term loan of HK$31,202,000 *(2012: HK$36,643,000)* which bears interest at the bank's cost of fund plus 0.95% per annum and is repayable in 2 months after drawdown date. The loan is secured by pledging the Group's investment properties with an aggregate carrying value of HK$130,433,000 *(2012: HK$110,242,000)* together with the assignment of rental monies derived from the investment properties. As at 31 December 2012, the remaining balance of HK$4,498,000 was a revolving bank loan which bears interest at the bank's cost of fund plus 0.75% per annum, is repayable not exceeding one month after the drawdown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss with an aggregate carrying amount of HK$Nil (2012: HK$41,598,000).

(ii) The revolving bank loan bears interest at the bank's cost of fund plus 0.75% per annum, is repayable not exceeding six months after the drawdown date and secured by certain of the Group's bank deposits and financial assets at fair value through profit or loss with an aggregate carrying amount of HK$61,790,000 (2012: HK$Nil).

(iii) The term loan bears interest at the Hong Kong prime rate minus 3% per annum and is secured by a first legal charge over the Group's leasehold land and buildings held for own use with a carrying value of HK$114,000,000 *(2012: HK$107,000,000)*.

21. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables *(note 21(a))*	**2,873**	7,103
Other payables		
Accrued charges and other creditors	**13,346**	13,275
Current portion of customers' deposits	**8,867**	14,137
Deposit received *(note 21(b))*	**18,478**	–
	40,691	27,412
	43,564	34,515

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

	2013 HK$'000	2012 HK$'000
Within 30 days	**2,247**	6,359
31 – 60 days	**160**	235
61 – 90 days	**415**	188
More than 90 days	**51**	321
	2,873	7,103

21(b) The amount represents a deposit received in respect of the disposal of a freehold investment property in the United Kingdom as disclosed in note 39.

22. CONSIDERATION PAYABLE FOR ACQUISITION OF TRADEMARKS

	2013 HK$'000	2012 HK$'000
Current portion	–	376
Non-current portion	**2,074**	2,074
	2,074	2,450

The amount represents amortised cost of the consideration payable for the acquisition of the Trademarks as disclosed in note 14, calculated using the effective interest method at the rate of 13.5% per annum.

23. DEFERRED INCOME

The amount represents lease premium received in advance in respect of certain of the Group's investment properties in United Kingdom, which is recognised as income on a straight-line basis over the lease terms ranging from 149 to 153 years.

24. PROVISION FOR LONG SERVICE PAYMENTS

	2013 HK$'000	2012 HK$'000
At beginning of the reporting period	**788**	788
Current year charge	**48**	–
At end of the reporting period	**836**	788

25. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS

	2013 HK$'000	2012 HK$'000
At beginning of the reporting period	**10,777**	10,139
Current year charge	**449**	638
At end of the reporting period	**11,226**	10,777

26. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities:

	Accelerated depreciation allowances and revaluation of leasehold land and buildings HK$'000
At 1 January 2012	23,556
Recognised in profit or loss *(note 8)*	32
Recognised in equity *(note 28)*	11,030
At 31 December 2012	34,618
At 1 January 2013	34,618
Recognised in profit or loss *(note 8)*	33
Recognised in equity *(note 28)*	1,833
At 31 December 2013	**36,484**

Unrecognised deferred tax assets arising from:

	2013 HK$'000	2012 HK$'000
Deductible temporary differences	**11,104**	11,492
Tax losses	**2,617**	3,420
At end of the reporting period	**13,721**	14,912

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$2,264,000 *(2012: HK$2,460,000)* have not been recognised due to uncertainty of their recoverability.

26. DEFERRED TAXATION (CONTINUED)

The Company

Unrecognised deferred tax assets arising from:

	2013	2012
	HK$'000	*HK$'000*
Deductible temporary differences	**11,226**	10,777
Tax losses	**629**	1,001
At end of the reporting period	**11,855**	11,778

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,956,000 *(2012: HK$1,943,000)* have not been recognised due to uncertainty of their recoverability.

27. SHARE CAPITAL

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.05 each	**30,000**	30,000
Issued and fully paid		
259,700,000 ordinary shares of HK$0.05 each	**12,985**	12,985

28. SHARE PREMIUM AND RESERVES

The Group	Share premium	Revaluation reserve – Properties	Revaluation reserve – Investment	Exchange reserve	Proposed dividends	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	24,594	121,432	3,226	(8,645)	16,101	218,175	374,883
Profit for the year	–	–	–	–	–	64,344	64,344
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	4,569	–	–	4,569
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments	–	–	–	(2,405)	–	–	(2,405)
Revaluation surplus of leasehold land and buildings	–	66,848	–	–	–	–	66,848
Deferred tax *(note 26)*	–	(11,030)	–	–	–	–	(11,030)
Changes in fair value of available-for-sale financial assets	–	–	1,265	–	–	–	1,265
Other comprehensive income, net of tax, attributable to owners of the Company	–	55,818	1,265	2,164	–	–	59,247
Distributions to owners:							
Interim dividends declared	–	–	–	–	–	(17,919)	(17,919)
Final dividends proposed	–	–	–	–	23,373	(23,373)	–
2011 final dividends transferred to dividends payable	–	–	–	–	(16,101)	–	(16,101)
At 31 December 2012	**24,594**	**177,250**	**4,491**	**(6,481)**	**23,373**	**241,227**	**464,454**
At 1 January 2013	24,594	177,250	4,491	(6,481)	23,373	241,227	464,454
Profit for the year	–	–	–	–	–	70,880	70,880
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	1,643	–	–	1,643
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments	–	–	–	(685)	–	–	(685)
Revaluation surplus of leasehold land and buildings	–	11,109	–	–	–	–	11,109
Deferred tax *(note 26)*	–	(1,833)	–	–	–	–	(1,833)
Changes in fair value of available-for-sale financial assets	–	–	1,153	–	–	–	1,153
Other comprehensive income, net of tax, attributable to owners of the Company	–	9,276	1,153	958	–	–	11,387
Distributions to owners:							
Interim dividends declared	–	–	–	–	–	(19,478)	(19,478)
Final dividends proposed	–	–	–	–	28,568	(28,568)	–
2012 final dividends transferred to dividends payable	–	–	–	–	(23,373)	–	(23,373)
At 31 December 2013	**24,594**	**186,526**	**5,644**	**(5,523)**	**28,568**	**264,061**	**503,870**

28. SHARE PREMIUM AND RESERVES (CONTINUED)

The Company	Share premium HK$'000	Contributed surplus HK$'000	Proposed dividends HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	24,594	67,708	16,101	(10,459)	97,944
Profit for the year	–	–	–	33,682	33,682
Distributions to owners:					
Interim dividends declared	–	–	–	(17,919)	(17,919)
Final dividends proposed	–	–	23,373	(23,373)	–
2011 final dividends transferred to dividends payable	–	–	(16,101)	–	(16,101)
At 31 December 2012	24,594	67,708	23,373	(18,069)	97,606
At 1 January 2013	24,594	67,708	23,373	(18,069)	97,606
Profit for the year	–	–	–	45,067	45,067
Distributions to owners:					
Interim dividends declared	–	–	–	(19,478)	(19,478)
Final dividends proposed	–	–	28,568	(28,568)	–
2012 final dividends transferred to dividends payable	–	–	(23,373)	–	(23,373)
At 31 December 2013	**24,594**	**67,708**	**28,568**	**(21,048)**	**99,822**

The share premium represents the excess of the net proceeds from issuance of shares of the Company over its par value.

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares allotted on 28 November 1991 and the consolidated net assets of the subsidiaries then acquired.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the end of the reporting period, the Company's reserves available for distribution to shareholders are as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Contributed surplus	**67,708**	67,708
Retained profits	**7,520**	5,304
	75,228	73,012

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment term.

30. CASH GENERATED FROM OPERATIONS

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**79,735**	71,263
Interest income	**(761)**	(370)
Interest expenses	**968**	1,034
Dividend income from financial assets at fair value through profit or loss	**(493)**	(588)
Revaluation surplus in respect of investment properties	**(21,933)**	(25,147)
Gain on disposal of financial assets at fair value through profit or loss	**(530)**	(328)
Gain on disposal of property, plant and equipment	**(20)**	(126)
Net gain on financial assets at fair value through profit or loss	**(3,553)**	(4,198)
Exchange differences	**(1,347)**	(260)
Depreciation expenses	**2,246**	2,056
Changes in working capital:		
Financial assets at fair value through profit or loss	**(2,040)**	2,497
Inventories	**6,033**	(5,326)
Trade and other receivables	**9,056**	(5,456)
Trade and other payables	**(4,738)**	35,253
Deferred income	**2,008**	4,073
Provision for long service payments	**48**	–
Provision for directors' retirement benefits	**449**	638
Cash generated from operations	**65,128**	75,015

31. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings, investment properties, financial assets at fair value through profit or loss and bank deposits were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK$93,484,000 *(2012: HK$95,732,000)*, of which HK$49,950,000 *(2012: HK$56,003,000)* were utilised at the end of the reporting period.

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Leasehold land and buildings	**114,000**	107,000
Investment properties	**130,433**	110,242
Financial assets at fair value through profit or loss	**31,191**	24,521
Bank deposits	**30,599**	17,077
	306,223	258,840

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group leased out all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease term ranging from 1 year to 13 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2013 *HK$'000*	2012 *HK$'000*
Within one year	**9,159**	9,691
In the second to fifth years inclusive	**27,930**	27,205
Over five years	**32,940**	38,871
	70,029	75,767

33. FINANCIAL GUARANTEES

At the end of the reporting period, the Company had issued corporate guarantees to banks for bank loans utilised by its subsidiaries amounting to HK$49,950,000 *(2012: HK$56,003,000)*. The Company has not recognised any deferred income for the financial guarantees as their fair value cannot be reliably measured and the transaction price was nil. The directors consider that the above financial guarantees are unlikely to materialise. No provision was therefore made in the financial statements of the Company for any possible reimbursements to banks as a result of subsidiaries failing to repay.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties.

	2013 *HK$'000*	2012 *HK$'000*
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**3,106**	2,446
– Contributions to defined contribution plan	**60**	41
Royalty (refunded from) paid to a director *(Note)*	**(20)**	250

Note:

On 8 September 2009, a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited (the "Subsidiary"), entered into an agreement to acquire the Trademarks from Mr. Gan Wee Sean at a total consideration of HK$19,600,000 which is payable by 70 equal annual installments of HK$280,000 each. The completion of the acquisition was subject to obtaining notices of assignment to be issued by the Malaysia and Singapore Trade Mark Offices respectively. Before the completion of the acquisition, the Subsidiary continued to pay an annual royalty payment of HK$250,000 for the use of the Trademarks. On 3 December 2012, the assignment was completed and the Trademarks were recognised as intangible assets of the Group as disclosed in note 14. During the year, the Group obtained a royalty refund of HK$20,000 for the period from 3 to 31 December 2012 from Mr. Gan Wee Sean.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, pledged bank deposits, trade and bills receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, bank borrowings, consideration payable for acquisition of trademarks and trade and other payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The credit risk of the Group is primarily attributable to trade and bills receivables, financial assets at fair value through profit and loss, pledged bank deposits and bank balances.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimal.

At the end of the reporting period, the Group had a concentration of credit risk from trade and bills receivables as 79.10% *(2012: 79.22%)* and 100% *(2012: 99.98%)* of the total trade and bills receivables was made up by the Group's largest outstanding balance and the four *(2012: five)* largest outstanding balances respectively.

The Group's pledged bank deposits and bank balances are placed with banks of high credit ratings in Hong Kong or other jurisdictions.

At the end of the reporting period, the Group had a concentration of credit risk in respect of its financial assets placed with 4 banks in a total amount of HK$76,794,000 *(2012: HK$57,284,000)*.

The carrying amount of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following tables detail the remaining contractual maturity of the Group and the Company for their non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay. For cash flows denominated in currency other than Hong Kong dollars, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into Hong Kong dollars.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group or the Company can be required to pay, that is, if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand	Less than 1 year	More than 1 year	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group					
At 31 December 2013					
Bank borrowings	**49,950**	**–**	**–**	**49,950**	**49,950**
Trade and other payables (excluding customers' deposits)	**33,099**	**1,598**	**–**	**34,697**	**34,697**
Consideration payable for acquisition of trademarks	**–**	**–**	**18,760**	**18,760**	**2,074**
Dividends payable	**6,198**	**–**	**–**	**6,198**	**6,198**
	89,247	**1,598**	**18,760**	**109,605**	**92,919**
At 31 December 2012					
Bank borrowings	56,003	–	–	56,003	56,003
Trade and other payables (excluding customers' deposits)	14,827	5,551	–	20,378	20,378
Consideration payable for acquisition of trademarks	560	280	18,760	19,600	2,450
Dividends payable	5,663	–	–	5,663	5,663
	77,053	5,831	18,760	101,644	84,494

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. As the repayment on demand clause is only a standard commercial term on similar bank financing arrangements and, given the business relationship with the bank, the performance of the Group in servicing the loan and the value of the collateral provided, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	On demand	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013	**–**	**39,362**	**2,181**	**6,542**	**2,907**	**50,922**	**49,950**
At 31 December 2012	–	43,347	2,181	6,542	5,088	57,158	56,003

	On demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
The Company			
At 31 December 2013			
Accrued charges and other creditors	**2,058**	**2,058**	**2,058**
Amounts due to subsidiaries	**101,623**	**101,623**	**101,623**
Dividends payable	**6,198**	**6,198**	**6,198**
	109,879	**109,879**	**109,879**
Financial guarantees *(note 33)**	**49,950**	**49,950**	**–**
At 31 December 2012			
Accrued charges and other creditors	1,908	1,908	1,908
Amounts due to subsidiaries	107,816	107,816	107,816
Dividends payable	5,663	5,663	5,663
	115,387	115,387	115,387
Financial guarantees *(note 33)**	56,003	56,003	–

* Representing the collateral for the bank borrowing of the Group in the above analysis table.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank balances and bank borrowings. Details of interest rates of the Group's bank borrowings at the end of the reporting period are set out in note 20. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's results and financial position arising from volatility.

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of 50 basis points ("bps") *(2012: 50 bps)* was applied to the yield curves at the end of the respective reporting period, representing management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2012.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

	2013		2012	
	50 bps increase	**50 bps decrease**	50 bps increase	50 bps decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(Decrease) Increase in profit	**(30)**	**30**	(90)	90

Currency risk

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 British Pounds Sterling. The Group also had equity and debt securities denominated in foreign currencies. As at 31 December 2013, the carrying amounts of the Group's financial assets and financial liabilities denominated in a currency other than the presentation currency of the Group entities are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollars	**90**	1,765	**–**	–
British Pounds Sterling	**17,911**	3,033	**–**	4,498
United States dollars	**7,410**	8,108	**1,061**	4,552
Euro	**8,652**	8,150	**5,788**	–
Japanese Yen	**14,635**	10,253	**–**	–
Norwegian Kroner	**13**	1,031	**–**	–
Swiss Franc	**399**	3,298	**–**	–
Others	**1,140**	294	**1,220**	1,437
	50,250	35,932	**8,069**	10,487

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. The currency risk for debt borrowings is minimal as they are either denominated in Hong Kong dollars or the currency of the underlying pledged assets.

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and had been applied to both derivative and non-derivative financial instruments (excluding items which are denominated in United States dollar) that would have affected the profit or loss and equity. A change of 5% *(2012: 5%)* was applied at the end of the respective reporting period.

	2013		2012	
	5% increase	**5% decrease**	5% increase	5% decrease
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (Decrease) in profit	**1,790**	**(1,790)**	1,094	(1,094)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity/debt price risk

The Group's equity and debt securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Group is exposed to equity or debt price risks. The management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity or debt prices had occurred at the end of the reporting period and had been applied to the equity and debt securities that would have affected the profit or loss and other components of consolidated equity. A change of 5% *(2012: 5%)* in stock price and debt price was applied at the end of respective reporting period.

		2013		2012	
		Effect on profit or loss	**Effect on other component of equity**	Effect on profit or loss	Effect on other component of equity
Change in the relevant equity price risk variable:					
Increase	5%	**1,604**	**456**	1,273	479
Decrease	5%	**(1,604)**	**(456)**	(1,273)	(479)

36. FAIR VALUE DISCLOSURES

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 31 December 2013 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

36. FAIR VALUE DISCLOSURES (CONTINUED)

Assets measured at fair value

	31 December 2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss				
Debt securities, listed overseas	7,769	7,769	–	–
Debt securities, unlisted	5,616	–	5,616	–
Equity securities, listed in Hong Kong	4,474	4,474	–	–
Equity securities, listed overseas	14,212	14,212	–	–
Available-for-sale financial assets				
Unlisted private equity fund	3,042	–	–	3,042
Other securities, unlisted	6,080	6,080	–	–
	41,193	32,535	5,616	3,042
Investment properties				
Commercial – Hong Kong	118,000	–	118,000	–
Industrial – Singapore	10,710	–	10,710	–
Residential – Hong Kong	13,300	–	13,300	–
Commercial/residential – United Kingdom	130,432	–	130,432	–
	272,442	–	272,442	–
Leasehold land and buildings				
Commercial – Hong Kong	126,000	–	126,000	–
Industrial – Hong Kong	150,000	–	150,000	–
Carpark – Hong Kong	1,900	–	1,900	–
	277,900	–	277,900	–

36. FAIR VALUE DISCLOSURES (CONTINUED)

Assets measured at fair value (continued)

	31 December 2012 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Financial assets at fair value through profit or loss				
Debt securities, unlisted	7,266	–	7,266	–
Equity securities, listed in Hong Kong	4,019	4,019	–	–
Equity securities, listed overseas	14,170	14,170	–	–
Available-for-sale financial assets				
Unlisted private equity fund	3,775	–	–	3,775
Other securities, unlisted	5,802	5,802	–	–
	35,032	23,991	7,266	3,775
Investment properties				
Commercial – Hong Kong	113,500	–	113,500	–
Industrial – Singapore	11,091	–	11,091	–
Residential – Hong Kong	12,450	–	12,450	–
Commercial/residential – United Kingdom	110,242	–	110,242	–
	247,283	–	247,283	–
Leasehold land and buildings				
Commercial – Hong Kong	118,200	–	118,200	–
Industrial – Hong Kong	148,000	–	148,000	–
Carpark – Hong Kong	1,800	–	1,800	–
	268,000	–	268,000	–

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers into and out of Level 3 as at the end of the reporting period.

36. FAIR VALUE DISCLOSURES (CONTINUED)

Assets measured at fair value (continued)

Movement in Level 3 fair value measurements

Fair value measurement at the end of the reporting period:

Description	Unlisted private equity fund	
	2013	2012
	HK$'000	*HK$'000*
At beginning of the reporting period	**3,775**	3,063
Gains or losses recognised in:		
– profit or loss	**–**	–
– other comprehensive income	**875**	661
Additions	**–**	625
Disposals	**(1,608)**	(574)
At end of the reporting period	**3,042**	3,775

All of the above gains or losses are reported as changes of "investment revaluation reserve".

Description of the valuation techniques and inputs used in Level 2 fair value measurement

Investment properties and leasehold land and buildings

As described in notes 12 and 13, at the end of the reporting period, the investment properties and leasehold land and buildings in Hong Kong were revalued by Memfus Wong Surveyors Limited, independent professional qualified valuers. The investment properties in Hong Kong were valued on a market value basis by capitalisation of the net income for the unexpired term and making reference to comparable sales evidence as available in the market by direct comparison approach while the leasehold land and buildings in Hong Kong were valued on a market value basis by making reference to comparable sales evidence as available in the market by direct comparison approach. The investment properties in United Kingdom and Singapore were revalued by Cushman & Wakefield LLP and Hilco Appraisal Singapore Pte Limited respectively, independent professional qualified valuers, on a market value basis using market comparable approach subject to existing tenancies.

Unlisted debt securities

The unlisted debt securities are valued based on quoted market prices from dealers. If unavailable, fair value is determined by reference to quoted market prices for similar instruments.

Description of the valuation techniques used in Level 3 fair value measurement

The unlisted private equity fund's assets mainly comprised investment in unlisted companies in various industries (the "Investment") and the fair value of the Investment is estimated by the fund manager by reference to a number of factors including the operating cash flows and financial performance of the Investment, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the Investment.

Valuation processes of the Group

The Group has a team headed by Chief Financial Officer ("CFO") reviewing estimation of fair value of the unlisted private equity fund which is categorised into Level 3 of the fair value hierarchy. Reports with estimation of fair value are prepared by the fund manager on a quarterly basis. Discussion of the valuation process and results with the CFO and the Audit Committee is held twice a year, to coincide with the reporting dates.

37. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders, repurchase of shares or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2013.

The Group monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity at the end of the reporting period, as follows:

	2013	2012
	HK$'000	*HK$'000*
Bank borrowings, secured	**49,950**	56,003
Trade and other payables	**43,564**	48,072
Tax payable	**3,372**	3,747
Dividends payable	**6,198**	5,663
Less: Cash and cash equivalents	**(12,646)**	(20,996)
Pledged bank deposits	**(31,430)**	(17,077)
Net debts	**59,008**	75,412
Total equity	**516,855**	477,439
Net-debt-to-equity ratio	**11%**	16%

38. CAPITAL COMMITMENT

In 2007, the Group entered into a master agreement with a bank to invest in a private equity fund with maximum capital injection of US$1 million (equivalent to approximately HK$7.8 million). As at 31 December 2013, US$786,000 (equivalent to approximately HK$6,129,000) *(2012: US$786,000 (equivalent to approximately HK$6,129,000))* was called and paid up. Since the commitment period ended on 31 December 2011, the remaining US$214,000 (equivalent to approximately HK$1,671,000) *(2012:US$214,000 (equivalent to approximately HK$1,671,000))* would only be payable in limited situations stipulated in the master agreement.

39. EVENTS AFTER THE REPORTING PERIOD

On 14 August 2013, the Group entered into a non-legally binding heads of terms with an independent third party, SIAHAF Management Limited ("SIAHAF") in relation to the disposal of a freehold property in the United Kingdom ("the Property") for a proposed consideration of GBP13,563,000. On 16 August 2013, the Group entered into an option agreement for the sale and purchase of the Property, which enabled SIAHAF to purchase the Property at a consideration of GBP13,563,000. The option agreement had not been exercised by SIAHAF until its expiry on 30 August 2013 and an option fee of GBP137,000 (equivalent to approximately HK$1,660,000) was forfeited by the Group accordingly.

On 10 September 2013, the Group entered into an agreement for the sale and purchase of the Property with SIAHAF (the "1st SPA") for a consideration of GBP13,668,000. The completion date of the 1st SPA was 31 October 2013.

On 21 October 2013, in consideration of a payment by SIAHAF of GBP35,000 (equivalent to approximately HK$458,000), the Group agreed to waive the right under the 1st SPA in relation to the failure of SIAHAF to complete the disposal on 31 October 2013 and extended the completion date of the 1st SPA to 14 November 2013. Since the 1st SPA was not completed on 14 November 2013, it was rescinded.

On 22 November 2013, the Group entered into another agreement for the sale and purchase of the Property with SIAHAF for a consideration of GBP14,450,000 with expected completion date on 25 March 2014. However, SIAHAF failed to complete the transaction on the completion date. Under the law of the United Kingdom, SIAHAF has been given 5 working days (expiring on 1 April 2014) for completion. If SIAHAF fails again to complete, the Group will be entitled to forfeit the deposit of GBP1,445,000, rescind the sale and purchase agreement and sue for damages.

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	107,959	107,889	115,931	128,543	**160,993**
Profit before taxation	68,186	60,378	51,080	71,263	**79,735**
Taxation	(5,946)	(5,365)	(4,852)	(6,919)	**(8,855)**
Profit after taxation	62,240	55,013	46,228	64,344	**70,880**
Dividends	39,864	39,994	33,501	41,292	**48,046**
Earnings per share	24.0 cents	21.2 cents	17.8 cents	24.8 cents	**27.3 cents**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	310,556	380,185	432,115	531,369	**566,827**
Net current assets (liabilities)	24,605	15,060	(3,806)	17,887	**12,645**
Non-current liabilities	(27,428)	(35,789)	(40,441)	(71,817)	**(62,617)**
	307,733	359,456	387,868	477,439	**516,855**
Share capital	12,985	12,985	12,985	12,985	**12,985**
Share premium and reserves	294,748	346,471	374,883	464,454	**503,870**
	307,733	359,456	387,868	477,439	**516,855**

Property Portfolio

As at 31 December 2013

INVESTMENT PROPERTIES

Location	Tenure	Approximate floor area	Type	Group's interest (%)
1. 12th Floor Grand Building, Nos. 15-18, Connaught Road Central, Hong Kong	Two leases for 999 years respectively from 6 December 1899 and 24 December 1898	2,905 sq.ft.	Commercial	100
2. 7th Floor Lippo Leighton Tower No. 103 Leighton Road Causeway Bay Hong Kong	Lease for 982 years from 25 June 1860	3,880 sq.ft.	Commercial	100
3. 13th Floor in Block B North Point Mansion (Part) Nos. 692-702 King's Road and Nos. 27-29 Healthy Street East, Hong Kong	Lease for 75 years from 20 March 1933, renewable for another 75 years	905 sq.ft.	Residential	100
4. Flat A on 4th Floor Hennessy Apartments No. 48 Percival Street Hong Kong	Lease for 982 years from 25 June 1860	715 sq.ft.	Residential	100
5. No. 30 Kallang Pudding Road No. 03-07 Valiant Industrial Building Singapore, 349312	Freehold	323 sq.m.	Industrial	100
6. Princess Court 47-63 Queensway London, W2, United Kingdom	Freehold	7,241 sq.ft.	Commercial/ Residential	100

LEASEHOLD LAND AND BUILDINGS

Location	Tenure	Approximate floor area	Type	Group's interest (%)
1. Roof of No. 84 Hing Fat Street Hong Kong	Lease for 75 years from 15 May 1916, renewable for another 75 years	3,080 sq.ft.	Commercial	100
2. 11th Floor 200 Gloucester Road Wan Chai Hong Kong	Lease for 99 years from 26 December 1928, renewable for another 99 years	7,388 sq.ft.	Commercial	100
3. Units 1 to 13 on 2nd Floor Paramount Building No. 12 Ka Yip Street Chai Wan Hong Kong	Lease from 29 May 1987 to 30 June 2047	31,444 sq.ft.	Industrial	100
4. Car parking Space Nos. 13 and 14 on 1st Floor Paramount Building No. 12 Ka Yip Street Chai Wan Hong Kong	Lease from 29 May 1987 to 30 June 2047	133 sq.ft.	Carpark	100