

*Interim
Report*
2014



**WHITE
FLOWER**

PAK FAHYEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239



This Interim Report is printed on environmentally friendly paper

Contents

Corporate Information	2
Management Discussion and Analysis	3
Report on Review of Interim Financial Information	7
Condensed Consolidated Statement of Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Financial Statements	15
Disclosure of Interests and Other Information	34

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 and N*)

Ip Tin Chee, Arnold (*A, R and 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

Wanchai

Hong Kong

AUDITOR

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Wanchai

Hong Kong

SOLICITOR

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26th Floor, Jardine House

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PRINCIPAL REGISTRAR

Codan Services Limited

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HONG KONG SHARE REGISTRAR

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(A) *Audit Committee member*

(R) *Remuneration Committee member*

(N) *Nomination Committee member*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Overview

For the six months ended 30 June 2014, the Group's turnover increased by 3.3% to HK\$80,357,000 (2013: HK\$77,812,000) mainly due to increased contributions from sales of Hoe Hin brand of products (the "Hoe Hin Products").

Net revaluation surplus of the Group's investment properties for the period was HK\$7,533,000 (2013: HK\$8,751,000), including a surplus of HK\$6,983,000 (2013: HK\$601,000) which related to the Group's investment properties in the United Kingdom.

Net profit for the six months ended 30 June 2014 increased by 78.7% to approximately HK\$56,520,000 (2013: HK\$31,620,000). Such increase was mainly attributable to the forfeiture of a deposit of HK\$18,686,000 as a result of a buyer's failure to complete the purchase of the Group's investment properties in the United Kingdom.

The revaluation of other properties, which was accounted for as other comprehensive income, had resulted in a revaluation surplus (net of tax) in this period of HK\$8,855,000 (2013: HK\$11,276,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2014 was approximately HK\$68,229,000 (2013: HK\$40,030,000).

Manufacturing and sales of Hoe Hin Brand of products

Sales of Hoe Hin Products increased by 2.5% to HK\$74,389,000 (2013: HK\$72,599,000).

Hong Kong remained the major market of the Hoe Hin Products which accounted for about 73.7% (2013: 70.9%) of the segment revenue. Macau accounted for about 5.8% (2013: 6.0%). Mainland China, however, did not contribute to revenue during the period as the first shipment in 2014 was scheduled to deliver in July 2014 using the one-off permit to accommodate the purchase order requirements. Though there were indications of weakened spending from Mainland tourists, sales in Hong Kong increased by 4.6% when compared with that in the same period in 2013. Sales in Macau, however, slightly declined about 2%. Sales in Philippines, Singapore and North America improved and sales in other markets were comparably insignificant.

Segment profit increased by 32.9% to HK\$37,881,000 (2013: HK\$28,498,000), mainly due to increase in profit margin as a result of improved production planning and decrease in advertising and promotional expenses during the period.

Property investment

Revenue for this segment increased by 11.6% to HK\$5,392,000 (2013: HK\$4,832,000). This change mainly represented increased average exchange rate in translating rental income derived in the United Kingdom and increased rental income from the Group's investment properties in Hong Kong as a result of rent review.

Net revaluation surplus in respect of the Group's investment properties of HK\$7,533,000 (2013: HK\$8,751,000) was recognised for the period. In addition, due to a buyer failed to complete and execute the sale and purchase agreement in respect of the disposal of the Group's investment properties in the United Kingdom, the Group was entitled to forfeit the deposit of HK\$18,686,000 (equivalent to GBP1,445,000) (2013: Nil) which was recognised as other income for the period.

As a result, the segment profit increased by 137.6% to HK\$30,935,000 (2013: HK\$13,021,000).

Treasury investment

Revenue derived from this segment increased by 51.2% to HK\$576,000 (2013: HK\$381,000), primarily due to more interest income earned from debt securities. The segment results decreased to HK\$1,119,000 (2013: HK\$1,219,000), mainly attributable to unfavourable movement in fair value changes and realised loss on listed investments, partly offset by increased interest income as aforesaid and increased gains on foreign currency transactions.

Finance costs

The increase of HK\$106,000 (17.7%) to HK\$704,000 was mainly due to higher interest on consideration payable for acquisition of trademarks.

Taxation

There was an increase in taxation of HK\$1,894,000 to HK\$6,082,000 for the period, principally due to increased taxable operating profits of subsidiaries in Hong Kong for the period.

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 30 June 2014 was 9.7% (31 December 2013: 9.7%). Total bank borrowings of the Group amounted to HK\$53.4 million (31 December 2013: HK\$50.0 million), mainly denominated in Pound Sterling, Euro and Hong Kong Dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 1.19 as at 30 June 2014 (31 December 2013: 1.12). 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 30 June 2014, the Group's debt borrowings were mainly denominated in Pound Sterling, Euro and Hong Kong Dollars. The Group also had equity and debt securities and dual currency investments 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 period, the Group's foreign exchange exposure relating to investments in overseas securities, dual currency investments and bank balances as at 30 June 2014 were approximately HK\$50.4 million (31 December 2013: HK\$42.8 million) in total, or about 6.8% (31 December 2013: 6.3%) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debts borrowings) of approximately HK\$110.6 million (31 December 2013: HK\$99.2 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 30 June 2014, certain of the Group's leasehold land and buildings, investment properties, bank deposits and securities with an aggregate carrying value of approximately HK\$324.6 million (31 December 2013: HK\$306.2 million) were pledged to secure banking facilities granted to the Group to the extent of HK\$109.9 million (31 December 2013: HK\$93.5 million), of which HK\$53.4 million (31 December 2013: HK\$50.0 million) were utilised as at 30 June 2014.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 89 (31 December 2013: 89) employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees.

OUTLOOK

Most of the leases of the Group's investment properties in Hong Kong were due for renewal in the first half of this year and had been renewed with moderate increase in rent in line with the market. Segment results from investment properties, other than the effect on fair value changes, are expected to be slightly improved for the rest of the year. Though the sales to Mainland China in July 2014 using the one-off permit would be sufficient for the rest of this year, the Group is still awaiting approval from the governmental authority for the product license renewal. Despite the timing of obtaining the product license in Mainland China remains uncertain, its impact on the overall performance of this segment is expected to be insignificant for this year. In spite of the decreased advertising and promotional expenses in the first half of the year when compared to that in same period in last year, these expenses for the whole year are expected to be maintained at similar level with that in 2013.

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

Hong Kong, 25 August 2014

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



MAZARS CPA LIMITED
瑪澤 會計師事務所有限公司
42nd Floor, Central Plaza,
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To the board of directors

Pak Fah Yeow International Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information of Pak Fah Yeow International Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 9 to 33, comprising the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory information. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 25 August 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Turnover	3	80,357	77,812
Other revenue and other net income	4	19,046	891
Changes in inventories of finished goods		7,068	67
Raw materials and consumables used		(21,399)	(17,462)
Staff costs		(14,506)	(12,927)
Depreciation expenses		(1,205)	(1,098)
Net exchange gain (loss)		873	(1,765)
Other operating expenses		(14,125)	(19,480)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		56,109	26,038
Net (loss) gain on financial assets at fair value through profit or loss		(336)	1,617
Revaluation surplus in respect of investment properties		8,283	8,751
Revaluation deficit in respect of investment properties		(750)	-
Profit from operations		63,306	36,406
Finance costs	5	(704)	(598)
Profit before taxation	5	62,602	35,808
Taxation	6	(6,082)	(4,188)
Profit for the period, attributable to owners of the Company		56,520	31,620

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
Notes		HK\$'000	HK\$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale financial assets			
		125	718
Exchange difference arising from translation of financial statements of overseas subsidiaries			
		4,547	(7,438)
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments			
		(1,818)	3,854
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus of leasehold land and buildings, net of tax effect of HK\$1,750,000 (2013: HK\$2,228,000)			
		8,855	11,276
Other comprehensive income for the period, net of tax, attributable to owners of the Company		11,709	8,410
Total comprehensive income for the period, attributable to owners of the Company		68,229	40,030
Earnings per share			
Basic and diluted			
	8	21.8 cents	12.2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Non-current assets			
Investment properties	9	284,381	272,442
Property, plant and equipment	9	292,770	282,813
Intangible assets		2,450	2,450
Available-for-sale financial assets		8,997	9,122
		588,598	566,827
Current assets			
Inventories		20,448	14,817
Trade and other receivables	10	31,210	24,847
Financial assets at fair value through profit or loss		49,448	32,071
Pledged bank deposits		17,327	31,430
Bank balances and cash		35,528	12,646
		153,961	115,811
Current liabilities			
Bank borrowings, secured	11	53,423	49,950
Current portion of deferred income		85	82
Trade and other payables	12	29,394	43,564
Tax payable		9,200	3,372
Dividends payable		37,365	6,198
		129,467	103,166
Net current assets		24,494	12,645
Total assets less current liabilities		613,092	579,472

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2014

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Notes		
Non-current liabilities		
Long-term portion of consideration payable for acquisition of trademarks	2,074	2,074
Long-term portion of deferred income	12,346	11,997
Provision for long service payments	701	836
Provision for directors' retirement benefits	11,515	11,226
Deferred taxation	38,250	36,484
	64,886	62,617
NET ASSETS	548,206	516,855
Capital and reserves		
Share capital	12,985	12,985
Share premium and reserves	535,221	503,870
TOTAL EQUITY	548,206	516,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014

	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 2014 (audited)	12,985	24,594	186,526	5,644	(5,523)	28,568	264,061	516,855
Profit for the period	-	-	-	-	-	-	56,520	56,520
Other comprehensive income	-	-	8,855	125	2,729	-	-	11,709
Total comprehensive income attributable to owners of the Company	-	-	8,855	125	2,729	-	56,520	68,229
Interim dividends declared (note 7)	-	-	-	-	-	6,493	(14,803)	(8,310)
2013 final dividends transferred to dividends payable (note 7)	-	-	-	-	-	(28,568)	-	(28,568)
At 30 June 2014 (unaudited)	12,985	24,594	195,381	5,769	(2,794)	6,493	305,778	548,206
At 1 January 2013 (audited)	12,985	24,594	177,250	4,491	(6,481)	23,373	241,227	477,439
Profit for the period	-	-	-	-	-	-	31,620	31,620
Other comprehensive income	-	-	11,276	718	(3,584)	-	-	8,410
Total comprehensive income attributable to owners of the Company	-	-	11,276	718	(3,584)	-	31,620	40,030
Interim dividends declared (note 7)	-	-	-	-	-	5,713	(13,764)	(8,051)
2012 final dividends transferred to dividends payable (note 7)	-	-	-	-	-	(23,373)	-	(23,373)
At 30 June 2013 (unaudited)	12,985	24,594	188,526	5,209	(10,065)	5,713	259,083	486,045

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2014

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations	12,673	5,378
Interest received	576	381
Interest paid	(704)	(598)
Income taxes paid	(289)	(580)
Net cash generated from operating activities	12,256	4,581
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(761)	(1,038)
Proceeds from disposal of property, plant and equipment	208	-
Proceeds from disposal of available-for-sale financial assets	250	1,078
Decrease in pledged deposits	14,103	5,351
Net cash generated from investing activities	13,800	5,391
FINANCING ACTIVITIES		
Net movement in bank borrowings	2,454	(4,396)
Dividends paid	(5,711)	(5,214)
Net cash used in financing activities	(3,257)	(9,610)
Net increase in cash and cash equivalents	22,799	362
Cash and cash equivalents at beginning of period	12,646	20,996
Effect of foreign exchange rate changes	83	(190)
Cash and cash equivalents at end of period, represented by bank balances and cash	35,528	21,168

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013 (“2013 annual accounts”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention 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.

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the 2013 annual accounts.

The new/revised Hong Kong Financial Reporting Standards (“HKFRS”) that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period. 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 is 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 administration 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

	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Six months ended 30 June 2014				
Revenue from external customers	74,389	5,392	576	80,357
Segment results	37,881	30,935	1,119	69,935
Unallocated corporate expenses				(6,629)
Profit from operations				63,306
Finance costs				(704)
Profit before taxation				62,602
Taxation				(6,082)
Profit for the period				56,520
	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Six months ended 30 June 2013				
Revenue from external customers	72,599	4,832	381	77,812
Segment results	28,498	13,021	1,219	42,738
Unallocated corporate expenses				(6,332)
Profit from operations				36,406
Finance costs				(598)
Profit before taxation				35,808
Taxation				(4,188)
Profit for the period				31,620

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 June 2014 and 31 December 2013:

	At 30 June 2014			
	Manufacturing and sales of Hoe Hin Brand of products (unaudited) HK\$'000	Property investment – rental income (unaudited) HK\$'000	Treasury investment – interest income (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Assets				
Segment assets	372,419	284,958	84,619	741,996
Unallocated corporate assets				563
Consolidated total assets				742,559
Liabilities				
Segment liabilities	41,660	46,264	10,196	98,120
Unallocated corporate liabilities				96,233
Consolidated total liabilities				194,353
	At 31 December 2013			
	Manufacturing and sales of Hoe Hin Brand of products (audited) HK\$'000	Property investment – rental income (audited) HK\$'000	Treasury investment – interest income (audited) HK\$'000	Consolidated (audited) HK\$'000
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

3. OPERATING SEGMENT INFORMATION (CONTINUED)
Geographical information

	Revenue from external customers		Results from operations	
	Six months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Hong Kong	56,493	53,152	31,956	33,810
Macau	4,297	4,384	2,316	2,607
PRC	30	4,202	(19)	(1,507)
Southeast Asia	11,387	8,570	4,366	(200)
North America	3,844	3,399	1,636	1,411
United Kingdom	3,467	3,064	29,017	3,986
Europe (excluding United Kingdom)	84	6	95	144
Other regions	755	1,035	177	2,130
Unallocated corporate expenses	-	-	(6,238)	(5,975)
	80,357	77,812	63,306	36,406

4. OTHER REVENUE AND OTHER NET INCOME

Six months ended 30 June

	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Listed investments:		
Dividend income from financial assets at fair value through profit or loss	304	296
Gain on disposal of financial assets at fair value through profit or loss	-	527
Commission received	21	15
Forfeiture of deposit for disposal of investment properties (<i>note (4a)</i>)	18,686	-
Gain on disposal of property, plant and equipment	4	20
Sundry income	31	33
	19,046	891

4(a) On 22 November 2013, the Group entered into an agreement for the sale and purchase of a freehold property in the United Kingdom with SIAHAF Management Limited (“SIAHAF”) for a consideration of GBP14,450,000 with expected completion date on 25 March 2014 (the “Completion Date”). However, SIAHAF failed to complete the transaction on the Completion Date. Under the law of the United Kingdom, SIAHAF had been given an additional 5 working days (expiring on 1 April 2014) for completion. As SIAHAF failed to complete and execute the sale and purchase agreement, the Group was entitled to forfeit the deposit of GBP1,445,000 (equivalent to HK\$18,686,000).

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

Interest on bank loans, overdrafts and other borrowings wholly repayable within five years

Interest on bank loan wholly repayable more than five years

Interest on consideration payable for acquisition of trademarks

Six months ended 30 June

	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
	299	269
	125	145
	280	184
	704	598
	22,415	24,215
	75	(527)

(b) Other items

Cost of inventories

Loss (Gain) on disposal of financial assets at fair value through profit or loss

6. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	5,461	3,600
Overseas tax	605	572
	6,066	4,172
Deferred tax		
Origination of temporary differences	16	16
	6,082	4,188

7. DIVIDENDS

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

At the board meeting held on 27 March 2014, the directors proposed a final dividend of HK6.5 cents per share totalling HK\$16,881,000 for the year ended 31 December 2013 (*year ended 31 December 2012: HK6.2 cents per share totalling HK\$16,101,000*) and a special final dividend of HK4.5 cents per share totalling HK\$11,687,000 for the year ended 31 December 2013 (*year ended 31 December 2012: HK2.8 cents per share totalling HK\$7,272,000*), which had been reflected as an appropriation of retained profits. Upon the approval by shareholders on 25 June 2014, the appropriation was transferred to dividends payable.

7. DIVIDENDS (CONTINUED)
Dividends attributable to the period

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
First interim dividend	8,310	8,051
Second interim dividend	6,493	5,713
	14,803	13,764

On 25 June 2014, the directors declared the first interim dividend of HK3.2 cents per share totalling HK\$8,310,000 (2013: HK3.1 cents per share totalling HK\$8,051,000 declared on 17 June 2013), which was payable to the shareholders on the register of members of the Company on 1 August 2014.

On 25 August 2014, the directors declared the second interim dividend of HK2.5 cents per share totalling HK\$6,493,000 (2013: HK2.2 cents per share totalling HK\$5,713,000 declared on 28 August 2013), which was payable to the shareholders on the register of members of the Company on 8 October 2014.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$56,520,000 (2013: HK\$31,620,000) and the 259,700,000 (2013: 259,700,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2013 and 2014.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties situated in Hong Kong and leasehold land and buildings situated in Hong Kong were stated at fair value as at 30 June 2014 as estimated by the directors with reference to valuations provided by independent professional valuers. The Group recorded a net surplus on revaluation of the investment properties situated in Hong Kong of HK\$550,000 during the period (2013: HK\$8,150,000), which was recognised in profit or loss. In addition, the Group recorded a surplus on revaluation of the leasehold land and buildings situated in Hong Kong of HK\$10,605,000 during the period (2013: HK\$13,504,000), which was recognised in the properties revaluation reserve.

On the other hand, the Group's investment properties situated in London, the United Kingdom were also stated at fair value as at 30 June 2014 as estimated by the directors with reference to a valuation provided by independent professional valuers, resulted in a surplus on revaluation of HK\$6,983,000 during the period (2013: HK\$601,000), which was recognised in profit or loss. During the period, the Group also recorded a surplus on exchange realignment of HK\$4,406,000 (2013: deficit of HK\$6,435,000) on the investment properties situated in the United Kingdom which was recognised as part of the exchange difference arising from translation of financial statements of overseas subsidiaries in the exchange reserve.

In the opinion of the directors, the change in fair value of the Group's investment properties situated in Singapore for the period was not material to the results of the Group.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Trade receivables	29,090	20,466
Bills receivables	-	1,737
Other receivables		
Deposits, prepayments and other debtors	2,120	2,644
	31,210	24,847

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

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Within 30 days	3,825	20,250
31 - 60 days	10,223	-
61 - 90 days	14,826	-
Over 90 days	216	216
	29,090	20,466

11. BANK BORROWINGS, SECURED

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

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Term loans from banks due for repayment within one year	43,385	38,928
Term loan from a bank due for repayment after one year which contains a repayment on demand clause	10,038	11,022
	53,423	49,950

A term loan of HK\$10,038,000 (31 December 2013: HK\$11,022,000), with a clause in its terms that gives the lenders 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.

11. BANK BORROWINGS, SECURED (CONTINUED)

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:

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Within 1 year	43,385	38,928
After 1 year but within 2 years	1,998	1,978
After 2 years but within 5 years	6,239	6,177
After 5 years	1,801	2,867
	10,038	11,022
	53,423	49,950

The maturity of the above borrowings is as follows:

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Wholly repayable within five years	51,622	47,083
Wholly repayable more than five years	1,801	2,867
	53,423	49,950

12. TRADE AND OTHER PAYABLES

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Trade payables	8,303	2,873
Other payables		
Accrued charges and other creditors	13,154	13,346
Customers' deposits	7,937	8,867
Deposit received	-	18,478
	21,091	40,691
	29,394	43,564

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

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Within 30 days	3,337	2,247
31 – 60 days	3,019	160
61 – 90 days	375	415
More than 90 days	1,572	51
	8,303	2,873

13. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings, investment properties, bank deposits and financial assets at fair value through profit or loss were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$109,853,000 (31 December 2013: HK\$93,484,000), of which HK\$53,423,000 (31 December 2013: HK\$49,950,000) were utilised at the end of the reporting period.

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

	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
Leasehold land and buildings	118,000	114,000
Investment properties	141,822	130,433
Financial assets at fair value through profit or loss	47,437	31,191
Bank deposits	17,327	30,599
	324,586	306,223

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Compensation paid to key management personnel, including directors:		
– Salaries and other benefits	7,024	5,983
– Contributions to defined contribution plan	39	30

15. 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 30 June 2014, US\$786,000 (equivalent to approximately HK\$6,129,000) (31 December 2013: 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) (31 December 2013: US\$214,000 (equivalent to approximately HK\$1,671,000)) would only be payable in limited situations stipulated in the master agreement.

16. FAIR VALUE DISCLOSURES

The following presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis across the three levels of the fair value hierarchy as 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.

16. FAIR VALUE DISCLOSURES (CONTINUED)

Financial assets measured at fair value

	30 June			
	2014	Level 1	Level 2	Level 3
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss				
Debt securities, listed overseas	10,210	10,210	-	-
Debt securities, unlisted	4,106	-	4,106	-
Equity securities, listed in Hong Kong	4,363	4,363	-	-
Equity securities, listed overseas	14,401	14,401	-	-
Dual currency deposits	16,368	16,368	-	-
Available-for-sale financial assets				
Unlisted private equity fund	2,917	-	-	2,917
Other securities, unlisted	6,080	6,080	-	-
	58,445	51,422	4,106	2,917
31 December				
	2013	Level 1	Level 2	Level 3
	(audited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	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

During the period ended 30 June 2014 and year ended 31 December 2013, 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 between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16. FAIR VALUE DISCLOSURES (CONTINUED)

Financial 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	
	At 30 June 2014 (unaudited) HK\$'000	At 31 December 2013 (audited) HK\$'000
At beginning of the reporting period	3,042	3,775
Gains or losses recognised in:		
- profit or loss	-	-
- other comprehensive income	125	875
Additions	-	-
Disposals	(250)	(1,608)
At end of the reporting period	2,917	3,042

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

Unlisted debt securities

The unlisted debt securities are valued based on quoted market prices from dealers.

16. FAIR VALUE DISCLOSURES (CONTINUED)

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 reviews 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 Audit Committee is held twice a year, to coincide with the reporting dates.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2014, 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 pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in shares of the Company

Name of director	Personal interests	Number of shares held			Total	Percentage of issued share capital of the Company
		Family interests	Corporate interests			
Mr. Gan Wee Sean	22,673,600	1,983,800 <i>(Note 1)</i>	54,436,200 <i>(Note 2)</i>	79,093,600 <i>(Note 2)</i>	30.46%	
Mr. Gan Fock Wai, Stephen	8,397,400	-	52,106,600 <i>(Note 3)</i>	60,504,000 <i>(Note 3)</i>	23.30%	

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

(i) Hoe Hin Pak Fah Yeow Manufactory, Limited ("HHPFY")

Name of director	Number of non-voting deferred shares of HK\$1,000 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	-	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	-	-	2,800	12.7%

DISCLOSURE OF INTERESTS AND OTHER INFORMATION
(CONTINUED)
DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

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

(ii) Pak Fah Yeow Investment (Hong Kong) Company, Limited ("PFYI")

Name of director	Number of non-voting deferred shares of HK\$1 each held			Total	Percentage owned
	Personal interests	Family interests	Corporate interests		
Mr. Gan Wee Sean	8,244,445	711,111 <i>(Note 1)</i>	-	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 HHPFY and 711,111 non-voting deferred shares of PFYI.
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% 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%. The total number of 60,504,000 shares in aggregate represented approximately 23.30% of the issued share capital of the Company.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Other than as disclosed above, as at 30 June 2014, 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 period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the interests or short positions of every person, other than the directors and their respective associates as disclosed in "DIRECTORS' INTEREST 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 position 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 (<i>note</i>)	9.08%
East of Suez Fund	Beneficial owner	13,700,000	5.28%
UBS AG	Person having a security interest in shares	15,580,000	6.00%

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

OTHER INFORMATION

SECOND INTERIM DIVIDEND

The directors resolved to declare a second interim dividend of HK2.5 cents per share in respect of the year ending 31 December 2014 (31 December 2013: HK2.2 cents per share) payable to the shareholders on the register of members of the Company on 8 October 2014. The second interim dividend will be dispatched to the shareholders on or about 5 December 2014.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 6 October 2014 to Wednesday, 8 October 2014, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the second interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 October 2014.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules as its own code on corporate governance practices.

The Company has complied with code provision as set out in the CG Code for the six months ended 30 June 2014 except 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 other 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 who offer different independent perspectives. Therefore, the board is of the view that there are adequate balance of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2014.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial report of the Company for the six months ended 30 June 2014 has been reviewed by the audit committee. At the request of the directors, the interim financial information set out on page 9 to page 33 has also been reviewed by the Company’s auditor, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and an unmodified review report has been issued.