



**WHITE
FLOWER®**

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

2019

INTERIM REPORT



This Interim Report is printed on environmentally friendly paper

CONTENTS

| | Page |
|---|------|
| Corporate Information | 2 |
| Highlights | 3 |
| Management Discussion and Analysis | 5 |
| Report on Review of Condensed Interim Financial Information | 14 |
| Condensed Consolidated Statement of Comprehensive Income | 16 |
| Condensed Consolidated Statement of Financial Position | 18 |
| Condensed Consolidated Statement of Changes in Equity | 20 |
| Condensed Consolidated Statement of Cash Flows | 21 |
| Notes to the Condensed Interim Financial Information | 22 |
| Disclosure of Interests and Other Information | 37 |

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Gan Wee Sean (*Chairman and
Chief Executive Officer*) (R)

Gan Fock Wai, Stephen (R)

Gan Cheng Hooi, Gavin

Non-executive Director

Gan Fook Yin, Anita

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

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Bermuda

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Wanchai

Hong Kong

AUDITOR

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Wanchai

Hong Kong

SOLICITOR

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Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda)
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HONG KONG SHARE REGISTRAR

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STOCK CODE

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(A) Audit Committee member

(R) Remuneration Committee member


(N) Nomination Committee member

HIGHLIGHTS

- Revenue up 65.6% year-on-year.
- Underlying recurring profit, the performance indicator of the Group, up 2,813.1% year-on-year.
- Reported profit up 52.9% year-on-year, mainly due to improved performance of Healthcare segment, particularly Hong Kong market, partly offset by fair value changes on investment properties.
- More focus will be on local demands and consumptions as decline in tourist arrivals in Hong Kong is expected.

Results Summary

| | Notes | Six months ended 30 June | | |
|-----------------------------|-------|---|---|-----------|
| | | 2019 HK\$'000 | 2018 HK\$'000 | Change |
| Revenue | 1 | 74,771 | 45,150 | +65.6% |
| Reported profit | 2 | 21,331 | 13,949 | +52.9% |
| Underlying recurring profit | 3 | 23,538 | 808 | +2,813.1% |
| | | <i>HK cents</i> | <i>HK cents</i> | |
| Earnings per share: | 4 | | | |
| Reported profit | | 6.8 | 4.5 | +51.1% |
| Underlying recurring profit | | 7.6 | 0.3 | +2,433.3% |
| Total dividends per share | 4 | 4.90 | 4.45 | +10.1% |
| | | At 30 June 2019 HK\$'000 | At 31 December 2018 HK\$'000 | |
| Shareholders' funds | 5 | 771,956 | 756,702 | +2.0% |
| | | <i>HK\$</i> | <i>HK\$</i> | |
| Net asset value per share | 6 | 2.48 | 2.43 | +2.1% |

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Overview

Global economy grew more slowly than expected during the first half of 2019. The outcome of macro issues including accelerated trade tensions between China and the US and possible no-deal Brexit remained uncertain. Hong Kong economy expanded modestly during the first half of 2019, backed by positive growth on domestic income. Labour market remained tight and unemployment rate stayed low. Inflationary pressure for labour, supplies and production costs remained moderate.

With this backdrop, the Group recorded total revenue of HK\$74,771,000 for the six months ended 30 June 2019, an increase of 65.6% from HK\$45,150,000 for the same corresponding period in 2018. Revenue of each business segment is as follows:

| | Six months ended 30 June | | |
|----------------------|--------------------------|------------------|--------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | Change % |
| Healthcare | 69,459 | 40,598 | +71.1 |
| Property Investments | 4,948 | 4,380 | +13.0 |
| Treasury Investments | 364 | 172 | +111.6 |
| | 74,771 | 45,150 | +65.6 |

Underlying Recurring Profit, which excludes from Reported Profit the unrealised fair value changes of financial assets and of investment properties and the items that are non-recurring in nature, was HK\$23,538,000, up 2,813.1% from HK\$808,000 year-on-year. This mainly reflected improved performance of Healthcare segment, particularly Hong Kong market. Earnings per share of Underlying Recurring Profit was HK7.6 cents, up 2,433.3% from HK0.3 cents for 2018.

Reported Profit for the six months ended 30 June 2019 up 52.9% to HK\$21,331,000 (2018: HK\$13,949,000), primarily due to improved performance of Healthcare segment, partly offset by fair value changes on the Group's investment properties. Earnings per share of Reported Profit was HK6.8 cents, up 51.1% from HK4.5 cents for 2018.

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

| | Six months ended 30 June | | Change % |
|------------------------------------|--------------------------|------------------|-------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | |
| Underlying Recurring Profit | 23,538 | 808 | +2,813.1 |
| Unrealised fair value changes of: | | | |
| Financial assets | 1,368 | (222) | |
| Investment properties: | | | |
| United Kingdom | (7,275) | 1,403 | |
| Hong Kong and Singapore | 3,700 | 11,960 | |
| Reported Profit | 21,331 | 13,949 | +52.9 |

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation gain for the period of HK\$14,975,000 (2018: HK\$17,622,000).

Total comprehensive income attributable to owners for the six months ended 30 June 2019 was approximately HK\$35,822,000 (2018: HK\$29,872,000).

OPERATIONS REVIEW

Healthcare

Revenue from Healthcare segment increased by 71.1% to HK\$69,459,000 (2018: HK\$40,598,000). Revenue of each geographical segment is as follows:

| | Six months ended 30 June | | |
|------------------------|--------------------------|------------------|---------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | Change % |
| Hong Kong | 53,977 | 12,095 | +346.3 |
| Macau | 5,191 | 7,314 | -29.0 |
| Mainland China | 33 | 11,092 | -99.7 |
| Southeast Asia | 9,805 | 9,308 | +5.3 |
| North America | - | - | - |
| Others | 453 | 789 | -42.6 |
| Segment revenue | 69,459 | 40,598 | +71.1 |
| Segment profit | 31,292 | 5,479 | +471.1 |

Sales contribution from Hong Kong increased significantly by 346.3% year-on-year from HK\$12.1 million to HK\$54.0 million. During the first half of 2018, sales revenue of Hoe Hin products in Hong Kong was affected and declined significantly at that time as a result of the structural change in distributorship, where sole distributor was replaced by collective wholesalers. Despite market disorder was arisen after such structural change, sales in Hong Kong has been picking up in the second quarter of 2019. Sales contribution from Macau for the first half of 2019, on the other hand, decreased by 29.0% year-on-year, but steady pace of sales and marketing strategy has been adopted with an aim to accomplish sales target for 2019. Sales performance in Mainland China was not in line with expectation since mid-2018. Change of distributor was considered and discussed in early 2019 and hence all purchase orders were pending since then.

Overall sales in Southeast Asia showed a steady growth in the first half of 2019 and are expected to continue through the year. Sales to North America is expected to normalise in the second half of the year as the newly appointed US distributor lays the foundation and continues to open new key accounts in this territory while the inventory left from the previous distributor begins to dwindle. In South Korea, the distributor began lowering their inventory to a healthier level in the first half of 2019 whilst tackling the challenge of boosting sales in this territory. Continual in-store promotions and advertising campaigns have been planned and launched to increase the brand awareness to the local consumers there.

Property Investments

Revenue for this segment increased by 13.0% to HK\$4,948,000 (2018: HK\$4,380,000). This change mainly represents increased rental income derived in Hong Kong as a result of full occupancy in 2019, partly offset by decreased average exchange rate of Pound Sterling in translating the rental income in United Kingdom. Revenue of each geographical segment is as follows:

| | Six months ended 30 June | | |
|-------------------------------------|--------------------------|------------------|--------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | Change % |
| Hong Kong – office and residential | 1,755 | 989 | +77.5 |
| Singapore – industrial | 110 | 111 | -0.9 |
| United Kingdom – retail/residential | 3,083 | 3,280 | -6.0 |
| Segment revenue | 4,948 | 4,380 | +13.0 |
| Segment result – profit | 715 | 16,751 | -95.7 |

For the six months ended 30 June 2019, segment revenue of about 35.5%, 2.2% and 62.3% (2018: 22.6%, 2.5% and 74.9%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively. Occupancy rate was 100% (2018: 90.1%) for the six months ended 30 June 2019.

Underlying Recurring Segment Result, which excludes from the segment result the unrealised fair value changes of financial assets and of investment properties and the items that are non-recurring in nature, was a profit of HK\$4,290,000, up 26.6% from HK\$3,388,000 in 2018. Property expenses ratio as a percentage of segment revenue decreased to 13.3% (2018: 22.6%) for the period. Both Underlying Recurring Segment Result and the property expenses ratio for 2019 reflected lower proportional property expenses due to higher occupancy rate.

Segment result for the six months ended 30 June 2019 down 95.7% to a profit of HK\$715,000 (2018: HK\$16,751,000), principally reflecting fair value loss of HK\$3,575,000 (2018: gain of HK\$13,363,000) on the Group's investment properties' valuation recorded this period.

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

| | Six months ended 30 June | | Change % |
|---|--------------------------|------------------|--------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | |
| Underlying Recurring Segment Result | 4,290 | 3,388 | +26.6 |
| Unrealised fair value changes of investment properties: | | | |
| United Kingdom | (7,275) | 1,403 | |
| Hong Kong and Singapore | 3,700 | 11,960 | |
| Segment result – profit | 715 | 16,751 | -95.7 |

Treasury Investments

Other than placing deposits in renowned banks, the Group also invested in equity and debt securities, mutual funds and dual currency investments for higher yields.

Revenue (mainly interest income) derived from this segment increased by 111.6% to HK\$364,000 (2018: HK\$172,000), primarily due to placing more bank deposits in fixed term which earned higher interest income. As a result, Underlying Recurring Segment Result increased to a profit of HK\$264,000 (2018: HK\$66,000).

The segment result increased to a profit of HK\$1,632,000 (2018: loss of HK\$156,000), mainly attributable to, amongst others as mentioned above, unrealised fair value gains on listed investments.

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

| | Six months ended 30 June | | Change % |
|--|--------------------------|------------------|-------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | |
| Underlying Recurring Segment Result | 264 | 66 | +300.0 |
| Unrealised fair value changes of financial assets | 1,368 | (222) | |
| Segment result – profit (loss) | 1,632 | (156) | +1,146.2 |

FINANCIAL REVIEW

The results overview and operations review in preceding sections also cover financial review of the Group's three business segments. This section discusses other significant financial items.

Staff Costs

Staff costs are categorised into production (production-related payroll costs) and administration (other payroll costs, including management and head office staff), which increased by 2.0% from HK\$15,713,000 to HK\$16,025,000. This mainly reflected increased provision for management bonus.

Other Operating Expenses

Other operating expenses decreased by 29.4% to HK\$12,772,000 (2018: HK\$18,098,000), mainly attributable to decline in sales and marketing expenses. Other operating expenses ratio as a percentage of total revenue decreased to 17.1% (2018: 40.1%) for the period. This reflected lower proportional expenses due to significant increase in total revenue.

Finance Costs

Finance costs decreased by 5.4% to HK\$525,000 (2018: HK\$555,000), mainly due to lower average exchange rate in translating interest expenses of the loan denominated in Pound Sterling. Interest coverage ratio (profit from operations before interest and taxes and before unrealised fair value changes of financial assets and of investment properties divided by finance costs) increased to 55.6 (2018: 3.9) for the period. This reflected better financial performance in 2019.

Taxation

Increase in taxation from HK\$787,000 to HK\$5,137,000 was principally due to increase in taxable operating profits of subsidiaries in Hong Kong.

Investment Properties

The Group's investment properties in Hong Kong and the United Kingdom were valued at 30 June 2019 by an independent professional valuer on a fair value basis. No revaluation was made for the Group's investment properties in Singapore as its fair value change was considered insignificant for the period. The valuation as at 30 June 2019 was HK\$339,524,000, a decline of 1.2% from HK\$343,731,000 as at 31 December 2018. Such decrease reflected uncertainty over property market in the United Kingdom due to possible no-deal Brexit arrangement, partly offset by general positive outlook of property market in Hong Kong. The valuation of the Group's investment properties in each geographical segment as at the balance sheet date is as follows.

| | As at 30 June 2019 | | As at 31 December 2018 | | Change in HK\$ % |
|-------------------------------------|----------------------|----------------|------------------------|----------------|------------------------|
| | Original currency | | Original currency | | |
| | '000 | HK\$'000 | '000 | HK\$'000 | |
| Hong Kong – office and residential | HK\$184,100 | 184,100 | HK\$180,400 | 180,400 | +2.1 |
| Singapore – industrial | S\$1,950 | 11,176 | S\$1,950 | 11,176 | – |
| United Kingdom – retail/residential | GBP15,500 | 144,248 | GBP15,315 | 152,155 | -5.2 |
| | | <u>339,524</u> | | <u>343,731</u> | -1.2 |

Unrealised fair value loss on investment properties of HK\$3,575,000 (2018: gain of HK\$13,363,000) was recognised 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 2019 was 2.7% (31 December 2018: 2.9%). Total bank borrowings of the Group amounted to HK\$20,721,000 (31 December 2018: HK\$21,893,000), mainly denominated in Pound Sterling and Hong Kong Dollars with floating interest rates.

Current ratio (current assets divided by current liabilities) was 2.76 times as at 30 June 2019 (31 December 2018: 2.81 times). The Group holds sufficient cash, marketable securities on hand and available banking facilities to meet its short-term liabilities, commitments and working capital demand.

EXCHANGE RATE EXPOSURES

Most of the Group's business transactions were conducted in Hong Kong Dollars and United States Dollars. Certain rental income is derived in the United Kingdom and denominated in Pound Sterling. As at 30 June 2019, the Group's debt borrowings were mainly denominated in Pound Sterling 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 with Hong Kong Dollars remained relatively stable during the period, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 30 June 2019 were approximately HK\$32.5 million (31 December 2018: HK\$35.5 million) in total, or about 3.5% (31 December 2018: 3.9%) 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\$125.3 million (31 December 2018: HK\$133.1 million) relating to carrying amount of the investment properties in the United Kingdom.

PLEDGE OF ASSETS

As at 30 June 2019, certain of the Group's leasehold land and buildings and investment properties with an aggregate carrying value of approximately HK\$315.2 million (31 December 2018: HK\$318.2 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK\$93.5 million (31 December 2018: HK\$94.3 million), of which approximately HK\$20.7 million (31 December 2018: HK\$21.9 million) were utilised as at 30 June 2019.

CONTINGENT LIABILITIES

As at 30 June 2019, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims which may result in significant financial losses to the Group.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 91 (*31 December 2018: 91*) 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

After one year following the structural change in distributorship in Hong Kong, the wholesalers have generally resumed confidence in the market. However, the momentum of sales movement has recently affected by the Hong Kong political chaos, resulting in anticipated decline in tourist arrivals which would impact on the sales performance. In view of the potential risk of declining tourist arrivals, the Group's marketing strategy will be switched to focus more on local demands and consumptions.

Early termination of distributorship in Mainland China was confirmed near the end of May 2019 and a new distributor was appointed on 1 July 2019. In collaboration with the new distributor, marketing strategy and price structure have been rectified and hopefully such change would enhance the brand and product awareness as well as maximise profit margin.

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

Hong Kong, 22 August 2019



REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



MAZARS CPA LIMITED

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42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

To the board of directors

Pak Fah Yeow International Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed interim financial information of Pak Fah Yeow International Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 16 to 36, which comprises the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. 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 (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim condensed financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim condensed 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 condensed financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 22 August 2019



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2019

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Revenue | 3 | 74,771 | 45,150 |
| Other revenue | 4 | 149 | 370 |
| Other net income | 5 | 50 | 70 |
| Changes in inventories of finished goods | | 1,168 | 7,217 |
| Raw materials and consumables used | | (13,438) | (15,206) |
| Staff costs | | (16,025) | (15,713) |
| Depreciation expenses | | (4,191) | (1,023) |
| Net exchange loss | | (512) | (617) |
| Other operating expenses | | (12,772) | (18,098) |
| Profit from operations before fair value changes of financial assets through profit or loss and of investment properties | | 29,200 | 2,150 |
| Net gain (loss) on changes in fair value of financial assets at fair value through profit or loss | | 1,368 | (222) |
| Revaluation (deficit) surplus in respect of investment properties | | (3,575) | 13,363 |
| Profit from operations | | 26,993 | 15,291 |
| Finance costs | 6 | (525) | (555) |
| Profit before taxation | 6 | 26,468 | 14,736 |
| Taxation | 7 | (5,137) | (787) |
| Profit for the period, attributable to owners of the Company | | 21,331 | 13,949 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Six months ended 30 June 2019

| | | Six months ended 30 June | |
|-------|--|---------------------------------|---------------------------------|
| | | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Notes | | | |
| | Other comprehensive income | | |
| | <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| | Exchange difference arising from translation of financial statements of overseas subsidiaries | (690) | (2,224) |
| | Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments | 206 | 525 |
| | <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\$2,959,000 (2018: HK\$3,482,000) | 14,975 | 17,622 |
| | Other comprehensive income for the period, net of tax, attributable to owners of the Company | 14,491 | 15,923 |
| | Total comprehensive income for the period, attributable to owners of the Company | 35,822 | 29,872 |
| | Earnings per share | | |
| | Basic and diluted | 9 6.84 cents | 4.48 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

| | <i>Notes</i> | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|---|--------------|---|--|
| Non-current assets | | | |
| Investment properties | 10 | 339,524 | 343,731 |
| Property, plant and equipment | 10 | 392,880 | 378,988 |
| Intangible assets | | 2,450 | 2,450 |
| Financial assets at fair value through profit or loss | 12 | 5,850 | 5,960 |
| | | 740,704 | 731,129 |
| Current assets | | | |
| Inventories | | 19,666 | 13,976 |
| Trade and other receivables | 11 | 14,264 | 24,651 |
| Financial assets at fair value through profit or loss | 12 | 16,353 | 14,994 |
| Tax recoverable | | - | 3,976 |
| Bank balances and cash | | 150,740 | 126,115 |
| | | 201,023 | 183,712 |
| Current liabilities | | | |
| Bank borrowings, secured | 13 | 20,721 | 21,893 |
| Current portion of deferred income | | 220 | 221 |
| Trade and other payables | 14 | 30,385 | 35,847 |
| Tax payables | | 309 | - |
| Dividends payable | | 21,265 | 7,343 |
| | | 72,900 | 65,304 |
| Net current assets | | 128,123 | 118,408 |
| Total assets less current liabilities | | 868,827 | 849,537 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|--|--|--|
| Non-current liabilities | | |
| Long-term portion of consideration payable for acquisition of trademarks | 2,073 | 2,073 |
| Long-term portion of deferred income | 32,977 | 32,076 |
| Provision for directors' retirement benefits | 4,424 | 4,204 |
| Deferred taxation | 57,397 | 54,482 |
| | 96,871 | 92,835 |
| NET ASSETS | 771,956 | 756,702 |
| Capital and reserves | | |
| Share capital | 15,582 | 15,582 |
| Share premium and reserves | 756,374 | 741,120 |
| TOTAL EQUITY | 771,956 | 756,702 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2019

| | Share capital HK\$'000 | Share premium HK\$'000 | Attributable to owners of the Company | | | Proposed dividends HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------|--|--|------------------------------|--------------------------------|------------------------------|-------------------|
| | | | Properties revaluation reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | | | |
| At 1 January 2018, as previously reported | 15,582 | 21,997 | 255,860 | 5,852 | (30,394) | 24,308 | 455,303 | 748,508 |
| Adjustment on initial application of HKFRS 9 | - | - | - | (5,852) | - | - | 5,852 | - |
| As adjusted | 15,582 | 21,997 | 255,860 | - | (30,394) | 24,308 | 461,155 | 748,508 |
| Profit for the period | - | - | - | - | - | - | 13,949 | 13,949 |
| Other comprehensive income | - | - | 17,622 | - | (1,699) | - | - | 15,923 |
| Total comprehensive income attributable to owners of the Company | - | - | 17,622 | - | (1,699) | - | 13,949 | 29,872 |
| Transactions with equity owners | | | | | | | | |
| Interim dividends declared (note 8) | - | - | - | - | - | 5,454 | (13,868) | (8,414) |
| 2017 final dividends transferred to dividends payable (note 8) | - | - | - | - | - | (24,308) | - | (24,308) |
| At 30 June 2018 (unaudited) | 15,582 | 21,997 | 273,482 | - | (32,093) | 5,454 | 461,236 | 745,658 |
| At 1 January 2019 | 15,582 | 21,997 | 273,151 | - | (36,906) | 11,842 | 471,036 | 756,702 |
| Profit for the period | - | - | - | - | - | - | 21,331 | 21,331 |
| Other comprehensive income | - | - | 14,975 | - | (484) | - | - | 14,491 |
| Total comprehensive income attributable to owners of the Company | - | - | 14,975 | - | (484) | - | 21,331 | 35,822 |
| Transactions with owners | | | | | | | | |
| Distributions to owners | | | | | | | | |
| Interim dividends declared (note 8) | - | - | - | - | - | 6,544 | (15,270) | (8,726) |
| 2018 final dividend transferred to dividend payable | - | - | - | - | - | (11,842) | - | (11,842) |
| At 30 June 2019 | 15,582 | 21,997 | 288,126 | - | (37,390) | 6,544 | 477,097 | 771,956 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| OPERATING ACTIVITIES | | |
| Cash generated from operations | 33,635 | 10,965 |
| Interest received | 364 | 172 |
| Interest paid | (525) | (555) |
| Income taxes paid | (896) | (441) |
| Net cash generated from operating activities | 32,578 | 10,141 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (151) | (989) |
| Proceeds from disposal of property, plant and equipment | - | 79 |
| Net cash used in from investing activities | (151) | (910) |
| FINANCING ACTIVITIES | | |
| Net movement in bank borrowings, secured | (1,067) | (1,822) |
| Dividends paid | (6,646) | (6,560) |
| Net cash used in financing activities | (7,713) | (8,382) |
| Net increase in cash and cash equivalents | 24,714 | 849 |
| Cash and cash equivalents at beginning of period | 126,115 | 120,722 |
| Effect of foreign exchange rate changes | (89) | (137) |
| Cash and cash equivalents at end of period | 150,740 | 121,434 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash at bank and in hand | 126,240 | 103,717 |
| Time deposits | 24,500 | 18,109 |
| | 150,740 | 121,826 |
| Bank overdrafts | - | (392) |
| | 150,740 | 121,434 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

Six months ended 30 June 2019

1. BASIS OF PREPARATION

The unaudited condensed interim financial information of Pak Fah Yeow International Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30 June 2019 (the “Interim Financial Information”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements and should be read, where relevant, in conjunction with the Group’s annual financial statements for the year ended 31 December 2018 (“2018 Annual Accounts”).

The Interim Financial Information is unaudited, but has been reviewed by the Company’s Audit Committee.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in this Interim Financial Information is consistent with those used in the preparation of the 2018 Annual Accounts, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective for the Group’s financial year beginning on 1 January 2019 as described below:

| | |
|-------------------------------|--|
| Annual Improvements to HKFRSs | 2015-2017 Cycle |
| HKFRS 16 | Leases |
| HK(IFRIC)-Inc 23 | Uncertainly over Income Tax Treatments |
| Amendments to HKAS 19 | Employee benefits |

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

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 and resources allocation. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group is currently organised into three operating businesses as follows:

- (a) Healthcare – manufacturing and sale of Hoe Hin products
- (b) Property investments
- (c) Treasury investments

Each of the Group's operating segments represents a strategic business unit subject to risks and returns that are different from those of the other operating segments.

For the purposes of assessing the performance of the operating segments between segments, the executive directors assess segment profit or loss before income tax without allocation of finance costs, directors' emoluments, and central administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than 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.

Business segments

| | Six months ended 30 June 2019 | | | |
|---------------------------------|---------------------------------------|--|--|---|
| | Healthcare (unaudited) HK\$'000 | Property investments (unaudited) HK\$'000 | Treasury investments (unaudited) HK\$'000 | Consolidated (unaudited) HK\$'000 |
| Revenue from external customers | 69,459 | 4,948 | 364 | 74,771 |
| Segment results | 31,292 | 715 | 1,632 | 33,639 |
| Unallocated corporate expenses | | | | (6,646) |
| Profit from operations | | | | 26,993 |
| Finance costs | | | | (525) |
| Profit before taxation | | | | 26,468 |
| Taxation | | | | (5,137) |
| Profit for the period | | | | 21,331 |

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

| | Six months ended 30 June 2018 | | | |
|--|-------------------------------|--|--|-----------------------------|
| | Healthcare (unaudited) | Property investments (unaudited) | Treasury investments (unaudited) | Consolidated (unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 40,598 | 4,380 | 172 | 45,150 |
| Segment results | 5,479 | 16,751 | (156) | 22,074 |
| Unallocated corporate expenses | | | | (6,783) |
| Profit from operations | | | | 15,291 |
| Finance costs | | | | (555) |
| Profit before taxation | | | | 14,736 |
| Taxation | | | | (787) |
| Profit for the period | | | | 13,949 |

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 June 2019 and 31 December 2018:

| | At 30 June 2019 | | | |
|-----------------------------------|---------------------------|--|--|-----------------------------|
| | Healthcare (unaudited) | Property investments (unaudited) | Treasury investments (unaudited) | Consolidated (unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Assets | | | | |
| Segment assets | 517,857 | 340,660 | 82,716 | 941,233 |
| Unallocated corporate assets | | | | 494 |
| Consolidated total assets | | | | 941,727 |
| Liabilities | | | | |
| Segment liabilities | 30,656 | 54,071 | - | 84,727 |
| Unallocated corporate liabilities | | | | 85,044 |
| Consolidated total liabilities | | | | 169,771 |

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

| | At 31 December 2018 | | | |
|-----------------------------------|-------------------------------------|--|--|---------------------------------------|
| | Healthcare (audited) HK\$'000 | Property investments (audited) HK\$'000 | Treasury investments (audited) HK\$'000 | Consolidated (audited) HK\$'000 |
| Assets | | | | |
| Segment assets | 486,896 | 345,359 | 78,114 | 910,369 |
| Unallocated corporate assets | | | | 4,472 |
| Consolidated total assets | | | | 914,841 |
| Liabilities | | | | |
| Segment liabilities | 36,350 | 53,569 | - | 89,919 |
| Unallocated corporate liabilities | | | | 68,220 |
| Consolidated total liabilities | | | | 158,139 |

Geographical information

| | Revenue from external customers | | Results from operations | |
|-----------------------------------|---|---------------------------------|---|---------------------------------|
| | Six months ended 30 June 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 June 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Hong Kong | 55,969 | 13,091 | 30,486 | 14,773 |
| Macau | 5,191 | 7,314 | 3,229 | 4,417 |
| PRC | 33 | 11,092 | (1,855) | (4,762) |
| Southeast Asia | 10,005 | 9,583 | 4,030 | 2,585 |
| North America | - | - | 5 | 159 |
| United Kingdom | 3,120 | 3,282 | (4,228) | 4,437 |
| Europe (excluding United Kingdom) | - | - | 1,152 | (128) |
| Other regions | 453 | 788 | 357 | 91 |
| Unallocated corporate expenses | - | - | (6,183) | (6,281) |
| | 74,771 | 45,150 | 26,993 | 15,291 |

4. OTHER REVENUE

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Listed investments: | | |
| Dividend income from financial assets at fair value through profit or loss | 146 | 150 |
| Gain on disposal of financial assets at fair value through profit or loss | 3 | 220 |
| | 149 | 370 |

5. OTHER NET INCOME

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Commission received | 11 | 17 |
| (Loss) Gain on disposal of property, plant and equipment | (1) | 24 |
| Sundry income | 40 | 29 |
| | 50 | 70 |

6. PROFIT BEFORE TAXATION

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| This is stated after charging: | | |
| (a) Finance costs | | |
| Interest on bank borrowings | 245 | 275 |
| Interest on consideration payable for acquisition of trademarks | 280 | 280 |
| | 525 | 555 |
| (b) Other items | | |
| Cost of inventories | 21,429 | 16,878 |
| | 21,429 | 16,878 |

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits of the Group's entities had assessable profit subject to Hong Kong Profits Tax for the period. Overseas taxation has been provided on the estimated assessable profits for the period, in respect of the Group's overseas operations, at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Current tax | | |
| Hong Kong Profits Tax | 4,572 | 270 |
| Overseas tax | 609 | 561 |
| | 5,181 | 831 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | (44) | (44) |
| | 5,137 | 787 |
| | 5,137 | 787 |

8. DIVIDENDS

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

At the board meeting held on 26 March 2019, the directors proposed a final dividend of HK3.8 cents per share totalling HK\$11,842,000 for the year ended 31 December 2018 (year ended 31 December 2017: HK5.6 cents per share totalling HK\$17,452,000) and no special dividend declared for the year ended 31 December 2018 (year ended 31 December 2017: HK2.2 cents per share totaling HK\$6,856,000 approved by shareholders on 20 June 2018). Upon the approval by shareholders on 18 June 2019, the appropriation was transferred to dividends payable.

Dividends attributable to the period

| | Six months ended 30 June | |
|-------------------------|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| First interim dividend | 8,726 | 8,414 |
| Second interim dividend | 6,544 | 5,454 |
| | 15,270 | 13,868 |

On 18 June 2019, the directors declared the first interim dividend of HK2.8 cents per share totalling HK\$8,726,000 (2018: HK2.7 cents per share totalling HK\$8,414,000 declared on 20 June 2018), which was payable to the shareholders on the register of members of the Company on 2 August 2019.

On 22 August 2019, the directors declared the second interim dividend of HK2.1 cents per share totalling HK\$6,544,000 (2018: HK1.75 cents per share totalling HK\$5,454,000 declared on 28 August 2018), which was payable to the shareholders on the register of members of the Company on 11 October 2019.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company for the period of HK\$21,331,000 (2018: HK\$13,949,000) and the weighted average number of 311,640,000 (2018: 311,640,000) ordinary shares in issue during the period.

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2018 and 2019.

10. 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 2019 as estimated by the directors with reference to the valuation provided by an independent professional valuer. The Group recorded a net surplus on revaluation of the investment properties situated in Hong Kong of HK\$3,700,000 (2018: HK\$11,960,000) during the period, 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\$17,934,000 (2018: HK\$21,104,000) during the period, which was recognised in the properties revaluation reserve.

In addition, the Group's investment properties situated in London, the United Kingdom were also stated at fair value as at 30 June 2019 as estimated by the directors with reference to the valuation provided by an independent professional valuer. The Group recorded a net deficit on revaluation of the investment properties situated in United Kingdom of HK\$7,275,000 during the period (2018: surplus of HK\$1,403,000), which was recognised in profit or loss. During the period, the Group also recorded a deficit on exchange realignment of HK\$631,000 (2018: HK\$2,207,000) 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.

11. TRADE AND OTHER RECEIVABLES

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|---|--|--|
| Trade receivables | 8,514 | 17,153 |
| Bills receivable | 3,352 | 4,018 |
| Other receivables | | |
| Deposits, prepayments and other debtors | 2,398 | 3,480 |
| | 14,264 | 24,651 |

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows credit period ranging from 30 days to 120 days (2018: 30 days to 120 days) to its customers. The ageing analysis of trade receivables by invoice date is as follows:

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|----------------|--|--|
| Within 30 days | 6,310 | 11,983 |
| 31 – 60 days | 398 | 5,170 |
| 61 – 90 days | 1,806 | – |
| | 8,514 | 17,153 |

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's major investments as at 30 June 2019 were detailed below:

| | Stock code | As at 30 June 2019 | | | For the six months ended 30 June 2019 Fair value gain (loss) HK\$'000 |
|--|------------|----------------------------------|---|--|---|
| | | Fair/Market value HK\$'000 | Approximate percentage of the Group's investment portfolio % | Approximate percentage of the Group's net assets % | |
| Equity securities, listed in Hong Kong | | | | | |
| HSBC Holdings plc | 00005.HK | 1,931 | 8.7 | 0.3 | – |
| Guangdong Investment Limited | 00270.HK | 1,546 | 7.0 | 0.2 | 32 |
| Equity securities, listed overseas | | | | | |
| Pfizer Inc. | PFE.NYSE | 2,140 | 9.6 | 0.3 | (16) |
| Mutual funds, unlisted | | | | | |
| KBC Eco Fund SICAV-Water capitalisation | unlisted | 3,349 | 15.1 | 0.4 | 644 |
| Multipartner SICAV-RobecoSAM Sustainable Water Fund B – capitalisation | unlisted | 1,410 | 6.4 | 0.2 | 211 |
| Debt securities, unlisted | | | | | |
| Aberdeen Marina Club Limited | unlisted | 2,785 | 12.5 | 0.4 | – |
| Shenzhen Xili Golf Club | unlisted | 1,842 | 8.3 | 0.2 | – |

13. BANK BORROWINGS, SECURED

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

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|--|--|--|
| Bank borrowings due for repayment within one year (note (i)) | 18,920 | 19,026 |
| Term loan from a bank which contains a repayment on demand clause (note (ii)) | 1,801 | 2,867 |
| | 20,721 | 21,893 |

- (i) The revolving loan of HK\$18,920,000 (31 December 2018: HK\$19,026,000) bears interest at the bank's cost of fund plus 1.5% per annum and is repayable one month after drawdown. The loan is secured by pledging the Group's investment properties with an aggregate carrying value of HK\$144,248,000 (31 December 2018: HK\$152,155,000) together with the assignment of rental monies derived from the investment properties.
- (ii) The term loan bears interest at the Hong Kong prime rate minus 3% per annum and is repayable in monthly installment up to 28 April 2020. It 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\$171,000,000 (31 December 2018: HK\$166,000,000).

14. TRADE AND OTHER PAYABLES

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|-------------------------------------|--|--|
| Trade payables | 3,678 | 4,492 |
| Other payables | | |
| Accrued charges and other creditors | 13,324 | 12,462 |
| Accrued rebates and discounts | 13,283 | 18,793 |
| Customers' deposits | 100 | 100 |
| | 26,707 | 31,355 |
| | 30,385 | 35,847 |

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

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|-------------------|--|--|
| Within 30 days | 3,267 | 4,453 |
| 31 – 60 days | 395 | 1 |
| 61 – 90 days | – | – |
| More than 90 days | 16 | 38 |
| | 3,678 | 4,492 |

15. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings and investment properties were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK\$93,466,000 (31 December 2018: HK\$94,318,000), of which HK\$20,721,000 (31 December 2018: HK\$21,893,000) were utilised at the end of the reporting period.

15. PLEDGE OF ASSETS (CONTINUED)

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

| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
|------------------------------|--|--|
| Leasehold land and buildings | 171,000 | 166,000 |
| Investment properties | 144,248 | 152,155 |
| | 315,248 | 318,155 |

16. RELATED PARTY TRANSACTIONS

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

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Compensation paid to key management personnel, including directors: | | |
| – Salaries and other benefits | 7,498 | 7,163 |
| – Contributions to defined contribution plan | 45 | 45 |

17. 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). In 2017, the maximum capital injection had been revised to US\$817,000 (equivalent to HK\$6,373,000). As at 30 June 2019, US\$789,000 (equivalent to approximately HK\$6,156,000) (31 December 2018: US\$787,000 (equivalent to approximately HK\$6,137,000)) was called and paid up. Since the commitment period ended on 31 December 2011, the remaining US\$28,000 (equivalent to approximately HK\$217,000) (31 December 2018: US\$30,000 (equivalent to approximately HK\$236,000)) would only be payable in limited situations stipulated in the master agreement.

18. FAIR VALUE DISCLOSURES

The following presents the assets measured at fair value or required to disclose their fair value in this Interim Financial Information on a recurring basis at the end of the reporting period 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.

Financial assets measured at fair value

| | 30 June 2019 (unaudited) <i>HK\$'000</i> | Level 1 (unaudited) <i>HK\$'000</i> | Level 2 (unaudited) <i>HK\$'000</i> | Level 3 (unaudited) <i>HK\$'000</i> |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Equity securities, listed in Hong Kong | 5,612 | 5,612 | - | - |
| Equity securities, listed overseas | 4,440 | 4,440 | - | - |
| Mutual funds, unlisted | 6,301 | - | 6,301 | - |
| Debt securities, unlisted | 4,823 | 4,823 | - | - |
| Unlisted private equity fund | 1,027 | - | - | 1,027 |
| | 22,203 | 14,875 | 6,301 | 1,027 |

18. FAIR VALUE DISCLOSURES (CONTINUED)**Financial assets measured at fair value (Continued)**

| | 31 | | | |
|---|---------------|---------------|--------------|--------------|
| | December | | | |
| | 2018 | 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 | | | | |
| Equity securities, listed in | | | | |
| Hong Kong | 5,496 | 5,496 | - | - |
| Equity securities, listed overseas | 4,279 | 4,279 | - | - |
| Mutual funds, unlisted | 5,219 | - | 5,219 | - |
| Debt securities, unlisted | 4,823 | 4,823 | - | - |
| Private equity fund, unlisted | 1,137 | - | - | 1,137 |
| | 20,954 | 14,598 | 5,219 | 1,137 |

During the period ended 30 June 2019 and the year ended 31 December 2018, 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 as at the end of the reporting period.

Movements in level 3 fair value measurements

Fair value measurement at the end of the reporting period:

| Description | Unlisted private equity fund | |
|---------------------------------------|--|--|
| | At 30 June 2019 (unaudited) HK\$'000 | At 31 December 2018 (audited) HK\$'000 |
| At beginning of the reporting period | 1,137 | 1,418 |
| Gains or losses recognised in: | | |
| - profit or loss | - | 195 |
| Disposals | (110) | (476) |
| At end of the reporting period | 1,027 | 1,137 |

18. FAIR VALUE DISCLOSURES (CONTINUED)

Financial assets measured at fair value (Continued)

Movements in level 3 fair value measurements (Continued)

The above gains or losses are reported as “Net gain (loss) on financial assets at fair value through profit or loss” within profit or loss.

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

The unlisted mutual funds are valued based on quoted market prices from dealers or by reference to quoted market prices for similar instruments.

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

The unlisted private equity fund’s assets mainly comprise investment in unlisted companies in various industries (the “Investment”) and the fair value of the Investment is estimated by the external 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 external 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

As at 30 June 2019, the interests and short positions of the directors and chief executive 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 | Number of shares held | | | Total | Percentage of issued shares of the Company |
|---------------------------|-----------------------|-----------------------|------------------------|------------------------|--|
| | Personal interests | Family interests | Corporate interests | | |
| Mr. Gan Wee Sean | 27,208,322 | 2,380,560 (Note 1) | 65,323,440 (Note 2) | 94,912,322 (Note 2) | 30.46% |
| Mr. Gan Fock Wai, Stephen | 10,446,879 | - | 62,527,920 (Note 3) | 72,974,799 (Note 3) | 23.42% |
| Ms. Gan Fook Yin, Anita | 1,190,280 | - | - | 1,190,280 | 0.38% |

(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 of issued non-voting deferred shares of the respective corporations |
|---------------------------|---|------------------|---------------------|-------|--|
| | Personal interests | Family interests | Corporate interests | | |
| Mr. Gan Wee Sean | 8,600 | 800 (Note 1) | - | 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 of issued non-voting deferred shares of the respective corporations |
|---------------------------|---|---------------------|---------------------|-----------|--|
| | Personal interests | Family interests | Corporate interests | | |
| 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 2,380,560 shares of the Company, 800 non-voting deferred shares of HHPFY and 711,111 non-voting deferred shares of PFYI.
2. These 65,323,440 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 94,912,322 shares in aggregate represented approximately 30.46% of the issued shares of the Company.
3. These 62,527,920 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 72,974,799 shares in aggregate represented approximately 23.42% of the issued shares of the Company.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Other than as disclosed above, as at 30 June 2019, 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 2019, 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 position in the shares and underlying shares of the Company

| Name of shareholder | Nature of interest | Number of shares held | Percentage of issued shares of the Company |
|------------------------|---|-----------------------|--|
| Brooke Capital Limited | Beneficial owner and Investment manager | 34,283,500 (Note) | 11.00% |

Note: As reported by Brooke Capital Limited, these 34,283,500 shares comprised 13,525,000 shares held by itself and 18,698,500 shares and 2,060,000 shares held jointly with East of Suez Fund and Brooke Capital Asia Fund respectively.

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 HK2.1 cents per share in respect of the year ending 31 December 2019 (*31 December 2018: HK1.75 cents per share*) payable to the shareholders on the register of members of the Company on 11 October 2019. The second interim dividend will be dispatched to the shareholders on or about 6 December 2019.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 9 October 2019 to Friday, 11 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 8 October 2019.

PURCHASE, SALE OR REDEMPTION OF THE 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 to the Listing Rules as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the CG Code for the six months ended 30 June 2019 except the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board of directors, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the other executive directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the board as well as senior management. The board has one non-executive director and also three independent non-executive directors who offer different independent perspectives. Therefore, the board is of the view that there is 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 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2019.

CHANGE OF DIRECTOR’S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, change of directors’ information of the Company since the date of the 2018 annual report is as follows:

Mr. LEUNG Man Chiu, Lawrence was appointed as a non-executive director of World Super Holdings Limited (Stock code: 08612), which has been listed on The Stock Exchange of Hong Kong Limited since 12 July 2019.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors of the Company, and meets at least twice each year. The interim financial information of the Company for the six months ended 30 June 2019 has been reviewed by the audit committee. At the request of the directors, the interim financial information set out on page 16 to page 36 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.

