



NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

Interim Report 2013

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This document in both English and Chinese is now available in printed form and on the website of the Company at <http://www.nanyangholdingslimited.com>.

RESULTS HIGHLIGHTS

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Revenue	94,133	91,617
Profit attributable to equity holders of the Company	98,601	105,866
Profit attributable to equity holders of the Company – before taking into account changes in fair value of investment properties and related tax effects	59,058	50,205
Earnings per share	HK\$2.40	HK\$2.56
Earnings per share – before taking into account changes in fair value of investment properties and related tax effects	HK\$1.44	HK\$1.22

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2013 showed a profit after taxation of HK\$98.6 million (2012: profit of HK\$105.9 million). This profit includes mainly dividend from The Shanghai Commercial & Savings Bank, Ltd., of approximately HK\$46.0 million (after netting 20% withholding tax) for its 2012 earnings, gains from the investment portfolios of approximately HK\$4.7 million and the change in fair value of investment properties (including that owned by a jointly controlled entity) which resulted in a net gain of HK\$39.5 million (2012: HK\$55.7 million). Excluding the net effect of revaluing the investment properties at fair value, the half year would have shown a profit after tax of HK\$59.1 million (2012: profit of HK\$50.2 million). Earnings per share were HK\$2.40 (2012: HK\$2.56).

Business Review and Prospects

Real Estate

Shanghai

Renovation work, converting the previous factory site to offices for rental, at Shanghai Sung Nan Textile Co. Ltd. ("Sung Nan"), the joint venture of which the Group owns 65%, is almost completed. At present, of the total leasable area of 28,153 sq.m., approximately 92.5% is leased. With the completion of these works, Sung Nan should become profitable.

Rental activities at the commercial building in Jingan District, Shanghai, which is 33% owned by the Group, continued to be satisfactory. Of the total leasable area of 23,500 sq.m., presently, approximately 91.3% is leased.

Shenzhen

Southern Textile Company Limited ("Southern"), the Group's 45% joint venture, continued to perform satisfactorily. In May, Southern received approval for the extension of the land use right of the factory building for another 20 years to 2033. Correspondingly, its joint venture period has also been extended for 21 years to 2034. Of the total leasable area of 18,300 sq.m., presently, approximately 99.5% is leased.

Hong Kong

Pursuant to the additional measures taken by the government to cool off the property market, sales of properties has slowed down substantially. Rental rates at Nanyang Plaza, however, continued to improve. Of the 290,000 sq.ft. of industrial/office space we hold, 94.1% is leased.

Financial Investments

Major equity markets which trended upward since the beginning of 2013, became volatile and uncertain in late May, with the anticipation of the eventual tapering off of asset purchases in the United States. Our portfolios grew steadily for the first five months of 2013 but fell by more than 3 percent in June. For the six months ended 30th June 2013, the portfolios showed a positive return of 1.36%, and at the end of the period the value of the portfolios stood at US\$35.0 million or approximately HK\$271.4 million.

Recent data show that the US economy continues to grow modestly and that major European economies are coming out of recession. As at 21st August 2013, the portfolios have increased by 3.8% since the year end, representing US\$1.3 million or approximately HK\$10.0 million, and have almost regained the level achieved in April. As at 21st August 2013, the value of the portfolios stood at US\$35.9 million or approximately HK\$278.0 million. Equities comprised 59.3% (of which 39.8% was in US equities), 17.8% was in bonds, 2.7% in alternative investments, 6.6% in commodities and 13.6% in cash.

For the rest of the year, we expect markets to remain volatile. However, as the low interest rate environment may continue for a while and Europe is slowly recovering, we are cautiously optimistic regarding the performance of our investment portfolios.

Financial Investments (Continued)

The Group's investment in the shares of The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), with a holding of approximately 4% of the total issued share capital of SCSB, continued to perform well. During this period, SCSB has been nominated by Global Banking & Finance Review as the 'Best Commercial Bank in Taiwan' and by The Asian Banker as 'The Best Managed Bank in Taiwan'.

On 27th November 2012, SCSB became a public company in Taiwan, but is not listed. The unaudited net income of SCSB for the three months ended 31st March 2013 was approximately NT\$2,549.6 million (2012 same period: net income of approximately NT\$2,162.5 million), representing an increase of 17.9%. Total shareholders equity at 31st March 2013 was approximately NT\$96,455.0 million (31/3/2012: approximately NT\$90,349.8 million), an increase of 6.8%. (These figures were extracted from the SCSB's website at <http://www.scsb.com.tw>).

Financial Position

The Group's investment properties with a value of HK\$1,637.6 million (31/12/2012: HK\$1,603.0 million) have been mortgaged to a bank to secure general banking facilities of which HK\$111.0 million has been drawn down (31/12/2012: HK\$80.0 million).

Purchase, Sale or Redemption of Shares

During the period, the Company repurchased 159,500 of its shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares purchased	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
2013				
January	159,500	27.3	26.4	4,315,425

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the period.

Directors' Interests

As at 30th June 2013, the interests of the Directors and chief executive in the shares of the Company as recorded in the Register of Directors'/Chief Executives' Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Personal interests	Shares of HK\$0.10 each of the Company			% of issued share capital
		Family interests	Corporate interests	Total	
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	39.47%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	5.47%
Rudolf Bischof	150,000	–	–	150,000	0.36%
John Con-sing Yung	33,000	37,000	–	70,000	0.17%

Note: As stated below, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

Directors' Interests *(Continued)*

During the period, the Company has not granted to any Directors, chief executive or their respective spouses or children under 18 years of age any rights to subscribe for shares of the Company.

At no time during the period was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30th June 2013, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	<i>Number of shares</i>	<i>% of issued share capital</i>
Tankard Shipping Co. Inc.	5,500,000 (Note)	13.37%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Employees

The Group employed 15 employees as at 30th June 2013. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident funds.

Corporate Governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2013, in compliance with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the required standard set out in the Model Code throughout the six months ended 30th June 2013.

Audit Committee and Review of Results

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the draft unaudited consolidated financial statements for the period ended 30th June 2013 with the management.

**UNAUDITED CONDENSED CONSOLIDATED INCOME
STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2013**

	Note	Six months ended 30th June	
		2013	2012
		HK\$'000	HK\$'000
Revenue	6	94,133	91,617
Direct costs		(6,569)	(6,324)
Gross profit		87,564	85,293
Administrative expenses		(17,468)	(18,368)
Other operating income		1,844	806
Other operating expenses		(893)	(1,159)
Changes in fair value of investment properties		44,860	53,830
Operating profit	7	115,907	120,402
Finance costs	8	(442)	(605)
Share of profits less losses of jointly controlled entities		(1,208)	2,478
Profit before income tax		114,257	122,275
Income tax expense	9	(15,656)	(16,409)
Profit attributable to equity holders of the Company		98,601	105,866
Earnings per share (basic and diluted)	10	HK\$2.40	HK\$2.56

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2013**

	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	98,601	105,866
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets	(9,531)	69,115
Share of other reserve of a jointly controlled entity	23,459	–
Currency translation differences	6,707	(1,922)
Other comprehensive income for the period, net of tax	20,635	67,193
Total comprehensive income for the period attributable to equity holders of the Company	119,236	173,059

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2013

	Note	30th June 2013 HK\$'000	31st December 2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,039	1,119
Investment properties	13	1,736,590	1,691,730
Jointly controlled entities		237,321	212,606
Available-for-sale financial assets	14	1,337,265	1,342,745
Deferred income tax assets		–	102
		<u>3,312,215</u>	<u>3,248,302</u>
Current assets			
Trade and other receivables	15	62,314	15,924
Financial assets at fair value through profit or loss		239,660	212,093
Cash and cash equivalents		44,106	66,722
		<u>346,080</u>	<u>294,739</u>
Total assets		<u>3,658,295</u>	<u>3,543,041</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	4,113	4,129
Other reserves		1,165,326	1,144,675
Retained profits		2,308,600	2,247,216
Total equity		<u>3,478,039</u>	<u>3,396,020</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		24,188	21,048
		<u>24,188</u>	<u>21,048</u>
Current liabilities			
Trade and other payables	17	42,955	44,813
Tax payables		2,113	1,160
Short term bank loans – secured		111,000	80,000
		<u>156,068</u>	<u>125,973</u>
Total liabilities		<u>180,256</u>	<u>147,021</u>
Total equity and liabilities		<u>3,658,295</u>	<u>3,543,041</u>
Net current assets		<u>190,012</u>	<u>168,766</u>
Total assets less current liabilities		<u>3,502,227</u>	<u>3,417,068</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2013**

	Six months ended 30th June 2013			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2013	4,129	1,144,675	2,247,216	3,396,020
Total comprehensive income for the period	–	20,635	98,601	119,236
Transactions with owners:				
Share repurchased and cancelled	(16)	16	(4,315)	(4,315)
Dividends relating to 2012 paid in June 2013 (Note 11)	–	–	(32,902)	(32,902)
Total transactions with owners	(16)	16	(37,217)	(37,217)
Balance at 30th June 2013	<u>4,113</u>	<u>1,165,326</u>	<u>2,308,600</u>	<u>3,478,039</u>

	Six months ended 30th June 2012			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2012	4,129	1,184,259	1,708,594	2,896,982
Total comprehensive income for the period	–	67,193	105,866	173,059
Transactions with owners:				
Dividends relating to 2011 paid in May 2012 (Note 11)	–	–	(20,643)	(20,643)
Total transactions with owners	–	–	(20,643)	(20,643)
Balance at 30th June 2012	<u>4,129</u>	<u>1,251,452</u>	<u>1,793,817</u>	<u>3,049,398</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE 2013**

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Net cash used in operating activities	(16,226)	(9,272)
Net cash inflow from investing activities	109	41,687
Net cash outflow from financing activities	(6,659)	(41,643)
Net decrease in cash and cash equivalents	(22,776)	(9,228)
Cash and cash equivalents at 1st January	66,722	78,247
Currency translation difference in cash and cash equivalents	160	(76)
Cash and cash equivalents at 30th June	<u>44,106</u>	<u>68,943</u>
Analysis of cash and cash equivalents		
Cash and bank balances	<u>44,106</u>	<u>68,943</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Nanyang Holdings Limited (“the Company”) is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George’s Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together “the Group”) engage in property investment and investment holding and trading.

This condensed consolidated interim financial information (“Interim Financial Information”) is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This Interim Financial Information has been approved for issue by the Board of Directors on 28th August 2013.

2 Basis of preparation

This Interim Financial Information for the six months ended 30th June 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This Interim Financial Information should be read in conjunction with the 2012 annual financial statements.

3 Significant accounting policies

The significant accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2012 annual financial statements.

(i) *New and revised standards and amendments to standards effective in current accounting period and are relevant to the Group’s operations*

During the period ended 30th June 2013, the Group has adopted the following new and revised standards and amendments to standards which are relevant to the Group’s operations and are mandatory for accounting periods beginning on 1st January 2013:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements

The adoption of these new and revised standards and amendments to standards does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group.

3 Significant accounting policies (Continued)

(ii) *New standards and amendments to standards that are not yet effective and have not been early adopted by the Group*

The following new standards and amendments to standards have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st January 2014 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosure	1st January 2015
HKFRS 9	Financial Instruments	1st January 2015
HK(IFRIC) – Interpretation 21	Levies	1st January 2014
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011)	Investment Entities	1st January 2014
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1st January 2014

The Group has not early adopted these new standards and amendments to standards. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

4 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, currency risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2012.

There have been no changes in any risk management policies since the year end.

4 Financial risk management (Continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value				
through profit or loss	239,660	–	–	239,660
Available-for-sale financial assets	1,337,265	–	–	1,337,265
Total assets	1,576,925	–	–	1,576,925

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value				
through profit or loss	212,093	–	–	212,093
Available-for-sale financial assets	1,342,745	–	–	1,342,745
Total assets	1,554,838	–	–	1,554,838

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between any level during the period.

5 Critical accounting estimates and judgments

Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 30th June 2013 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties.

Classification and estimate of fair value of non listed available-for-sale financial assets

In connection with the Group's investment in The Shanghai Commercial & Savings Bank, Ltd ("SCSB"), certain Directors of the Company are also directors of SCSB. Their appointment as directors of SCSB was not nominated by the Group and does not represent the Group's interest. Accordingly, the Group does not have significant influence in SCSB and the investments in SCSB are classified as available-for-sale financial assets.

The fair value of non listed available-for-sale financial assets is determined by the quoted bid price in the over-the-counter market. The Group considers this price represents actual and regularly occurring market transactions on an arm's length basis and reflect the fair value of the investment.

6 Revenue and segment information

Revenue (representing the Group's turnover) recognised during the period comprises the following:

	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Gross rental income from investment properties	27,238	23,871
Net realised and unrealised gains on financial assets at fair value through profit or loss	2,118	5,086
Dividend income from financial assets at fair value through profit or loss	1,625	792
Dividend income from available-for-sale financial assets	57,509	56,444
Interest income	941	1,079
Management fee income from investment properties	4,702	4,345
	94,133	91,617

The Group is organised on a worldwide basis into two main business segments:

- Real estate – investment in and leasing of industrial/office premises
- Financial investments – holding and trading of investment securities

There are no sales or other transactions between the business segments.

6 Revenue and segment information (Continued)

The segment results for the six months ended 30th June 2013 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Total revenue	<u>27,239</u>	<u>66,894</u>	<u>94,133</u>
Segment result	55,709	60,198	115,907
Finance costs			(442)
Share of losses less profits of jointly controlled entities	(1,208)	–	<u>(1,208)</u>
Profit before income tax			114,257
Income tax expense			<u>(15,656)</u>
Profit for the period			<u>98,601</u>
Depreciation	(24)	(78)	(102)
Fair value gain on investment properties	<u>44,860</u>	<u>–</u>	<u>44,860</u>

The segment results for the six months ended 30th June 2012 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Total revenue	<u>23,870</u>	<u>67,747</u>	<u>91,617</u>
Segment result	59,892	60,510	120,402
Finance costs			(605)
Share of profits less losses of jointly controlled entities	2,478	–	<u>2,478</u>
Profit before income tax			122,275
Income tax expense			<u>(16,409)</u>
Profit for the period			<u>105,866</u>
Depreciation	(24)	(78)	(102)
Fair value gain on investment properties	<u>53,830</u>	<u>–</u>	<u>53,830</u>

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude interests in jointly controlled entities and deferred income tax assets, and segment liabilities exclude deferred income tax liabilities and short term bank loans which are managed on a central basis.

6 Revenue and segment information (Continued)

The segment assets and liabilities as at 30th June 2013 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,736,887	1,684,087	3,420,974
Interests in jointly controlled entities	237,321	–	237,321
			<u>3,658,295</u>
Segment liabilities	42,625	2,441	45,066
Unallocated liabilities			135,190
			<u>180,256</u>

The segment assets and liabilities as at 31st December 2012 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,692,621	1,637,712	3,330,333
Interests in jointly controlled entities	212,606	–	212,606
Unallocated assets			102
			<u>3,543,041</u>
Segment liabilities	43,242	2,731	45,973
Unallocated liabilities			101,048
			<u>147,021</u>

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue from Hong Kong and from other countries for the period ended 30th June is analysed as follows:

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Hong Kong	30,590	27,405
United States of America	4,346	4,017
Europe	751	2,034
Taiwan	57,509	56,417
Other countries	937	1,744
	<u>94,133</u>	<u>91,617</u>

6 Revenue and segment information (Continued)

At 30th June 2013, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in other places are as follows:

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Hong Kong	1,736,888	1,692,028
Mainland China	238,602	213,427
	<u>1,975,490</u>	<u>1,905,455</u>

7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Depreciation	102	102
Employee benefit expense (including directors' emoluments)	11,797	12,367
Fair value losses on derivative financial instruments	–	12
Operating leases payments on land and buildings	1,766	1,424
Management fee expense in respect of investment properties	4,867	4,680
	<u>4,867</u>	<u>4,680</u>

8 Finance costs

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Interest expenses on short term bank loans	442	605
	<u>442</u>	<u>605</u>

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Withholding tax on dividends receivable from overseas investments including jointly controlled entities has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Current income tax		
– Hong Kong profits tax	953	463
– Withholding tax	11,502	14,757
Deferred income tax	3,201	1,189
	<u>15,656</u>	<u>16,409</u>

The share of profits of jointly controlled entities in the condensed consolidated income statement includes the share of income tax attributable to jointly controlled entities for the six months ended 30th June 2013 of HK\$105,000 (2012: HK\$3,384,000).

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2013	2012
Profit attributable to equity holders of the Company (HK\$'000)	<u>98,715</u>	<u>105,866</u>
Weighted average number of ordinary shares in issue (thousands)	<u>41,132</u>	<u>41,287</u>
Earnings per share — basic and diluted (HK\$)	<u>2.40</u>	<u>2.56</u>

The Company has no dilutive potential ordinary shares and basic earnings per share are equal to diluted earnings per share.

11 Dividends

	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
2012 final dividend paid of HK\$0.40 (2012: 2011 final dividend paid of HK\$0.40) per share	16,451	16,515
2012 special dividend paid of HK\$0.40 (2012: 2011 special dividend paid of HK\$0.10) per share	<u>16,451</u>	<u>4,129</u>
	<u>32,902</u>	<u>20,644</u>

The Directors have not declared an interim dividend for the six months ended 30th June 2013 (2012: Nil).

12 Property, plant and equipment

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Property, plant and equipment	<u>1,039</u>	<u>1,119</u>

Movement during the period is set out below:

	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Net book amount as at 1st January	1,119	1,320
Addition	22	—
Depreciation	<u>(102)</u>	<u>(102)</u>
Net book amount as at 30th June	<u>1,039</u>	<u>1,218</u>

13 Investment properties

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Investment properties	<u>1,736,590</u>	<u>1,691,730</u>

Movement during the period is set out below:

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
At fair value		
Opening balance at 1st January	1,691,730	1,228,440
Fair value changes	<u>44,860</u>	<u>53,830</u>
Closing balance at 30th June	<u>1,736,590</u>	<u>1,282,270</u>

The Group's investment properties with an aggregate carrying value of HK\$1,637,600 (31st December 2012: HK\$1,603,000) have been mortgaged to a bank to secure general banking facilities (Note 16) as at 30th June 2013.

The basis of the valuation of investment properties is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2013 and 2012 valuations were based on independent assessments made by Prudential Surveyors International Limited, an independent professionally qualified property valuer.

The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements	<u>–</u>	<u>1,736,590</u>	<u>–</u>	<u>1,736,590</u>

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 fair values of completed investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes in valuation techniques during the period.

14 Available-for-sale financial assets

The available-for-sale financial assets are primarily the Group's investment in The Shanghai Commercial & Savings Bank, Ltd., a licensed bank in Taiwan ("SCSB"), representing approximately 4% of the total issued share capital of SCSB, which is stated at fair value.

15 Trade and other receivables

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Trade receivables	79	243
Prepayments and deposits	7,707	7,402
Other receivables	8,521	8,279
Dividend receivables	46,007	–
	<u>62,314</u>	<u>15,924</u>

The Group does not grant any credit period to its customers.

At 30th June 2013, the aging analysis of trade receivables is as follows:

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Within 30 days	79	217
31–60 days	–	26
	<u>79</u>	<u>243</u>

16 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 30th June 2013 and 31st December 2012	<u>60,000,000</u>	<u>6,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 31st December 2012 and 1st January 2013	41,287,299	4,129
Repurchase of own shares and shares cancelled	<u>(159,500)</u>	<u>(16)</u>
At 30th June 2013	<u>41,127,799</u>	<u>4,113</u>

17 Trade and other payables

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Trade payables	2,111	2,031
Other payables	<u>40,844</u>	<u>42,782</u>
	<u>42,955</u>	<u>44,813</u>

At 30th June 2013, the aging analysis of trade payables is as follows:

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Within 30 days	1,771	1,691
31–60 days	<u>340</u>	<u>340</u>
	<u>2,111</u>	<u>2,031</u>

18 Banking facilities

As at 30th June 2013, the Group has general banking facilities of which HK\$111 million (31st December 2012: HK\$80 million) was utilised by the Group on short term bank loans.

19 Related party transactions

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period.

(a) Key management compensation

	Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Salaries and other employee benefits	9,587	11,163
Post-employment benefits	<u>143</u>	<u>132</u>
	<u>9,730</u>	<u>11,295</u>

(b) Related party balances

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Amounts due from a jointly controlled entity	8,521	8,279
Amount due to a jointly controlled entity	<u>(31)</u>	<u>(58)</u>

20 Capital commitments

At 30th June 2013, the Group's share of capital commitments of a jointly controlled entity is as follow:

	30th June 2013 HK\$'000	31st December 2012 HK\$'000
Authorised but not contracted for	2,218	3,217
Contracted but not provided for	4,003	4,008
	<u>6,221</u>	<u>7,225</u>

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 28th August 2013