



NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

Interim Report 2015

Contents	Page
Group financial highlights	1
Management commentary	2–5
Unaudited condensed consolidated income statement	6
Unaudited condensed consolidated statement of comprehensive income	7
Unaudited condensed consolidated balance sheet	8
Unaudited condensed consolidated statement of changes in equity	9
Unaudited condensed consolidated statement of cash flows	10
Notes to the condensed consolidated interim financial information	11–23

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>.

GROUP FINANCIAL HIGHLIGHTS

	Unaudited		Variance
	Six months ended 30 June		
	2015	2014	
	HK\$'000	HK\$'000	
Revenue and income	105,539	103,343	2%
Profit attributable to equity holders of the Company	118,292	203,791	(42%)
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	(54,347)	(62,512)	(13%)
– share of gain on disposal of a wholly owned subsidiary of a joint venture	–	(74,708)	N/A
	63,945	66,571	(4%)
Earnings per share	HK\$3.35	HK\$4.96	(32%)
Earnings per share			
– after deducting the changes in fair value of investment properties and related tax effects and the share of gain on disposal of a wholly owned subsidiary of a joint venture	HK\$1.81	HK\$1.62	12%

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30 June 2015 showed a profit after taxation of HK\$118.3 million (2014: profit of HK\$203.8 million. This included the share of the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture, totalling HK\$74.7 million). The current period's profit comprises the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2014 earnings, of approximately HK\$41.7 million (after the 20% withholding tax), gains from investment portfolios of HK\$11.3 million and the change in fair value of investment properties (including those owned by the joint ventures and an associate) which resulted in a net gain of HK\$54.3 million (2014: HK\$62.5 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\$63.9 million (2014: profit of HK\$66.6 million. This excluded the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture). Earnings per share were HK\$3.35 (2014: HK\$4.96). Excluding the net effect of revaluing the investment properties at fair value, earnings per share would have been HK\$1.81 (2014: HK\$1.62. This excluded the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture).

Business Review and Prospects

Real Estate

Hong Kong

The local property market has seen lower volume due to the uncertainty caused by the volatile equity market. Rental rates at our building, however, continued to improve. Of the 290,000 sq.ft. of industrial/office (I/O) space the Group holds at Nanyang Plaza, in Kwun Tong, 93.6% is presently leased.

Shanghai

Earnings at Shanghai Sung Nan Textile Co. Ltd., the joint venture of which the Group owns 65%, continued to be steady. The total leasable area of 28,142 sq.m. is fully leased to third parties.

The Group's investment, a 16.7% interest in HSL China Metropolitan Fund ("Fund") which holds a service apartment located in Shanghai, is classified as an associate. The result of the Fund was break even in the first six months during the period. In July 2015, the General Partner proposed to the investment committee of the Fund to sell the units by strata-title.

Shenzhen

Performance at the Group's 45% joint-venture, Southern Textile Company Limited, continued to be satisfactory. Of the total leasable area of 18,300 sq.m., presently 100% is leased. The land use right of the factory building has been extended for 20 years to 2033.

Financial Investments

In the first half of 2015, most major equity markets (except the United States) performed satisfactorily. During this period we increased Japanese and emerging market equities, bond holdings, European currency hedges and reduced commodities and alternative investments. For the six months ended 30 June 2015, the portfolios showed a positive return of approximately 4.2%. The value of the portfolios, at the end of the period, stood at US\$38.6 million or approximately HK\$299.2 million.

However, in June the crisis in Greece, and subsequently the sharp correction of the Chinese equities due to the slowing of the Chinese economy and the expected interest rate rise in the United States created severe volatility in the equity markets. As at 21 August 2015, the latest practicable date, the portfolios have decreased slightly by approximately 0.7% for the year to date and the value stood at US\$36.7 million or approximately HK\$284.4 million. Equities comprised 61.6% (of which 35.4% was in U.S. equities), bonds 23.1%, commodities 2.7% and cash 12.6%.

Business Review and Prospect (Continued)

Financial Investments (Continued)

For the rest of the year, the investment environment will be very challenging. The devaluation of the RMB has created uncertainty and anxiety as to whether further devaluations will follow. The direction of the Chinese economy, being the second largest in the world, will have a great impact on global trade, commodities and financial markets. It appears at this moment that global investors have become pessimistic and all markets have declined sharply. However, the low interest rates environment and the determination of central banks to maintain a policy environment that facilitates economic growth, should cushion any severe downturn. We will look for opportunities to enter the market.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB") in Taiwan, which has been classified under non-current assets as an available-for-sale financial asset and stated at fair value, has performed well in the first half. The holding represents approximately 4% of the total issued share capital of SCSB. The Group received a cash dividend of approximately HK\$41.7 million, after deducting 20% withholding tax, in August, and will receive a stock dividend of 7,666,911 shares in September.

The recent market turmoil has affected the Taiwan market and the SCSB share price. Together with the devaluation of the New Taiwan dollar, as at 21 August 2015, the valuation of the SCSB shares has resulted in a decline of approximately HK\$226 million or 15.6% since 30 June 2015. The decline in value has no impact on the profit of the Group and the fair value of the SCSB shares remains far above its historical cost.

In June 2015, SCSB celebrated its 100th year anniversary since its founding in Shanghai, in 1915, and its 50th year since its establishment in Taiwan. Last year, SCSB was rated by Global Banking & Finance Review as the Best Trade Finance Bank in Taiwan. SCSB has 69 branches in Taiwan, one in Hong Kong and one in Vietnam. SCSB has a representative office in Bangkok, Thailand and one in Cambodia. They have also received approval from the Taiwan authorities to open a branch in Singapore and a representative office in Indonesia. SCSB also holds a 57% interest in Shanghai Commercial Bank Limited ("SCB") in Hong Kong. SCB has 44 branches in Hong Kong, one in Shenzhen, two in Shanghai and four branches overseas including New York, San Francisco, Los Angeles and London. The unaudited net income of SCSB for the three months ended 31 March 2015 was approximately NT\$2,771.7 million (2014 same period: net income of approximately NT\$2,585.6 million), representing an increase of 7.2%. Total shareholders equity at 31 March 2015 was approximately NT\$110,218.6 million (31/3/2014: approximately NT\$102,635.3 million), an increase of 7.4%. (These figures were extracted from the SCSB's website <http://www.scsb.com.tw>).

Financial Position

The Group's investment properties with a value of HK\$1,865.0 million (31/12/2014: HK\$1,823.0 million) have been mortgaged to a bank to secure general banking facilities of which HK\$95 million has been drawn down as at 30 June 2015 (31/12/2014: HK\$75 million). The Group also borrowed Euro 2.5 million (approximately HK\$21.7 million as at 30 June 2015) collateralized by a portion of the investment portfolio, to hedge its Euro exposure.

Purchase, Sale or Redemption of Shares

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 30 June 2015, 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:

<i>Name</i>	<i>Shares of HK\$0.10 each of the Company</i>				<i>% of issued share capital</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total</i>	
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	46.03%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	6.38%
Rudolf Bischof	150,000	–	–	150,000	0.43%
John Con-sing Yung	33,000	37,000	–	70,000	0.20%

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.

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 30 June 2015, 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)	15.60%

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 14 employees as at 30 June 2015. 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.

Mr. James J. Bertram

We are saddened by the passing away of one of our Independent Non-Executive Directors (INED), Mr. James J. Bertram (“Mr. Bertram”) in June 2015. Mr. Bertram had been an INED since August 2003 and had made invaluable contributions to the Company.

The Board is now identifying a suitable candidate for the position of INED. We will appoint an additional INED as soon as practicable in order to comply with the relevant requirements under the Listing Rules. The Company will make a further announcement as and when appropriate.

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 30 June 2015, in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out 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 30 June 2015.

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 30 June 2015 with the management.

**UNAUDITED CONDENSED CONSOLIDATED INCOME
STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Note	Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
Revenue and income	6	105,539	103,343
Direct costs		<u>(7,696)</u>	<u>(6,923)</u>
Gross profit		97,843	96,420
Administrative expenses		(17,712)	(20,700)
Other operating income		700	1,525
Other operating expenses		(1,092)	(2,154)
Changes in fair value of investment properties		<u>51,014</u>	<u>60,000</u>
Operating profit	7	130,753	135,091
Finance costs	8	(385)	(230)
Share of profits of joint ventures	9	5,778	84,254
Share of loss of an associate		<u>(12)</u>	<u>–</u>
Profit before income tax		136,134	219,115
Income tax expense	10	<u>(17,842)</u>	<u>(15,324)</u>
Profit attributable to equity holders of the Company		<u>118,292</u>	<u>203,791</u>
Earnings per share (basic and diluted)	11	<u>HK\$3.35</u>	<u>HK\$4.96</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	118,292	203,791
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available-for-sale financial assets	91,073	28,215
Currency translation differences	456	(6,740)
Release of exchange reserve upon return of capital from a joint venture	–	(24,439)
Other comprehensive income/(loss) for the period, net of tax	91,529	(2,964)
Total comprehensive income for the period attributable to equity holders of the Company	209,821	200,827

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

	Note	30 June 2015 HK\$'000	31 December 2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	929	1,033
Investment properties	14	1,996,400	1,945,200
Investments in joint ventures		108,825	104,736
Investment in an associate		76,739	75,412
Available-for-sale financial assets	15	1,456,426	1,366,156
Deferred income tax assets		593	593
		<u>3,639,912</u>	<u>3,493,130</u>
Current assets			
Trade and other receivables	16	72,098	22,811
Financial assets at fair value through profit or loss	17	253,608	246,963
Tax recoverable		–	594
Cash and bank balances			
– Pledged bank deposits		37,126	35,831
– Cash and cash equivalents		45,153	47,511
		<u>407,985</u>	<u>353,710</u>
Total assets		<u>4,047,897</u>	<u>3,846,840</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	3,526	3,526
Other reserves		1,272,537	1,181,008
Retained profits		2,567,340	2,491,362
Total equity		<u>3,843,403</u>	<u>3,675,896</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		20,923	19,819
Current liabilities			
Trade and other payables	19	50,620	52,549
Current income tax liabilities		16,237	93
Short term bank loans – secured		116,714	98,483
		<u>183,571</u>	<u>151,125</u>
Total liabilities		<u>204,494</u>	<u>170,944</u>
Total equity and liabilities		<u>4,047,897</u>	<u>3,846,840</u>
Net current assets		<u>224,414</u>	<u>202,585</u>
Total assets less current liabilities		<u>3,864,326</u>	<u>3,695,715</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June 2015			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2015	3,526	1,181,008	2,491,362	3,675,896
Total comprehensive income for the period ended 30 June 2015	–	91,529	118,292	209,821
Transactions with owners, recognised directly in equity: Dividends relating to 2014 paid in June 2015 (Note 12)	–	–	(42,314)	(42,314)
Balance at 30 June 2015	<u>3,526</u>	<u>1,272,537</u>	<u>2,567,340</u>	<u>3,843,403</u>

	Six months ended 30 June 2014			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total Equity HK\$'000
Balance at 1 January 2014	4,113	1,271,329	2,371,811	3,647,253
Total comprehensive income for the period ended 30 June 2014	–	(2,964)	203,791	200,827
Transactions with owners, recognised directly in equity: Dividends relating to 2013 paid in June 2014 (Note 12)	–	–	(37,015)	(37,015)
Balance at 30 June 2014	<u>4,113</u>	<u>1,268,365</u>	<u>2,538,587</u>	<u>3,811,065</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cash flows from operating activities	22,071	22,711
Cash flows from investing activities		
Dividend received from a joint venture	–	146,544
Return of capital from a joint venture	1,507	76,935
Other cash (outflows)/inflows from investment activities, net	(117)	834
Net cash inflows from investing activities	1,390	224,313
Cash flows from financing activities		
Dividends paid	(42,314)	(37,015)
Drawdown of bank loan	20,000	10,000
Repayment of bank loan	(1,769)	–
Other cash flows from financing activities, net	(385)	(230)
Increase in pledged bank deposits	(1,295)	–
Net cash outflows from financing activities	(25,763)	(27,245)
Net (decrease)/increase in cash and cash equivalents	(2,302)	219,779
Cash and cash equivalents at 1 January	47,511	55,759
Effect of foreign exchange rate changes	(56)	(94)
Cash and cash equivalents at 30 June	45,153	275,444
Analysis of cash and cash equivalents		
Cash and bank balances	45,153	275,444

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 26 August 2015.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2015 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 2014 annual financial statements, which have been prepared in accordance with HKFRS.

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 2014 annual financial statements.

(a) *Amendments to standards and interpretation effective in current accounting period and are relevant to the Group’s operations*

During the period ended 30 June 2015, the Group has adopted the following amendments to standards and interpretation which are relevant to the Group’s operations and are mandatory for accounting periods beginning on 1 January 2015:

HKAS 19 (Amendment)	Defined benefit plans
Annual improvements	Annual Improvements 2010-2012 Cycle
Annual improvements	Annual Improvements 2011-2013 Cycle

The adoption of these amendments to standards and interpretation 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)

(b) *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 1 July 2015 or later periods but have not been early adopted by the Group:

HKAS 16 and HKAS 38 (Amendment) ⁽¹⁾	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment) ⁽¹⁾	Agriculture for Bearer Plants
HKAS 27 (Amendment) ⁽¹⁾ HKFRS 14 ⁽¹⁾	Equity Method in Separate Financial Statements Regulatory Deferral Accounts
HKFRS 11 (Amendment) ⁽¹⁾	Accounting for Acquisitions of Interest in Joint Operations
Annual improvements ⁽¹⁾ HKFRS 10 and HKAS 28 (Amendment) ⁽¹⁾	Annual Improvements 2012-2014 Cycle Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
HKFRS 9 (2014) ⁽³⁾	Financial Instruments

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2016

⁽²⁾ Effective for annual periods beginning on or after 1 January 2017

⁽³⁾ Effective for annual periods beginning on or after 1 January 2018

The Group has already commenced an assessment of the impact of the above new standards and amendments to standards but is not yet in a position to state whether these new standards and amendments to standards would have a significant impact to its results of operations and financial position.

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 31 December 2014.

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 30 June 2015. See note 14 for disclosures of the investment properties that are measured at fair value.

	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	253,608	–	–	253,608
Available-for-sale financial assets	1,456,426	–	–	1,456,426
Total assets	1,710,034	–	–	1,710,034

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	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	246,963	–	–	246,963
Available-for-sale financial assets	1,366,156	–	–	1,366,156
Total assets	1,613,119	–	–	1,613,119

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 Estimate

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

6 Revenue and income and segment information

Revenue mainly comprises rental income, dividend income from listed investments and available-for-sale financial assets, and interest income. Income represents net realised and unrealised gains on financial assets at fair value through profit or loss. Revenue and income (representing the Group's turnover) recognised during the period comprises the following:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Gross rental income from investment properties	30,719	29,074
Net realised and unrealised gains on financial assets at fair value through profit or loss	10,352	9,234
Dividend income from financial assets at fair value through profit or loss	1,756	2,152
Dividend income from available-for-sale financial assets	56,881	57,333
Interest income	690	728
Management fee income from investment properties	5,141	4,822
	<u>105,539</u>	<u>103,343</u>

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 income and segment information (Continued)

The segment results for the six months ended 30 June 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	<u>36,856</u>	<u>68,683</u>	<u>105,539</u>
Segment result	64,412	66,341	130,753
Finance costs			(385)
Share of profits of joint ventures	5,778	–	5,778
Share of loss of an associate	(12)	–	(12)
Profit before income tax			136,134
Income tax expense			<u>(17,842)</u>
Profit for the period			<u>118,292</u>
Other items			
Depreciation	(58)	(78)	(136)
Fair value gain on investment properties	<u>51,014</u>	<u>–</u>	<u>51,014</u>

The segment results for the six months ended 30 June 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	<u>33,896</u>	<u>69,447</u>	<u>103,343</u>
Segment result	73,094	61,997	135,091
Finance costs			(230)
Share of profits of joint ventures	84,254	–	84,254
Profit before income tax			219,115
Income tax expense			<u>(15,324)</u>
Profit for the period			<u>203,791</u>
Other items			
Depreciation	(42)	(78)	(120)
Fair value gain on investment properties	<u>60,000</u>	<u>–</u>	<u>60,000</u>

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude investments in joint ventures, investment in an associate 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 income and segment information (Continued)

The segment assets and liabilities as at 30 June 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,996,895	1,864,845	3,861,740
Investments in joint ventures	108,825	–	108,825
Investment in an associate	76,739	–	76,739
Unallocated assets			593
			<u>4,047,897</u>
Segment liabilities	42,728	24,129	66,857
Unallocated liabilities			137,637
			<u>204,494</u>

The segment assets and liabilities as at 31 December 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,946,384	1,719,715	3,666,099
Investments in joint ventures	104,736	–	104,736
Investment in an associate	75,412	–	75,412
Unallocated assets			593
			<u>3,846,840</u>
Segment liabilities	44,191	8,451	52,642
Unallocated liabilities			118,302
			<u>170,944</u>

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Hong Kong	40,525	33,686
United States of America	2,182	7,792
Europe	5,127	3,956
Taiwan	56,880	57,333
Other countries	825	576
	<u>105,539</u>	<u>103,343</u>

6 Revenue and income and segment information (Continued)

At 30 June 2015, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in Mainland China are as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Hong Kong	1,945,881	1,945,721
Mainland China	185,998	180,660
	<u>2,131,879</u>	<u>2,126,381</u>

7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Depreciation	136	120
Employee benefit expense (including directors' emoluments)	12,331	12,018
Operating leases payments on land and buildings	1,900	1,891
Management fee expense in respect of investment properties	5,322	4,953
	<u>19,789</u>	<u>19,082</u>

8 Finance costs

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interest expenses on bank loans	385	230
	<u>385</u>	<u>230</u>

9 Share of profits of joint ventures

Included in share of profits of joint ventures for the six months ended 30 June 2014, there was a gain amounted to HK\$74.7 million related to the disposal of the entire equity interest of Changyu (Shanghai) Real Estate Management Co., Limited by a joint venture of the Company. The disposal was completed during April 2014 upon the fulfillment of the pre-completion conditions.

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. Withholding tax on dividends receivable from overseas investments including joint ventures has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,570	1,387
– Withholding tax	15,168	13,378
Deferred income tax	1,104	559
	<u>17,842</u>	<u>15,324</u>

The share of profits less losses of joint ventures and an associate in the condensed consolidated income statement includes the share of income tax attributable to joint ventures and an associate for the six months ended 30 June 2015 of HK\$3,799,000 (2014: HK\$21,390,000).

11 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 30 June	
	2015	2014
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	<u>118,292</u>	<u>203,791</u>
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	<u>35,262</u>	<u>41,128</u>
Earnings per share (HK\$)		
Basic and diluted (Note)	<u>3.35</u>	<u>4.96</u>

Note:

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

12 Dividends

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
2014 final dividend paid of HK\$0.60 (2014: 2013 final dividend paid of HK\$0.40) per share	21,157	16,451
2014 special dividend paid of HK\$0.60 (2014: 2013 special dividend paid of HK\$0.50) per share	<u>21,157</u>	<u>20,564</u>
	<u>42,314</u>	<u>37,015</u>

The Directors have not declared an interim dividend for the six months ended 30 June 2015 (2014: Nil).

13 Property, plant and equipment

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Property, plant and equipment	929	1,033

Movement during the period is set out below:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net book amount as at 1 January	1,033	1,140
Additions	32	19
Depreciation	(136)	(120)
Net book amount as at 30 June	929	1,039

14 Investment properties

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Investment properties	1,996,400	1,945,200

Movement during the period is set out below:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
At fair value		
Opening balance at 1 January	1,945,200	1,742,200
Additions	186	–
Fair value changes	51,014	60,000
Closing balance at 30 June	1,996,400	1,802,200

The Group's investment properties with an aggregate carrying value of HK\$1,865,000,000 (31 December 2014: HK\$1,823,000,000) have been mortgaged to a bank to secure general banking facilities of which HK\$95,000,000 (2014: HK\$75,000,000) was utilised as at 30 June 2015.

The Group's investment properties are held in Hong Kong on leases of between 10 and 75 years.

14 Investment properties (Continued)

Valuation processes of the Group

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 investment properties were revalued by Prudential Surveyors International Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2015. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This department reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed industrial and commercial properties in Hong Kong are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Significant inputs used to determine fair value

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for Hong Kong investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

At 30 June 2015, capitalisation rates of 2.11% to 3.44% and market rent of HK\$12.0 to HK\$18.5 per square feet are used in the income capitalisation method for Hong Kong completed industrial and commercial properties.

15 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.

The recent market turmoil has affected the Taiwan market and the SCSB share price. Together with the devaluation of the New Taiwan dollar, as at 21 August 2015, the valuation of the SCSB shares has resulted in a decline of approximately HK\$226 million or 15.6% since 30 June 2015. The decline in value has no impact on the profit of the Group and the fair value of the SCSB shares remains far above its historical cost.

16 Trade and other receivables

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade receivables (Note)	108	82
Prepayments and deposits	6,805	8,372
Other receivables	8,304	14,357
Dividend receivables	56,881	–
	<hr/> 72,098 <hr/>	<hr/> 22,811 <hr/>

Note:

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

At 30 June 2015, the aging analysis of trade receivables is as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 30 days	69	82
31-60 days	39	–
	<hr/> 108 <hr/>	<hr/> 82 <hr/>

17 Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss with an aggregate carrying value of HK\$89,610,000 (2014: HK\$88,596,000) together with the bank deposit of HK\$37,126,000 (2014: HK\$35,831,000) have been pledged to secure general banking facilities of which HK\$21,714,000 (2014: HK\$23,483,000) was utilised as at 30 June 2015.

18 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 31 December 2014 and 30 June 2015	<u>60,000,000</u>	<u>6,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 31 December 2014 and 30 June 2015	<u>35,261,738</u>	<u>3,526</u>

19 Trade and other payables

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade payables	2,856	2,402
Other payables	<u>47,764</u>	<u>50,147</u>
	<u>50,620</u>	<u>52,549</u>

At 30 June 2015, the aging analysis of trade payables is as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 30 days	2,516	2,062
31-60 days	<u>340</u>	<u>340</u>
	<u>2,856</u>	<u>2,402</u>

20 Banking facilities

As at 30 June 2015, the Group has general banking facilities of which HK\$116.7 million (31 December 2014: HK\$98.5 million) was utilised by the Group on short term bank loans.

21 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 30 June	
	2015 HK\$'000	2014 HK\$'000
Salaries and other employee benefits	9,466	9,146
Post-employment benefits	149	146
	<u>9,615</u>	<u>9,292</u>

(b) Related party balances

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
	Amounts due from joint ventures	<u>6,779</u>

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 26 August 2015