



NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

Interim Report 2014

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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	
	2014	2013
	HK\$'000	HK\$'000
Revenue	103,343	94,133
Profit attributable to equity holders of the Company	203,791	98,601
Profit attributable to equity holders of the Company after deducting:		
– changes in fair value of investment properties and related tax effects	(62,512)	(39,543)
– share of gain on disposal of a wholly owned subsidiary of a joint venture	(74,708)	–
	66,571	59,058
Earnings per share	HK\$4.96	HK\$2.40
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\$1.62	HK\$1.44

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2014 showed a profit after taxation of HK\$203.8 million (2013: profit of HK\$98.6 million). This profit comprises mainly the gain from the disposal of the Group's one-third equity interest in a wholly owned subsidiary of a joint venture company in Shanghai, and the exchange gain from the investment, totalling HK\$74.7 million, the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2013 earnings, of approximately HK\$44 million (after the 20% withholding tax), and the change in fair value of investment properties (including those owned by the joint ventures) which resulted in a net gain of HK\$62.5 million (2013: HK\$39.5 million). Excluding the net effect of revaluing the investment properties at fair value and the share of the gain on disposal of the one-third equity interest in the wholly owned subsidiary of the joint venture, the half year would have shown a profit after tax of HK\$66.6 million (2013: profit of HK\$59.1 million). Earnings per share were HK\$4.96 (2013: HK\$2.40). Excluding the net effect of revaluing the investment properties at fair value and the share of the gain on disposal of the one-third equity interest in the wholly owned subsidiary of the joint venture, earnings per share would have been HK\$1.62 (2013: HK\$1.44).

Business Review and Prospects

Real Estate

Hong Kong

The property market showed signs of improvement. Occupancy and rental rates of the 290,000 sq.ft. of industrial/office (I/O) space which the Group holds, at Nanyang Plaza, in Kwun Tong continued to improve. Presently 93.6% is leased.

Shanghai

Since completion of the renovation works, converting the previous factory site to offices for rental in the middle of last year, Shanghai Sung Nan Textile Co. Ltd., the joint venture of which the Group owns 65%, became profitable in the fourth quarter of 2013 and has since continued to report positive results. Of the total leasable area of 28,142 sq.m., presently it is fully leased to third parties.

Pursuant to the Announcement made on 24th January 2014, an agreement was reached with a buyer to sell the entire registered capital of the PRC company (which was 33% owned by the Group) holding the commercial building in Jingan District, Shanghai. Upon fulfillment of the various conditions precedent as stipulated in the agreement, the disposal was completed during the period. The gain from the disposal and the exchange gain from the investment for the current period, totalling HK\$74.7 million, has been recognized in the half year results. The Group made the investment in July 2007. This was a successful joint venture.

Shenzhen

The Group's 45% joint venture, Southern Textile Company Limited, continued to perform well. The land use right of the factory building has been extended for 20 years to 2033 and the joint venture period to 2034. Of the total leasable area of 18,300 sq.m., presently it is almost 100% leased.

Financial Investments

In the first half of 2014, global equity markets which were subdued at the beginning of the year ended higher, with the exception of Japan. For the six months ended 30th June 2014, the portfolios showed a positive return of 3.7%. The value of the portfolios, at the end of the period, stood at US\$36.8 million or approximately HK\$285.2 million.

Since July, major equity markets have been in a correction mode. Economic sanctions that western countries imposed on Russia due to the crisis in the Ukraine, political turmoil in the Middle East and recent unfavourable economic data released from Germany have created uncertainty. As at 21st August 2014, the latest practicable date, the portfolios increased year-to-date by approximately 4.0% and the value stood at US\$36.9 million or approximately HK\$286 million. Equities comprised 61.5% (of which 36.5% was in U.S. equities), bonds 18.0%, alternative investments 2.3%, commodities 5.9% and cash 12.3%.

Business Review and Prospect (Continued)

Financial Investments (Continued)

Going forward markets may become volatile due to concerns over economic growth in major markets, especially in Europe, and heightened geopolitical tension. However, the low interest rate environment should cushion any serious downturn. We look forward to the second half with modest expectations.

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, continued to perform well. The holding represents approximately 4% of the total issued share capital of SCSB. The Group received a cash dividend of approximately HK\$44 million, after deducting 20% withholding tax, in August and will receive a stock dividend of 3,739,956 shares in September.

SCSB which was established, in Shanghai, in 1915, is approaching its 100th year in 2015. During 2014, 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. Also, 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. The unaudited net income of SCSB for the three months ended 31st March 2014 was approximately NT\$2,585.6 million (2013 same period: net income of approximately NT\$2,549.6 million), representing an increase of 1.4%. Total shareholders equity at 31st March 2014 was approximately NT\$102,635.3 million (31/3/2013: approximately NT\$96,455.0 million), an increase of 6.4%. (These figures were extracted from the SCSB's website at <http://www.scsb.com.tw>).

On 18th July 2014, the Company made an Announcement that an offer will be made by Platinum Securities Company Limited on behalf of the Company to repurchase for cancellation, subject to certain conditions, up to a maximum number of 8,225,560 shares, representing approximately 20% of the existing issued share capital of the Company, at a price of HK\$33 per share. If accepted in full, it will result in the Company paying approximately HK\$271 million. The consideration for the offer will be paid in cash and funded from internal resources and committed banking facilities. (For details regarding the Offer, please refer to the Offer Document to be sent to all shareholders on 29th August 2014.)

Financial Position

The Group's investment properties with a value of HK\$1,690.0 million (31/12/2013: HK\$1,633.0 million) have been mortgaged to a bank to secure general banking facilities of which HK\$63 million has been drawn down as at 30th June 2014 (31/12/2013: HK\$53 million).

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 30th June 2014, 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	Shares of HK\$0.10 each of the Company				% of issued share capital
	Personal interests	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 2014, 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 2014. 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 2014, 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 30th June 2014.

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 2014 with the management.

**UNAUDITED CONDENSED CONSOLIDATED INCOME
STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2014**

	Note	Six months ended 30th June	
		2014	2013
		HK\$'000	HK\$'000
Revenue	6	103,343	94,133
Direct costs		<u>(6,923)</u>	<u>(6,569)</u>
Gross profit		96,420	87,564
Administrative expenses		(20,700)	(17,468)
Other operating income		845	1,876
Other operating expenses		(2,154)	(925)
Changes in fair value of investment properties		<u>60,000</u>	<u>44,860</u>
Operating profit	7	134,411	115,907
Finance income	8	680	–
Finance costs	8	(230)	(442)
Share of profits less losses of joint ventures	9	<u>84,254</u>	<u>(1,208)</u>
Profit before income tax		219,115	114,257
Income tax expense	10	<u>(15,324)</u>	<u>(15,656)</u>
Profit attributable to equity holders of the Company		<u>203,791</u>	<u>98,601</u>
Earnings per share (basic and diluted)	11	<u>HK\$4.96</u>	<u>HK\$2.40</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2014**

	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	203,791	98,601
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets	28,215	(9,531)
Share of other reserve of a joint venture, net of tax	–	23,459
Currency translation differences	(6,740)	6,707
Release of exchange reserve upon return of capital from a joint venture	(24,439)	–
Other comprehensive (loss)/income for the period, net of tax	(2,964)	20,635
Total comprehensive income for the period attributable to equity holders of the Company	200,827	119,236

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2014

	Note	30th June 2014 HK\$'000	31st December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,039	1,140
Investment properties	14	1,802,200	1,742,200
Joint ventures		100,989	260,958
Available-for-sale financial assets	15	1,455,125	1,431,326
Deferred income tax assets		384	384
		<u>3,359,737</u>	<u>3,436,008</u>
Current assets			
Trade and other receivables	16	76,794	19,894
Financial assets at fair value through profit or loss		248,844	253,116
Cash and cash equivalents		275,444	55,759
		<u>601,082</u>	<u>328,769</u>
Total assets		<u>3,960,819</u>	<u>3,764,777</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	4,113	4,113
Other reserves		1,268,365	1,271,329
Retained profits		2,538,587	2,371,811
Total equity		<u>3,811,065</u>	<u>3,647,253</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		19,131	18,572
		<u>19,131</u>	<u>18,572</u>
Current liabilities			
Trade and other payables	18	51,831	44,924
Tax payables		15,792	1,028
Short term bank loans – secured		63,000	53,000
		<u>130,623</u>	<u>98,952</u>
Total liabilities		<u>149,754</u>	<u>117,524</u>
Total equity and liabilities		<u>3,960,819</u>	<u>3,764,777</u>
Net current assets		<u>470,459</u>	<u>229,817</u>
Total assets less current liabilities		<u>3,830,196</u>	<u>3,665,825</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2014**

	Six months ended 30th 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 1st January 2014	4,113	1,271,329	2,371,811	3,647,253
Total comprehensive income for the period	–	(2,964)	203,791	200,827
Transactions with owners:				
Dividends relating to 2013 paid in June 2014 (Note 12)	–	–	(37,015)	(37,015)
Balance at 30th June 2014	<u>4,113</u>	<u>1,268,365</u>	<u>2,538,587</u>	<u>3,811,065</u>
	Six months ended 30th June 2013			
	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 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 12)	–	–	(32,902)	(32,902)
Total transactions with owners	<u>(16)</u>	<u>16</u>	<u>(37,217)</u>	<u>(37,217)</u>
Balance at 30th June 2013	<u>4,113</u>	<u>1,165,326</u>	<u>2,308,600</u>	<u>3,478,039</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE 2014**

	Six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities	22,711	(16,226)
Cash flows from investing activities		
Dividend received from a joint venture	146,544	–
Return of capital from a joint venture	76,935	–
Other cash flows from investment activities, net	834	109
Net cash inflow from investing activities	224,313	109
Cash flows from financing activities		
Repurchase of own shares	–	(4,315)
Dividends paid	(37,015)	(32,902)
Drawdown of bank loan	10,000	31,000
Other cash flows from financing activities, net	(230)	(442)
Net cash outflow from financing activities	(27,245)	(6,659)
Net increase/(decrease) in cash and cash equivalents	219,779	(22,776)
Cash and cash equivalents at 1st January	55,759	66,722
Currency translation difference in cash and cash equivalents	(94)	160
Cash and cash equivalents at 30th June	275,444	44,106
Analysis of cash and cash equivalents		
Cash and bank balances	275,444	44,106

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 2014.

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

2 Basis of preparation

This Interim Financial Information for the six months ended 30th June 2014 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 2013 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 2013 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 30th June 2014, 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 1st January 2014:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount
HKAS 39 (Amendment)	Disclosures for Non-Financial Assets Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 10, HKFRS 12 and HKFRS 27 (2011) (Amendments)	Consolidation for Investment Entities
HK(IFRIC) 21	Levies

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 1st July 2014 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined Benefit Plans	1st July 2014
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1st January 2016
HKFRS 14	Regulatory Deferred Accounts	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
Annual Improvements Project	Annual Improvements 2012 & 2013	1st July 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 2013.

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 2014. 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	248,844	–	–	248,844
Available-for-sale financial assets	1,455,125	–	–	1,455,125
Total assets	1,703,969	–	–	1,703,969

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 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	253,116	–	–	253,116
Available-for-sale financial assets	1,431,326	–	–	1,431,326
Total assets	1,684,442	–	–	1,684,442

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 2014 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. Details of the judgement and assumptions have been disclosed in note 14.

Estimate of classification and 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 reflects 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	
	2014	2013
	HK\$'000	HK\$'000
Gross rental income from investment properties	29,074	27,238
Net realised and unrealised gains on financial assets at fair value through profit or loss	9,234	2,118
Dividend income from financial assets at fair value through profit or loss	2,152	1,625
Dividend income from available-for-sale financial assets	57,333	57,509
Interest income	728	941
Management fee income from investment properties	4,822	4,702
	103,343	94,133

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 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Total revenue	<u>33,896</u>	<u>69,447</u>	<u>103,343</u>
Segment result	72,414	61,997	134,411
Finance income			680
Finance costs			(230)
Share of profits of joint ventures	84,254	–	<u>84,254</u>
Profit before income tax			219,115
Income tax expense			<u>(15,324)</u>
Profit for the period			<u>203,791</u>
Depreciation	(42)	(78)	(120)
Fair value gain on investment properties	<u>60,000</u>	<u>–</u>	<u>60,000</u>

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>31,940</u>	<u>62,193</u>	<u>94,133</u>
Segment result	55,709	60,198	115,907
Finance costs			(442)
Share of losses less profits of joint ventures	(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>

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude interests in joint ventures 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 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,802,647	2,056,799	3,859,446
Interests in joint ventures	100,989	–	100,989
Unallocated assets			384
			<u>3,960,819</u>
Segment liabilities	43,183	18,225	61,408
Unallocated liabilities			82,131
			<u>143,539</u>

The segment assets and liabilities as at 31st December 2013 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,743,713	1,759,722	3,503,435
Interests in joint ventures	260,958	–	260,958
Unallocated assets			384
			<u>3,764,777</u>
Segment liabilities	43,525	2,427	45,952
Unallocated liabilities			71,572
			<u>117,524</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	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	33,686	30,590
United States of America	7,792	4,346
Europe	3,956	751
Taiwan	57,333	57,509
Other countries	576	937
	<u>103,343</u>	<u>94,133</u>

6 Revenue and segment information (Continued)

At 30th June 2014, 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 2014 HK\$'000	31st December 2013 HK\$'000
Hong Kong	1,802,973	1,742,677
Mainland China	101,255	261,621
	<u>1,904,228</u>	<u>2,004,298</u>

7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	120	102
Employee benefit expense (including directors' emoluments)	12,018	11,797
Operating leases payments on land and buildings	1,891	1,766
Management fee expense in respect of investment properties	4,953	4,867
	<u>19,982</u>	<u>18,532</u>

8 Finance income and costs

	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Interest income from fixed bank deposits	680	–
Interest expenses on short term bank loans	230	442
	<u>450</u>	<u>442</u>

9 Share of profits less losses of joint ventures

Included in share of profits of joint ventures, 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% (2013: 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 30th June	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,387	953
– Withholding tax	13,378	11,502
Deferred income tax	559	3,201
	<u>15,324</u>	<u>15,656</u>

The share of profits of joint ventures in the condensed consolidated income statement includes the share of income tax attributable to joint ventures for the six months ended 30th June 2014 of HK\$21,390,000 (2013: HK\$105,000).

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 30th June	
	2014	2013
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	<u>203,791</u>	<u>98,715</u>
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	<u>41,128</u>	<u>41,132</u>
Earnings per share (HK\$)		
Basic and diluted (Note)	<u>4.96</u>	<u>2.40</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 30th June	
	2014	2013
	HK\$'000	HK\$'000
2013 final dividend paid of HK\$0.40 (2013:		
2012 final dividend paid of HK\$0.40) per share	16,451	16,451
2013 special dividend paid of HK\$0.50 (2013:		
2012 special dividend paid of HK\$0.40) per share	<u>20,564</u>	<u>16,451</u>
	<u>37,015</u>	<u>32,902</u>

The Directors have not declared an interim dividend for the six months ended 30th June 2014 (2013: Nil).

13 Property, plant and equipment

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Property, plant and equipment	<u>1,039</u>	<u>1,140</u>

Movement during the period is set out below:

	Six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
Net book amount as at 1st January	1,140	1,119
Addition	19	22
Depreciation	<u>(120)</u>	<u>(102)</u>
Net book amount as at 30th June	<u>1,039</u>	<u>1,039</u>

14 Investment properties

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Investment properties	<u>1,802,200</u>	<u>1,742,200</u>

Movement during the period is set out below:

	Six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
At fair value		
Opening balance at 1st January	1,742,200	1,691,730
Fair value changes	<u>60,000</u>	<u>44,860</u>
Closing balance at 30th June	<u>1,802,200</u>	<u>1,736,590</u>

The Group's investment properties with an aggregate carrying value of HK\$1,690,000,000 (31st December 2013: HK\$1,633,000,000) have been mortgaged to a bank to secure general banking facilities (Note 19) as at 30th June 2014.

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

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 30th June 2014. For all investment properties, their current use equates to the highest and best use.

14 Investment properties *(Continued)*

Valuation processes of the Group *(Continued)*

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 30th June 2014, capitalisation rates of 2.32% to 3.48% and market rent of HK\$9.8 to HK\$17.3 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.

16 Trade and other receivables

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Trade receivables (Note)	124	201
Prepayments and deposits	7,214	7,263
Other receivables	12,116	12,430
Dividend receivables	57,340	–
	<u>76,794</u>	<u>19,894</u>

Note:

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

At 30th June 2014, the aging analysis of trade receivables is as follows:

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Within 30 days	124	160
31-60 days	–	41
	<u>124</u>	<u>201</u>

17 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 31st December 2013 and 30th June 2014	<u>60,000,000</u>	<u>6,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 31st December 2013 and 30th June 2014	<u>41,127,799</u>	<u>4,113</u>

18 Trade and other payables

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Trade payables	2,195	2,002
Other payables	49,636	42,922
	<u>51,831</u>	<u>44,924</u>

At 30th June 2014, the aging analysis of trade payables is as follows:

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Within 30 days	1,855	1,662
31-60 days	340	340
	<u>2,195</u>	<u>2,002</u>

19 Banking facilities

As at 30th June 2014, the Group has general banking facilities of which HK\$63 million (31st December 2013: HK\$53 million) was utilised by the Group on short term bank loans.

20 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	
	2014	2013
	HK\$'000	HK\$'000
Salaries and other employee benefits	9,146	9,005
Post-employment benefits	146	143
	<u>9,292</u>	<u>9,148</u>

(b) Related party balances

	30th June	31st December
	2014	2013
	HK\$'000	HK\$'000
Amounts due from joint ventures	12,116	12,430
Amount due to a joint venture	–	(15)
	<u>12,116</u>	<u>12,415</u>

21 Subsequent event

On 18th July 2014, the Company made an announcement that an offer will be made by Platinum Securities Company Limited on behalf of the Company to repurchase for cancellation, subject to certain conditions, up to a maximum number of 8,225,560 shares, representing approximately 20% of the existing issued share capital of the Company, at the price of HK\$33 per share (the "Offer"). The Offer, if accepted in full, will result in the Company paying approximately HK\$271 million in aggregate to the accepting shareholders. The consideration for the Offer will be paid in cash and will be funded by bank deposit and committed banking facilities, whenever necessary, of the Group.

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 28th August 2014