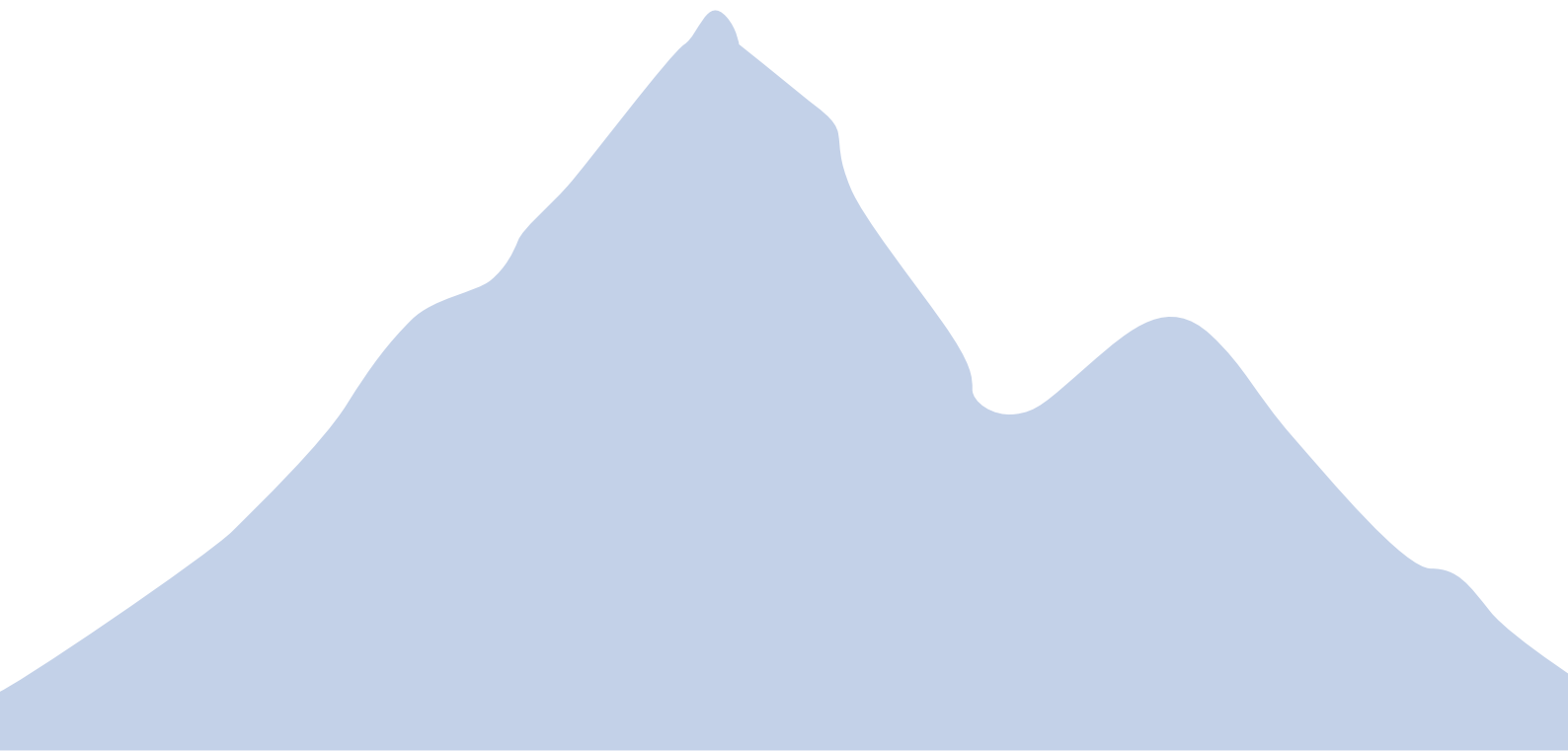




# Nanyang Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 212



INTERIM REPORT 2019

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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>.*

## GROUP FINANCIAL HIGHLIGHTS

|   | Unaudited<br>Six months ended 30 June |                  | Variance |
|---|---------------------------------------|------------------|----------|
|   | 2019<br>HK\$'000                      | 2018<br>HK\$'000 |          |
| Revenue and other income/(losses)   | <b>162,052</b>                        | 108,359          | 50%      |
| Profit attributable to equity holders of the Company  | <b>138,139</b>                        | 287,395          | (52%)    |
| Profit attributable to equity holders of the Company after deducting:<br>– changes in fair value of investment properties and related tax effects | <b>(16,497)</b>                       | (217,284)        | (92%)    |
|   | <b>121,642</b>                        | 70,111           | 73%      |
| Earnings per share  | <b>HK\$4.01</b>                       | HK\$8.22         | (51%)    |
| Earnings per share<br>– after deducting the changes in fair value of investment properties and related tax effects                                | <b>HK\$3.53</b>                       | HK\$2.01         | 76%      |

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that the unaudited Group results for the six months ended 30 June 2019 showed a profit after taxation of HK\$138.1 million (2018: profit of HK\$287.4 million). The decline is mainly due to a much smaller increase in the fair value gain of the investment properties. The current period’s profit comprises mainly the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2018 earnings, of approximately HK\$64.6 million (after netting 21% withholding tax), fair value gain from investment portfolios of approximately HK\$34.1 million and the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net gain of HK\$16.5 million (2018: HK\$217.3 million). However, if excluding the net effect of revaluing the investment properties at fair value, the half year would have shown an increase in profit after taxation to HK\$121.6 million (2018: profit of HK\$70.1 million), mainly due to gain in the investment portfolios in the first half. Total earnings per share were HK\$4.01 (2018: HK\$8.22). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK\$3.53 (2018: HK\$2.01).

## **Business Review and Prospects**

### **Real Estate**

#### *Hong Kong*

Rental rates at the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, in Kwun Tong, continued to improve. Presently, it is 96.7% leased. The slowing economy, trade issues between the U.S. and China and recent social turmoil in the city may affect future leasing activities and rentals.

#### *Shanghai*

The Group’s 65% investment in Shanghai, Shanghai Sung Nan Textile Co. Ltd., continues to report satisfactory results. Its total leasable area of 28,142 sq.m. is fully rented to third parties. The sluggish economy affected business of the anchor tenant, a Taiwan listed wedding banquet company, who leased approximately 75.3% or approximately 21,202 sq.m. of the total space. The tenant asked for a rental reduction which would affect earnings.

#### *Shenzhen*

Earnings at the joint venture, Southern Textile Company Limited, of which the Group owns 45%, is steady. The total leasable floor area of approximately 18,400 sq.m. is fully leased to third parties. However, the current slowing economy has a dampening effect on occupancy and rental rates.

### **Financial Investments**

Since the beginning of 2019, equity markets rebounded. However, the continued trade tension between the U.S. and China and the uncertainty created by U.K.’s exit from the European Union created volatility. The prospect of lower U.S. interest rates helped and stabilized the markets somewhat.

For the six months ended 30 June 2019, financial assets at fair value through profit or loss, classified as current assets, was HK\$348.9 million, which represented approximately 6.3% of the total assets of the Group. The investment accounts, including cash held by the portfolios, increased by 9.45%. These are well diversified and comprise over 400 individual holdings. The Group recorded net realised and unrealised fair value gains of HK\$34.1 million and investment income of HK\$2.3 million. As at 30 June 2019, equities comprised approximately 71% (of which U.S. 42.2%; European 16.9%; Japanese 6.9%; Asia ex-Japan 22.3% and Emerging Markets 11.7%), bonds 16.4% (of which U.S. 69.5%; European 9.1%; Emerging Markets 16.5% and others 4.9%); commodities 1.1% and cash 11.5%. The investment portfolios increased by 7.21% up to 22 August 2019, a decline from the 30 June 2019 results due to the market turmoil in August.

## **Business Review and Prospects** *(Continued)*

### **Financial Investments** *(Continued)*

The outlook for the rest of the year is expected to be challenging. Interest rates in the U.S. and in many other countries are expected to fall but geopolitical issues could have a serious impact on many major markets. Global trade tensions especially between the U.S. and China as the U.S. could impose further tariffs on US\$300 billion of goods imported to the U.S. from China, the nature and impact of the U.K.'s departure from the European Union and continued social unrest here in Hong Kong since July 2019 have caused tremendous volatility in the markets.

The Group's investment in a licensed bank in Taiwan, The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), represents approximately 4% of the total issued share capital of SCSB. It has been classified under non-current assets as financial assets at fair value through other comprehensive income and there is no intention to dispose the investment within 12 months of this report date. SCSB continued to perform well. SCSB acquired 84.89% of Cambodia's AMK Microfinance Institution PLC, which is one of the largest deposit taking financial institution in the country. On 19 October 2018, SCSB shares were successfully listed on the Taiwan Stock Exchange at NT\$32.28 per share. Then, on 21 December 2018, SCSB became one of the Taiwan 50 Index constituent shares and, subsequently, in early March 2019, it was included as a constituent stock in the MSCI Taiwan Index (EWT). SCSB's share price increased approximately 39.8% during the first half of 2019, (from NT\$40.2 per share as at the beginning of 1 January 2019 to NT\$56.2 per share as at 30 June 2019). The change in fair value of approximately HK\$631.7 million was recorded in the other comprehensive income.

Presently SCSB has 72 branches in Taiwan, one each in Hong Kong, Vietnam and Singapore. They also have three representative offices, one each in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. SCSB also holds a 57.6% interest in Shanghai Commercial Bank Limited ("SCB") in Hong Kong. SCB has 44 branches in Hong Kong, three in China and four branches overseas. The audited net profit attributable to owners of SCSB for the six months ended 30 June 2019 was approximately NT\$7,584.3 million (2018 same period: audited net profit of approximately NT\$6,649.7 million), representing an increase of 14%. Total audited equity attributable to owners of SCSB at 30 June 2019 was approximately NT\$133,777.9 million (31/12/2018: approximately NT\$131,155.9 million audited), an increase of 2%. (These figures were extracted from SCSB's website at <http://www.scsb.com.tw>.) The Board continues to view this as a sound and long term investment.

On 20 August 2019, SCSB announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT\$36 each (equivalent to approximately HK\$9). 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 81.2478402 new SCSB Shares for every 1,000 SCSB Shares held. The Group, currently holding 164,225,246 SCSB Shares, intends to participate and take up its full entitlement of 13,342,945 new SCSB Shares. Based on the subscription price of NT\$36 per new SCSB Share (equivalent to approximately HK\$9), the aggregate consideration payable by the Group will be approximately NT\$480 million (equivalent to approximately HK\$120 million). This transaction will be funded by the Group's existing funds and working capital and is subjected to independent shareholders' approval at a Special General Meeting. The SCSB share price as at 27 August 2019 was NT\$49.65.

## Financial Position

The Group's investment properties with an aggregate value of HK\$2,411 million (31/12/2018: HK\$2,387 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2019 and 31 December 2018, no bank facilities were utilized. The Group borrowed approximately Euro 1.0 million (approximately HK\$9 million as at 30 June 2019) 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' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO and so far as is known to the Directors, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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<br>(Note) | 16,231,944 | 47.08%                    |
| Lincoln C. K. Yung | 2,240,000                              | 10,000           | –                   | 2,250,000  | 6.52%                     |
| 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 and its associated corporations.

At no time during the period was the Company, its subsidiaries or its associated corporations 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 of its associated corporations.

## **Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares**

As at 30 June 2019, 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<br/>shares</i> | <i>% of issued<br/>share capital</i> |
|---------------------------|-----------------------------|--------------------------------------|
| Tankard Shipping Co. Inc. | 5,500,000 (Note)            | 15.95%                               |

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 13 employees as at 30 June 2019 (2018:13). 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 fund.

## **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 2019, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

## **Code for Dealing in Company's Securities by Directors**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company's Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

## **Audit Committee and Review of Results**

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the Group's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

**UNAUDITED CONDENSED CONSOLIDATED INCOME  
STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|   | Note | Six months ended 30 June |                  |
|---|------|--------------------------|------------------|
|   |      | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Revenue   | 6    | <b>127,982</b>           | 119,016          |
| Other income/(losses)                                   | 6    | <b>34,070</b>            | (10,657)         |
|   |      | <hr/>                    | <hr/>            |
| Revenue and other income/(losses)                       | 6    | <b>162,052</b>           | 108,359          |
| Direct costs  |      | <b>(8,096)</b>           | (8,074)          |
|   |      | <hr/>                    | <hr/>            |
| Gross profit  |      | <b>153,956</b>           | 100,285          |
| Administrative expenses                                 |      | <b>(21,447)</b>          | (19,370)         |
| Other operating expenses, net                           |      | <b>(463)</b>             | (167)            |
| Changes in fair value of investment properties          |      | <b>18,571</b>            | 220,391          |
|   |      | <hr/>                    | <hr/>            |
| Operating profit  | 7    | <b>150,617</b>           | 301,139          |
| Finance income  | 8    | <b>605</b>               | 661              |
| Finance expense   | 8    | <b>(129)</b>             | (36)             |
| Share of profits of joint ventures                      |      | <b>5,545</b>             | 4,098            |
|   |      | <hr/>                    | <hr/>            |
| Profit before income tax                                |      | <b>156,638</b>           | 305,862          |
| Income tax expense                                      | 9    | <b>(18,499)</b>          | (18,467)         |
|   |      | <hr/>                    | <hr/>            |
| Profit attributable to equity holders of<br>the Company |      | <b>138,139</b>           | 287,395          |
|   |      | <hr/>                    | <hr/>            |
| Earnings per share (basic and diluted)                  | 10   | <b>HK\$4.01</b>          | HK\$8.22         |
|   |      | <hr/>                    | <hr/>            |



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|  | Six months ended 30 June |          |
|--|--------------------------|----------|
|  | 2019                     | 2018     |
|  | HK\$'000                 | HK\$'000 |
| <b>Profit for the period</b>   | <b>138,139</b>           | 287,395  |
| <b>Other comprehensive income</b>  |                          |          |
| Items that may be reclassified subsequently to profit or loss                                  |                          |          |
| Share of other comprehensive income of joint ventures accounted for under equity method        | (129)                    | (1,452)  |
| Currency translation differences   | (4,597)                  | 7,673    |
| Items that may not be reclassified subsequently to profit or loss                              |                          |          |
| Fair value gains on financial assets at fair value through other comprehensive income          | 631,691                  | 83,408   |
| <b>Other comprehensive income for the period, net of tax</b>                                   | <b>626,965</b>           | 89,629   |
| <b>Total comprehensive income for the period attributable to equity holders of the Company</b> | <b>765,104</b>           | 377,024  |

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2019**

|  | Note | 30 June<br>2019<br>HK\$'000 | 31 December<br>2018<br>HK\$'000 |
|--|------|-----------------------------|---------------------------------|
| <b>ASSETS</b>  |      |                             |                                 |
| <b>Non-current assets</b>  |      |                             |                                 |
| Property, plant and equipment  | 12   | 251                         | 296                             |
| Right-of-use assets  | 3(c) | 12,984                      | –                               |
| Investment properties  | 13   | 2,580,830                   | 2,553,230                       |
| Investments in joint ventures  |      | 114,426                     | 109,007                         |
| Prepayment   | 15   | 710                         | 9,739                           |
| Financial assets at fair value through other comprehensive income        | 14   | 2,301,951                   | 1,674,111                       |
| Non-current financial assets at fair value through profit or loss        | 16   | 4,395                       | 4,300                           |
|  |      | <u>5,015,547</u>            | <u>4,350,683</u>                |
| <b>Current assets</b>  |      |                             |                                 |
| Trade and other receivables  | 15   | 92,296                      | 9,352                           |
| Financial assets at fair value through profit or loss                    | 16   | 348,873                     | 294,607                         |
| Current income tax recoverable   |      | –                           | 441                             |
| Cash and bank balances   |      |                             |                                 |
| – Pledged bank deposits  |      | 10,553                      | 13,353                          |
| – Cash and cash equivalents  |      | 112,676                     | 164,620                         |
|  |      | <u>564,398</u>              | <u>482,373</u>                  |
| <b>Total assets</b>  |      | <u><b>5,579,945</b></u>     | <u><b>4,833,056</b></u>         |
| <b>EQUITY</b>  |      |                             |                                 |
| <b>Capital and reserves attributable to the Company's equity holders</b> |      |                             |                                 |
| Share capital  | 17   | 3,448                       | 3,448                           |
| Other reserves   |      | 2,098,887                   | 1,471,922                       |
| Retained profits   |      | 3,362,457                   | 3,272,585                       |
| <b>Total equity</b>  |      | <u><b>5,464,792</b></u>     | <u><b>4,747,955</b></u>         |
| <b>LIABILITIES</b>   |      |                             |                                 |
| <b>Non-current liabilities</b>   |      |                             |                                 |
| Lease liabilities  | 3(c) | 7,843                       | –                               |
| Deferred income tax liabilities  | 18   | 24,404                      | 25,213                          |
| Other non-current liability  |      | 1,153                       | –                               |
|  |      | <u>33,400</u>               | <u>25,213</u>                   |
| <b>Current liabilities</b>   |      |                             |                                 |
| Trade and other payables   | 19   | 49,217                      | 50,846                          |
| Current income tax liabilities   |      | 18,834                      | –                               |
| Short-term borrowing   | 20   | 8,987                       | 9,042                           |
| Lease liabilities  | 3(c) | 4,715                       | –                               |
|  |      | <u>81,753</u>               | <u>59,888</u>                   |
| <b>Total liabilities</b>   |      | <u><b>115,153</b></u>       | <u><b>85,101</b></u>            |
| <b>Total equity and liabilities</b>                                      |      | <u><b>5,579,945</b></u>     | <u><b>4,833,056</b></u>         |



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2019                     | 2018           |
|  | HK\$'000                 | HK\$'000       |
| <b>Cash flows used in operating activities</b>     | (5,652)                  | (26,278)       |
| <b>Net cash inflows from investing activities</b>  | 605                      | 661            |
| <b>Cash flows from financing activities</b>        |                          |                |
| Dividends paid                                     | (48,267)                 | (47,122)       |
| Repayment of bank loans                            | (55)                     | (205)          |
| Principal elements of lease payments               | (1,135)                  | –              |
| Decrease in pledged bank deposits                  | 2,800                    | 10,603         |
| Other cash outflows from financing activities, net | (34)                     | (9,066)        |
| <b>Net cash outflows from financing activities</b> | (46,691)                 | (45,790)       |
| <b>Net decrease in cash and cash equivalents</b>   | (51,738)                 | (71,407)       |
| <b>Cash and cash equivalents at 1 January</b>      | 164,620                  | 172,148        |
| <b>Currency translation difference</b>             | (206)                    | 432            |
| <b>Cash and cash equivalents at 30 June</b>        | <b>112,676</b>           | <b>101,173</b> |
| <b>Analysis of cash and cash equivalents</b>       |                          |                |
| Cash and bank balances                             | <b>112,676</b>           | <b>101,173</b> |

# 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 Room 1808 St George’s Building, 2 Ice House Street, Central, Hong Kong.

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

The Company and its subsidiaries (together “the Group”) are engaged 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 28 August 2019.

## 2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2019 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 2018 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“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 2018 annual financial statements, except for the adoption of the new standard, interpretation and amendments to standards effective for the year ending 31 December 2019.

### *(a) New standard, interpretation and amendments to standards effective in current accounting period*

During the period ended 30 June 2019, the Group has adopted the following new standard, interpretation and amendments to standards which are mandatory for accounting periods beginning on 1 January 2019:

|                      |  |
|----------------------|--|
| HKAS 19 (Amendments) | Plan amendment, curtailment or settlement  |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures                                     |
| HKFRS 16             | Leases   |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation and Modification of Financial Liabilities |
| HK(IFRIC) – Int 23   | Uncertainty over Income Tax Treatments   |
| Annual Improvements  | Annual Improvements to HKFRSs 2015–2017 Cycle  |

The impact of the adoption of HKFRS 16 is disclosed in Note 3(c) below. The adoption of other new standard, interpretation and amendments to standards does not have any 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 standard, interpretation and amendments to standards that are not yet effective and have not been early adopted by the Group*

The following new standard, interpretation and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods but have not been early adopted by the Group:

|   |  |
|---|--|
| HKAS 1 and 8 (Amendments)                         | Definition of Material <sup>(1)</sup>  |
| HKFRS 17  | Insurance Contracts <sup>(2)</sup>   |
| HKFRS 3 (Amendments)                              | Definition of a Business <sup>(1)</sup>  |
| HKFRS 10 and HKAS 28 (Amendments)                 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup> |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting <sup>(1)</sup>                                  |

<sup>(1)</sup> Effective for accounting periods beginning on or after 1 January 2020

<sup>(2)</sup> Effective for accounting periods beginning on or after 1 January 2021

<sup>(3)</sup> Effective date is to be determined

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

(c) *Changes in accounting policy*

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. In applying HKFRS 16 for the first time, the Group has applied the practical expedient permitted by the standard to account for operating leases of properties with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and therefore no adjustment was made to the opening balance sheet on 1 January 2019.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is set out below.

|  | <b>2019<br/>HK\$'000</b> |
|--|--------------------------|
| Operating lease commitments disclosed as at 31 December 2018           | 455                      |
| Less: short-term leases recognised on a straight-line basis as expense | <u>(455)</u>             |
| Lease liability recognised as at 1 January 2019                        | <u>–</u>                 |

From 1 January 2019, property leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the lease commencement date.

### **3 Significant accounting policies** *(Continued)*

#### *(c) Changes in accounting policy (Continued)*

Lease payments include fixed payments less any lease incentive receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The associated right-of-use assets were measured at the amount equal to the lease liability plus any initial direct costs and restoration costs, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated income statement.

In the condensed consolidated statement of cash flows, cash payment for the principal portion of the lease liabilities are classified as financing activities and cash payments for the interest portion of the lease liabilities are classified as required for interest paid.

### **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, foreign 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 condensed consolidated interim financial information does 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 2018.

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

#### **Fair value estimation**

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

#### 4 Financial risk management (Continued)

##### Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2019. See Note 13 for disclosures of the investment properties that are measured at fair value.

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>Assets</b>   |                     |                     |                     |                   |
| Non-current financial assets at fair value through profit or loss | –                   | –                   | 4,395               | 4,395             |
| Current financial assets at fair value through profit or loss     | 200,020             | 21,617              | 127,236             | 348,873           |
| Financial assets at fair value through other comprehensive income | 2,301,951           | –                   | –                   | 2,301,951         |
| <b>Total assets</b>   | <b>2,501,971</b>    | <b>21,617</b>       | <b>131,631</b>      | <b>2,655,219</b>  |

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018.

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>Assets</b>   |                     |                     |                     |                   |
| Non-current financial assets at fair value through profit or loss | –                   | –                   | 4,300               | 4,300             |
| Current financial assets at fair value through profit or loss     | 182,303             | 22,685              | 89,619              | 294,607           |
| Financial assets at fair value through other comprehensive income | 1,674,111           | –                   | –                   | 1,674,111         |
| <b>Total assets</b>   | <b>1,856,414</b>    | <b>22,685</b>       | <b>93,919</b>       | <b>1,973,018</b>  |

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 2018.

## 6 Revenue and other income/(losses) and segment information

Revenue mainly comprises rental income, investment income from financial assets at fair value through profit or loss and dividend income from financial assets at fair value through other comprehensive income. Other income/(losses) represents net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss. Revenue and other income/(losses) recognised during the period comprises the following:

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Revenue   |                          |                  |
| Gross rental income from investment properties  | 37,752                   | 35,969           |
| Investment income from financial assets at fair value through profit or loss                        | 2,287                    | 2,394            |
| Dividend income from financial assets at fair value through other comprehensive income              | 81,718                   | 75,054           |
| Management fee income from investment properties  | 5,968                    | 5,419            |
| Other   | 257                      | 180              |
|   | <u>127,982</u>           | <u>119,016</u>   |
| Other income/(losses)   |                          |                  |
| Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss | 34,070                   | (10,657)         |
|   | <u>162,052</u>           | <u>108,359</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 other income/(losses) and segment information (Continued)

The segment results for the six months ended 30 June 2019 are as follows:

|   | Real estate<br>HK\$'000 | Financial<br>investments<br>HK\$'000 | Total<br>HK\$'000 |
|---|-------------------------|--------------------------------------|-------------------|
| Revenue and other income/(losses)                       | <u>43,720</u>           | <u>118,332</u>                       | <u>162,052</u>    |
| Segment result  | 35,174                  | 115,443                              | 150,617           |
| Finance income  |                         |                                      | 605               |
| Finance expense   |                         |                                      | (129)             |
| Share of profits of joint ventures                      | 5,545                   | –                                    | <u>5,545</u>      |
| Profit before income tax                                |                         |                                      | 156,638           |
| Income tax expense                                      |                         |                                      | <u>(18,499)</u>   |
| Profit attributable to equity holders<br>of the Company |                         |                                      | <u>138,139</u>    |
| Other items   |                         |                                      |                   |
| Depreciation of property, plant<br>and equipment        | (33)                    | (12)                                 | (45)              |
| Fair value gain on investment<br>properties             | <u>18,571</u>           | –                                    | <u>18,571</u>     |

Note: Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$1,855,000 was recognised for the six months ended 30 June 2019.

The segment results for the six months ended 30 June 2018 are as follows:

|   | Real estate<br>HK\$'000 | Financial<br>investments<br>HK\$'000 | Total<br>HK\$'000 |
|---|-------------------------|--------------------------------------|-------------------|
| Revenue and other income/(losses)                       | <u>41,388</u>           | <u>66,971</u>                        | <u>108,359</u>    |
| Segment result  | 237,185                 | 63,954                               | 301,139           |
| Finance income  |                         |                                      | 661               |
| Finance expense   |                         |                                      | (36)              |
| Share of profits of joint ventures                      | 4,098                   | –                                    | <u>4,098</u>      |
| Profit before income tax                                |                         |                                      | 305,862           |
| Income tax expense                                      |                         |                                      | <u>(18,467)</u>   |
| Profit attributable to equity holders<br>of the Company |                         |                                      | <u>287,395</u>    |
| Other items   |                         |                                      |                   |
| Depreciation of property, plant<br>and equipment        | (55)                    | (12)                                 | (67)              |
| Fair value gain on investment<br>properties             | <u>220,391</u>          | –                                    | <u>220,391</u>    |

## 6 Revenue and other income/(losses) and segment information (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude investments in joint ventures and right-of-use assets and segment liabilities exclude deferred income tax liabilities, lease liabilities, short-term borrowing and other non-current liability which are managed on a central basis.

The segment assets and liabilities as at 30 June 2019 are as follows:

|                               | Real estate<br>HK\$'000 | Financial<br>investments<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------|-------------------------|--------------------------------------|-------------------|
| Segment assets                | 2,567,941               | 2,884,594                            | 5,452,535         |
| Right-of-use assets           |                         |                                      | 12,984            |
| Investments in joint ventures | 114,426                 | –                                    | 114,426           |
|                               |                         |                                      | <u>5,579,945</u>  |
| Segment liabilities           | 46,844                  | 21,207                               | 68,051            |
| Unallocated liabilities       |                         |                                      | 47,102            |
|                               |                         |                                      | <u>115,153</u>    |

The segment assets and liabilities as at 31 December 2018 are as follows:

|                               | Real estate<br>HK\$'000 | Financial<br>investments<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------|-------------------------|--------------------------------------|-------------------|
| Segment assets                | 2,553,630               | 2,170,419                            | 4,724,049         |
| Investments in joint ventures | 109,007                 | –                                    | 109,007           |
|                               |                         |                                      | <u>4,833,056</u>  |
| Segment liabilities           | 47,808                  | 3,038                                | 50,846            |
| Unallocated liabilities       |                         |                                      | 34,255            |
|                               |                         |                                      | <u>85,101</u>     |

## 6 Revenue and other income/(losses) and segment information (Continued)

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

|                          | Six months ended 30 June |                  |
|--------------------------|--------------------------|------------------|
|                          | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Hong Kong                | 51,095                   | 39,228           |
| United States of America | 10,700                   | (1,042)          |
| Europe                   | 16,095                   | (3,095)          |
| Taiwan                   | 81,718                   | 75,054           |
| Other countries          | 2,444                    | (1,786)          |
|                          | <u>162,052</u>           | <u>108,359</u>   |

At 30 June 2019, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

|                | 30 June<br>2019<br>HK\$'000 | 31 December<br>2018<br>HK\$'000 |
|----------------|-----------------------------|---------------------------------|
|                | Hong Kong                   | 2,594,619                       |
| Mainland China | 114,582                     | 109,176                         |
|                | <u>2,709,201</u>            | <u>2,672,272</u>                |

## 7 Operating profit

Operating profit is stated after charging the following:

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Depreciation of property, plant and equipment                                     | 45                       | 67               |
| Depreciation of right-of-use assets   | 1,855                    | –                |
| Short-term lease expenses (2018: Operating leases payments on land and buildings) | 403                      | 1,936            |
| Employee benefit expense (including directors' emoluments)                        | 14,499                   | 13,862           |
| Management fee expense in respect of investment properties                        | 5,583                    | 5,395            |
|   | <u>5,583</u>             | <u>5,395</u>     |

## 8 Finance income/(expense)

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| <b>Finance income</b>                     |                          |                  |
| Net exchange gain on financing activities | 63                       | 272              |
| Bank interest income                      | 542                      | 389              |
|   | <u>605</u>               | <u>661</u>       |
| <b>Finance expense</b>                    |                          |                  |
| Interest expense on short-term borrowing  | (34)                     | (36)             |
| Interest expense on lease liabilities     | (95)                     | –                |
|   | <u>(129)</u>             | <u>(36)</u>      |

## 9 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2018: 16.5%) of the estimated assessable profits 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 investees operate.

|                         | Six months ended 30 June |                  |
|-------------------------|--------------------------|------------------|
|                         | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Current income tax      |                          |                  |
| – Hong Kong profits tax | 2,148                    | 2,245            |
| – Withholding tax       | 17,160                   | 15,763           |
| Deferred income tax     | (809)                    | 459              |
|                         | <u>18,499</u>            | <u>18,467</u>    |

## 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 30 June |                |
|--|--------------------------|----------------|
|  | 2019                     | 2018           |
| <b>Earnings (HK\$'000)</b>                           |                          |                |
| Profit attributable to equity holders of the Company | <u>138,139</u>           | <u>287,395</u> |
| <b>Number of shares (thousands)</b>                  |                          |                |
| Weighted average number of ordinary shares in issue  | <u>34,477</u>            | <u>34,945</u>  |
| <b>Earnings per share (HK\$)</b>                     |                          |                |
| Basic and diluted (Note)                             | <u>4.01</u>              | <u>8.22</u>    |

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

## 11 Dividends

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2019                     | 2018          |
|   | HK\$'000                 | HK\$'000      |
| 2018 final dividend paid of HK\$0.70<br>(2018: 2017 final dividend paid of HK\$0.70)<br>per share     | 24,133                   | 24,434        |
| 2018 special dividend paid of HK\$0.70<br>(2018: 2017 special dividend paid of HK\$0.65)<br>per share | <u>24,134</u>            | <u>22,688</u> |
|   | <u>48,267</u>            | <u>47,122</u> |

The Directors have not declared an interim dividend for the six months ended 30 June 2019 (2018: Nil).

## 12 Property, plant and equipment

|                               | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|-------------------------------|--------------------------------------|---------------------------------|
| Property, plant and equipment | <b>251</b>                           | 296                             |

Movement during the period is set out below:

|                                 | Six months ended 30 June |          |
|---------------------------------|--------------------------|----------|
|                                 | <b>2019</b>              | 2018     |
|                                 | <b>HK\$'000</b>          | HK\$'000 |
| Net book amount as at 1 January | <b>296</b>               | 421      |
| Depreciation                    | <b>(45)</b>              | (67)     |
| Net book amount as at 30 June   | <b>251</b>               | 354      |

## 13 Investment properties

|                       | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|-----------------------|--------------------------------------|---------------------------------|
| Investment properties | <b>2,580,830</b>                     | 2,553,230                       |

Movement during the period is set out below:

|                      | Six months ended 30 June |           |
|----------------------|--------------------------|-----------|
|                      | <b>2019</b>              | 2018      |
|                      | <b>HK\$'000</b>          | HK\$'000  |
| <b>At fair value</b> |                          |           |
| Balance at 1 January | <b>2,553,230</b>         | 2,269,120 |
| Additions            | <b>9,029</b>             | 8,109     |
| Fair value changes   | <b>18,571</b>            | 220,391   |
| Balance at 30 June   | <b>2,580,830</b>         | 2,497,620 |

The Group's investment properties with an aggregate carrying value of HK\$2,411,000,000 (31 December 2018: HK\$2,387,000,000) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2019 and 31 December 2018, no bank facilities were utilised.

### **13 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 (Hong Kong) Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 30 June 2019. 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 valuer for financial reporting purposes. This department reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial reporting dates the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior period 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 direct comparison method. 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.

As at 30 June 2019, all investment properties are included in level 3 fair value hierarchy.

There were no change to the valuation techniques during the period and there were no transfers between fair value hierarchies during the period.



### 13 Investment properties (Continued)

#### Valuation techniques (Continued)

#### Significant inputs used to determine fair value

Information about fair value measurements using significant unobservable inputs for the Group's principal investment properties

| Descriptions | Fair value               |                              | Valuation techniques | Unobservable inputs  | Relationship of unobservable inputs of fair value    |
|--------------|--------------------------|------------------------------|----------------------|--|--|
|              | 30 June 2019<br>HK\$'000 | 31 December 2018<br>HK\$'000 |                      |  |  |
| Commercial   | 2,465,230                | 2,440,630                    | Direct comparison    | Average unit rate – HK\$7,229 – HK\$14,586 per square feet<br>(31 December 2018: HK\$7,290 – HK\$14,424 per square feet)<br><br>Carpark:<br>HK\$1,531,000 – HK\$2,067,000 per unit (31 December 2018:<br>HK\$1,331,000 – HK\$1,797,000 per unit) | The higher the unit price, the higher the fair value |
| Industrial   | 115,600                  | 112,600                      | Direct comparison    | Average unit rate – HK\$2,739 per square feet (31 December 2018: HK\$2,671 per square feet)<br><br>Carpark:<br>HK\$544,000 – HK\$652,000 per unit (31 December 2018:<br>HK\$485,000 – HK\$583,000 per unit)                                      | The higher the unit price, the higher the fair value |
|              | 2,580,830                | 2,553,230                    |                      |  |  |

### 14 Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income are primarily the Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), a licensed bank in Taiwan and whose shares are listed on the Taiwan Stock Exchange, representing approximately 4% of the total issued share capital of SCSB, which is stated at fair value.

## 15 Prepayment, trade and other receivables

|   | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|---|--------------------------------------|---------------------------------|
| <b>Non-current asset</b>                      |                                      |                                 |
| Prepayment                                    | 710                                  | 9,739                           |
| <b>Current assets</b>                         |                                      |                                 |
| Trade receivables (Note a)                    | 688                                  | 206                             |
| Other receivables, prepayments and deposits   | 8,389                                | 7,627                           |
| Dividend receivables                          | 81,718                               | –                               |
| Amounts due from joint ventures (Note b)      | 1,501                                | 1,519                           |
|   | <u>92,296</u>                        | <u>9,352</u>                    |
| Total prepayment, trade and other receivables | <u>93,006</u>                        | <u>19,091</u>                   |

Notes:

- (a) The Group does not grant any credit period to its customers. At 30 June 2019, the aging analysis of the trade receivables were as follows:

|                | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|----------------|--------------------------------------|---------------------------------|
| Within 30 days | 688                                  | 206                             |

- (b) The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

## 16 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\$135,584,000 (31 December 2018: HK\$118,032,000) together with the bank deposit of HK\$10,553,000 (31 December 2018: HK\$13,353,000) have been pledged to the short-term borrowing.

## 17 Share capital

|   | <b>Number of<br/>Shares</b> | <b>Amount<br/>HK\$'000</b> |
|---|-----------------------------|----------------------------|
| <b>Ordinary share, issued and fully paid:</b> |                             |                            |
| At 1 January 2019 and 30 June 2019            | <u>34,476,738</u>           | <u>3,448</u>               |
| At 1 January 2018                             | 35,066,238                  | 3,507                      |
| Shares repurchased and cancelled              | <u>(167,500)</u>            | <u>(17)</u>                |
| At 30 June 2018                               | <u>34,898,738</u>           | <u>3,490</u>               |

During the period ended 30 June 2018, the Company repurchased a total of 167,500 of its own shares through purchases on The Stock Exchange of Hong Kong Limited. The repurchased shares were subsequently cancelled. The aggregate price of HK\$9,029,250 paid was charged against retained profits and the nominal value of the shares repurchased of HK\$16,750 was transferred to the capital redemption reserve.

## 18 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method.

|   | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Deferred income tax liabilities           |                                      |                                 |
| – to be settled after more than 12 months | <u>(24,404)</u>                      | <u>(25,213)</u>                 |

The net movement on the deferred income tax account is as follows:

|  | <b>2019<br/>HK\$'000</b> | 2018<br>HK\$'000 |
|--|--------------------------|------------------|
| Balance at 1 January   | (25,213)                 | (22,960)         |
| Credited/(charged) to the consolidated income statement (Note 9) | <u>809</u>               | <u>(459)</u>     |
| Balance at 30 June   | <u>(24,404)</u>          | <u>(23,419)</u>  |

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax authority during the period is as follows:

Deferred income tax liabilities in respect of accelerated tax depreciation:

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | <b>2019<br/>HK\$'000</b> | 2018<br>HK\$'000 |
| Balance at 1 January                                    | (25,213)                 | (23,088)         |
| Credited/(charged) to the consolidated income statement | <u>809</u>               | <u>(459)</u>     |
| Balance at 30 June                                      | <u>(24,404)</u>          | <u>(23,547)</u>  |

Deferred income tax assets in respect of tax losses:

|                                  | Six months ended 30 June |                  |
|----------------------------------|--------------------------|------------------|
|                                  | <b>2019<br/>HK\$'000</b> | 2018<br>HK\$'000 |
| Balance at 1 January and 30 June | <u>–</u>                 | <u>128</u>       |

Deferred income tax assets are recognised for tax losses carried forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK\$318,000 (31 December 2018: HK\$259,000) in respect of tax losses amounting to HK\$1,928,000 (31 December 2018: HK\$1,567,000). These tax losses have no expiry date.

## 19 Trade and other payables

|                                    | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|------------------------------------|--------------------------------------|---------------------------------|
| Trade payables                     | 3,594                                | 3,304                           |
| Rental and management fee deposits | 19,007                               | 18,973                          |
| Other payables and accruals        | 26,616                               | 28,569                          |
|                                    | <u>49,217</u>                        | <u>50,846</u>                   |

At 30 June 2019, the aging analysis of trade payables were as follows:

|                | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|----------------|--------------------------------------|---------------------------------|
| Within 30 days | 3,594                                | 3,304                           |

## 20 Short-term borrowing

|  | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Secured borrowing from a financial institution<br>(Note) | 8,987                                | 9,042                           |

Notes:

- (a) The borrowing had an effective interest rate of 0.75% per annum at 30 June 2019 (31 December 2018: 0.75% per annum).
- (b) The carrying amount of the borrowing approximated its fair value due to short-term maturity and is denominated in Euro.
- (c) At 30 June 2019 and 31 December 2018, the borrowing was secured by one or more of the following:
  - (i) pledge of financial assets at fair value through profit and loss (Note 16);
  - (ii) pledge of bank deposits.

## 21 Related party transactions

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, 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 |                  |
|--------------------------------------|--------------------------|------------------|
|                                      | 2019<br>HK\$'000         | 2018<br>HK\$'000 |
| Salaries and other employee benefits | 10,819                   | 10,327           |
| Post-employment benefits             | 36                       | 36               |
|                                      | <u>10,855</u>            | <u>10,363</u>    |

### (b) Related party balances

|  | 30 June<br>2019<br>HK\$'000     | 31 December<br>2018<br>HK\$'000 |
|--|---------------------------------|---------------------------------|
|  | Amounts due from joint ventures | <u>1,501</u>                    |

## 22 Events occurring after the reporting period

On 20 August 2019, The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”) announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT\$36 each (equivalent to approximately HK\$9). 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 81.2478402 new SCSB Shares for every 1,000 SCSB Shares held. The Group, currently holding 164,225,246 SCSB Shares, intends to participate and take up its full entitlement of 13,342,945 new SCSB Shares. Based on the subscription price of NT\$36 per new SCSB Share (equivalent to approximately HK\$9), the aggregate consideration payable by the Group will be approximately NT\$480 million (equivalent to approximately HK\$120 million). This transaction will be funded by the Group’s existing funds and working capital and is subjected to independent shareholders’ approval at a Special General Meeting. Details of the Proposed SCSB Share Subscription is set out in the Company’s announcement dated 21 August 2019.

On behalf of the Board

**Rudolf Bischof**  
Chairman

Hong Kong, 28 August 2019