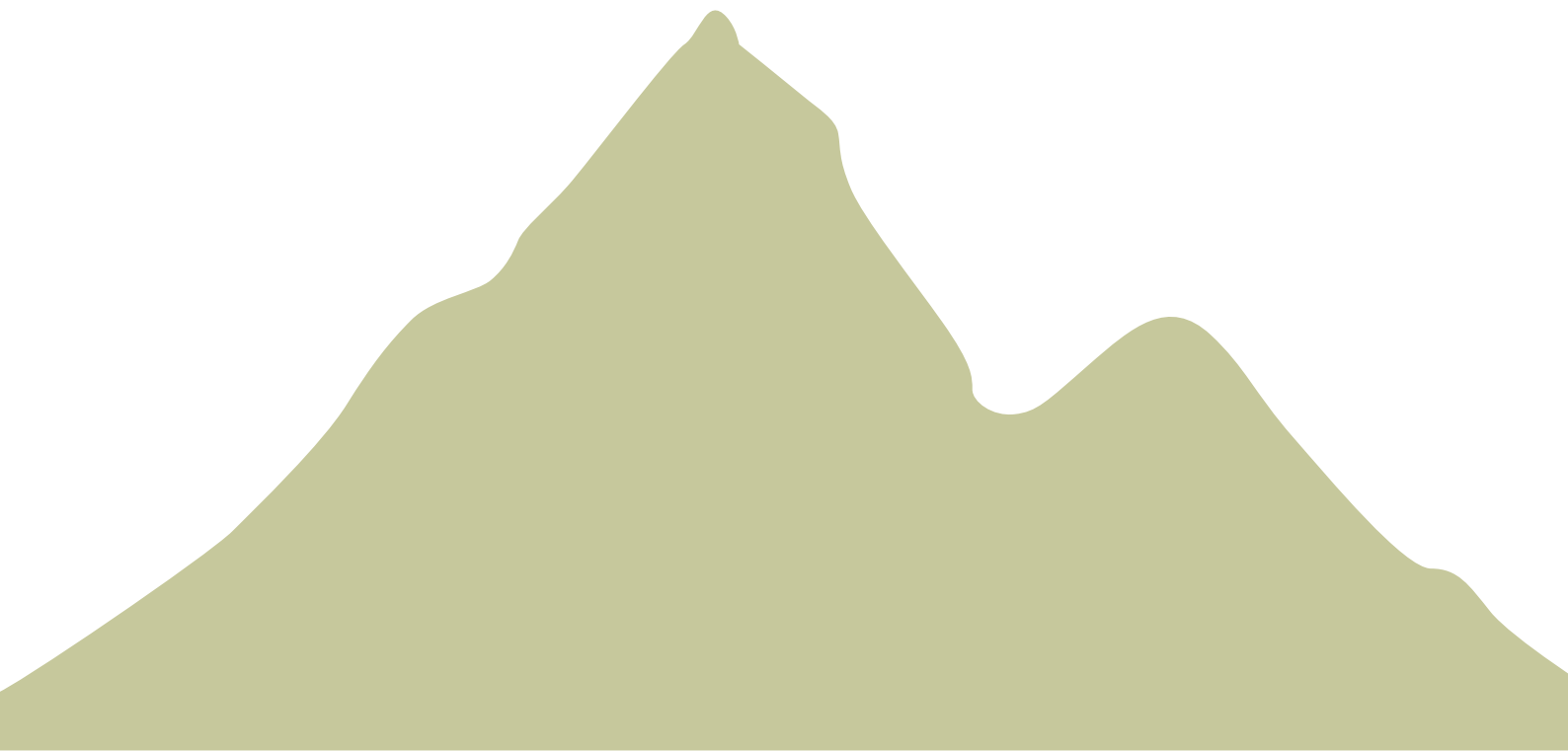




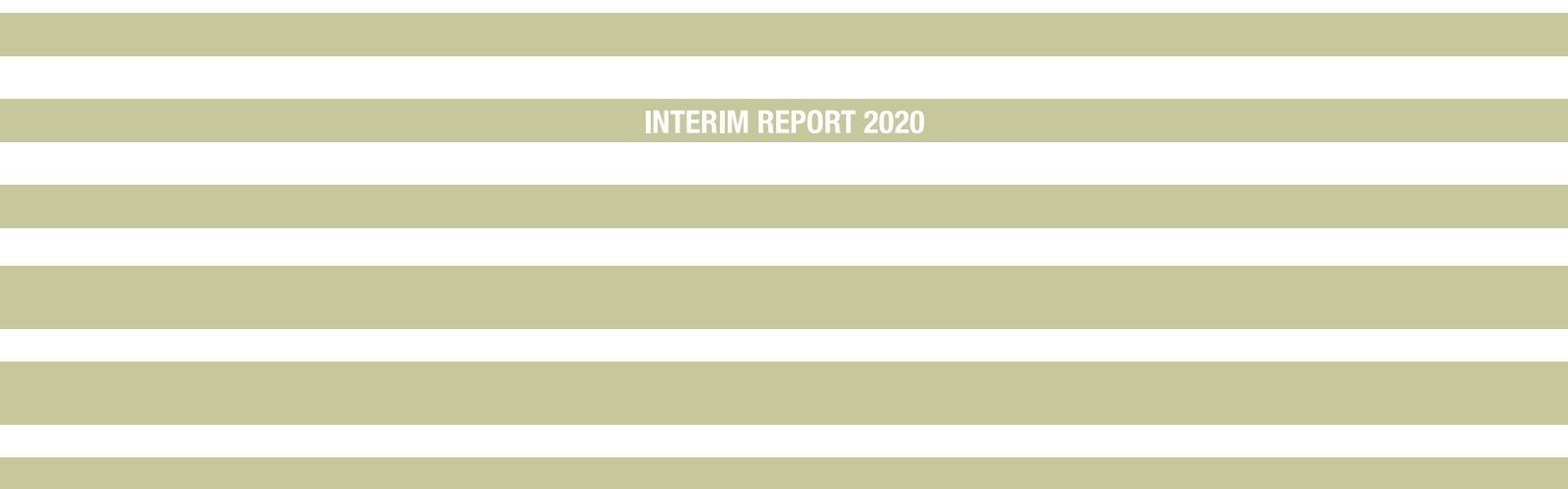
Nanyang Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 212



INTERIM REPORT 2020



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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		Variance
	Six months ended 30 June		
	2020	2019	
	HK\$'000	HK\$'000	
Revenue and other (losses)/income	112,235	162,052	(31%)
Profit attributable to equity holders of the Company	42,785	138,139	(69%)
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	19,880	(16,497)	(221%)
	62,665	121,642	(48%)
Earnings per share	HK\$1.24	HK\$4.01	(69%)
Earnings per share			
– after deducting the changes in fair value of investment properties and related tax effects	HK\$1.82	HK\$3.53	(48%)

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that the unaudited Group results for the six months ended 30 June 2020 showed a profit attributable to equity holders of HK\$42.8 million (2019: profit of HK\$138.1 million), representing a decline of 69%. The decrease is mainly due to the decrease in fair value of investment properties and financial assets at fair value through profit or loss. The current period’s profit comprises mainly the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2019 earnings, of approximately HK\$74.6 million (after netting 21% withholding tax), net realised and unrealised losses and investment income from financial assets at fair value through profit or loss from investment portfolios of approximately HK\$26.8 million and the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net loss of HK\$19.9 million (2019: gain of HK\$16.5 million). However, if excluding the net effect of the change in fair value of the investment properties (including those owned by joint ventures), the half year would have shown a profit attributable to equity holders of HK\$62.7 million (2019: profit of HK\$121.6 million), representing a decline of 48%. Total earnings per share were HK\$1.24 (2019: HK\$4.01). However, if the net effect of the change in fair value of the investment properties had been excluded, earnings per share would have been HK\$1.82 (2019: HK\$3.53).

Business Review and Prospects

Real Estate

Hong Kong

Rental at Nanyang Plaza, in Kwun Tong, has been affected by the coronavirus which led to a slowdown in the local economy. Of the 290,000 sq.ft. of industrial/office space, which the Group holds, 90.4% is presently leased. We anticipate rental levels and occupancy at the building to decline further as tenants are requesting rental concessions or an early surrender of their existing leases.

Shanghai

Results of the Group’s 65% investment, Shanghai Sung Nan Textile Co. Ltd. were affected by the coronavirus and the lockdown announced on 23 January 2020. Sung Nan followed the local government’s guidelines in granting rental concessions to tenants. The offices have since reopened. The anchor tenant, a Taiwan listed wedding banquet company, who leased 21,202 sq.m. or approximately 75.3% of the total space, resumed operation on 23 May 2020 after receiving approval from the local government, but business has not recovered to normal.

Shenzhen

Earnings at the joint venture, Southern Textile Company Limited, which the Group owns 45%, were affected by the rental concessions granted to tenants during the period from 23 January 2020 when the lockdown at Wuhan was announced. It has since reopened and business and operation of the tenants have returned to normal.

Business Review and Prospects (Continued)

Financial Investments

Equity markets, in the first half of 2020, were volatile. The decline of the oil price in March created volatility, however, world equity markets have since rebounded from their March lows. During this period we reduced emerging markets bonds and increased emerging markets equities, especially in China. For the six months ended 30 June 2020, financial assets at fair value through profit or loss, classified as current assets, was HK\$335.8 million, which represented approximately 6.5% of the total assets of the Group. These are well diversified and comprise over 400 individual holdings. The Group recorded net realised and unrealised losses of HK\$28.3 million and investment income of HK\$1.5 million. As at 30 June 2020, the investment portfolios, including cash held, declined by 7.45%. Equities comprised approximately 76.3% (of which U.S. 40.6%; European 15.2%; Japanese 5.7%; Asia ex-Japan 27.1% and Emerging Markets 11.4%), bonds 17% (of which U.S. 82.9%; European 3%; Emerging Markets 8.8% and others 5.3%); commodities 1.2% and cash 5.5%.

Geopolitical issues, especially tensions between the U.S. and China, uncertainty over the coming U.S. election in November and the recent surge in infections from the COVID-19 virus, all continue to have a major impact on the markets. As we are aware of the weakness of the U.S. Dollar, we are looking for opportunities to allocate a portion of the investments to non U.S. Dollar denominated funds. As at 21 August 2020, the latest practicable date, the portfolios declined year-to-date by approximately 1.64% and the value, including cash held in the portfolios, stood at approximately US\$49.8 million or HK\$386 million.

Going forward, we remain cautious as the outlook for the rest of the year is expected to continue to be challenging and volatile. Interest rates which are already at a very low level are expected to remain low. With the introduction of a vaccine for the coronavirus and possible strong recovery of economic activities in major economies, we are hopeful that markets will continue trending upwards.

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 satisfactorily. The Group has received a net cash dividend of approximately HK\$74.6 million from SCSB's 2019 earnings.

Presently SCSB has 69 branches in Taiwan, one each in Hong Kong, Vietnam and Singapore. They also have three representative offices, in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. In January 2020, SCSB signed an agreement to open a branch in Wuxi, China. 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 reviewed net profit attributable to owners of SCSB for the three months ended 31 March 2020 was approximately NT\$3,599.7 million (2019 same period: net profit of approximately NT\$3,585.9 million). Total reviewed equity attributable to owners of SCSB at 31 March 2020 was approximately NT\$154,026.1 million (31/12/2019: approximately NT\$153,567.6 million audited). (These figures were extracted from SCSB's website at <http://www.scsb.com.tw>.)

Financial Position

The Group's investment properties with an aggregate value of HK\$2,298 million (31/12/2019: HK\$2,303 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2020 and 31 December 2019, no bank facilities were utilized. The Group borrowed approximately Euro 1.0 million (approximately HK\$8.9 million as at 30 June 2020) collateralized by a portion of the investment portfolio, to hedge its Euro exposure.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2020, the Company repurchased 115,000 of its shares on The Stock Exchange of Hong Kong Limited. Among the 115,000 repurchased shares, 104,000 shares were cancelled during the six months ended 30 June 2020 and 11,000 shares were cancelled in July 2020. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

<i>Month of repurchase</i>	<i>Number of shares purchased</i>	<i>Price per share</i>		<i>Aggregate price HK\$</i>
		<i>Highest HK\$</i>	<i>Lowest HK\$</i>	
2020				
March	54,000	46.00	45.00	2,457,950
April	24,000	44.90	44.90	1,077,600
May	26,000	44.60	42.60	1,142,250
June	11,000	42.00	42.00	462,000
	<u>115,000</u>			<u>5,139,800</u>

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, 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:

<i>Name</i>	<i>Shares of HK\$0.10 each of the Company</i>				<i>% of issued share capital</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total</i>	
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	47.22%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	6.55%
Rudolf Bischof	150,000	–	–	150,000	0.44%
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 2020, 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)	16.00%

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 2020 (2019: 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.

Change in Director's Information under Rule 13.51B(1) of Listing Rules

Mr. Lincoln C.K. Yung, the Deputy Managing Director of the Company, was appointed as the Audit Committee Member of Tai Ping Carpets International Limited in May 2020.

Mr. John Con-sing Yung, the Non-executive Director of the Company, was appointed as Senior Executive Vice President of The Shanghai Commercial & Savings Bank, Ltd. in March 2020. Besides the Bank's overseas expansion, he is also responsible to oversee the risk, compliance, legal and operations of the Bank.

Saved as disclosed above, there is no other change to Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2020, 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 2020.

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 2020 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2020 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 2020**

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	6	140,565	127,982
Other (losses)/income	6	(28,330)	34,070
Revenue and other (losses)/income	6	112,235	162,052
Direct costs		(8,000)	(8,096)
Gross profit		104,235	153,956
Administrative expenses		(21,293)	(21,447)
Other operating expenses, net		(529)	(463)
Changes in fair value of investment properties		(10,800)	18,571
Operating profit	7	71,613	150,617
Finance income	8	61	605
Finance expense	8	(136)	(129)
Share of (losses)/profits of joint ventures		(5,975)	5,545
Profit before income tax		65,563	156,638
Income tax expense	9	(22,778)	(18,499)
Profit attributable to equity holders of the Company		42,785	138,139
Earnings per share (basic and diluted)	10	HK\$1.24	HK\$4.01

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Profit for the period	42,785	138,139
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of joint ventures accounted for under equity method	(1,868)	(129)
Currency translation differences	(13,402)	(4,597)
Items that may not be reclassified subsequently to profit or loss		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	(248,926)	631,691
Other comprehensive income for the period, net of tax	(264,196)	626,965
Total comprehensive income for the period attributable to equity holders of the Company	(221,411)	765,104

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	183	213
Right-of-use assets		8,038	10,511
Investment properties	13	2,456,700	2,467,500
Investments in joint ventures		100,656	108,499
Financial assets at fair value through other comprehensive income	14	2,103,754	2,364,390
Non-current financial assets at fair value through profit or loss	16	4,877	4,606
		4,674,208	4,955,719
Current assets			
Trade and other receivables	15	104,988	10,772
Financial assets at fair value through profit or loss	16	335,787	366,768
Cash and bank balances			
– Pledged bank deposits		8,617	10,624
– Cash and cash equivalents		39,906	80,874
		489,298	469,038
Total assets		5,163,506	5,424,757
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	3,437	3,448
Other reserves		1,769,733	2,033,918
Retained profits		3,273,870	3,284,347
Total equity		5,047,040	5,321,713
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,043	5,454
Deferred income tax liabilities	18	26,195	25,451
Other non-current liability		1,173	1,163
		30,411	32,068
Current liabilities			
Trade and other payables	19	50,472	53,315
Current income tax liabilities		21,902	4,027
Short-term borrowing	20	8,882	8,877
Lease liabilities		4,799	4,757
		86,055	70,976
Total liabilities		116,466	103,044
Total equity and liabilities		5,163,506	5,424,757

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six months ended 30 June 2020			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	3,448	2,033,918	3,284,347	5,321,713
Profit for the period	–	–	42,785	42,785
Other comprehensive income for the period	–	(264,196)	–	(264,196)
Total comprehensive income for the period	–	(264,196)	42,785	(221,411)
Transactions with owners, recognised directly in equity:				
Dividends relating to 2019 paid in June 2020 (Note 11)	–	–	(48,122)	(48,122)
Shares repurchased and cancelled	(11)	11	(4,678)	(4,678)
Shares repurchased but not yet cancelled	–	–	(462)	(462)
	(11)	11	(53,262)	(53,262)
Balance at 30 June 2020	3,437	1,769,733	3,273,870	5,047,040

	Six months ended 30 June 2019			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	3,448	1,471,922	3,272,585	4,747,955
Profit for the period	–	–	138,139	138,139
Other comprehensive income for the period	–	626,965	–	626,965
Total comprehensive income for the period	–	626,965	138,139	765,104
Transactions with owners, recognised directly in equity:				
Dividends relating to 2018 paid in June 2019 (Note 11)	–	–	(48,267)	(48,267)
Balance at 30 June 2019	3,448	2,098,887	3,362,457	5,464,792

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows generated from/(used in) operating activities	12,737	(5,652)
Net cash inflows from investing activities	61	605
Cash flows from financing activities		
Dividends paid	(48,122)	(48,267)
Repurchase of own shares	(5,140)	–
Repayment of short-term borrowings	–	(55)
Principal elements of lease payments	(2,369)	(1,135)
Decrease in pledged bank deposits	2,007	2,800
Other cash outflows from financing activities, net	(37)	(34)
Net cash outflows from financing activities	(53,661)	(46,691)
Net decrease in cash and cash equivalents	(40,863)	(51,738)
Cash and cash equivalents at 1 January	80,874	164,620
Currency translation difference	(105)	(206)
Cash and cash equivalents at 30 June	39,906	112,676
Analysis of cash and cash equivalents		
Cash and bank balances	39,906	112,676

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 27 August 2020.

2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2020 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 2019 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 2019 annual financial statements, except for the adoption of the amendments to standards effective for the year ending 31 December 2020.

(a) Amendments to standards effective in current accounting period

During the period ended 30 June 2020, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2020:

HKAS 1 and 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of 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 and amendments to standards that are not yet effective and have not been early adopted by the Group*

The following new standard and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts ⁽³⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽⁵⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽³⁾
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use ⁽²⁾
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ⁽²⁾
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle ⁽²⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 June 2020

⁽²⁾ Effective for accounting periods beginning on or after 1 January 2022

⁽³⁾ Effective for accounting periods beginning on or after 1 January 2023

⁽⁴⁾ Effective date is to be determined

⁽⁵⁾ Effective for business combinations for which the acquisition date is on or after the beginning of the first accounting periods beginning on or after 1 January 2022

The Group has already commenced an assessment of the impact of the above new standard and amendments to standards and does not expect that they would have any significant impact to its results of operations and financial position.

4 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, 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 2019.

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 2020. See Note 13 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				
Non-current financial assets at fair value through profit or loss	–	–	4,877	4,877
Current financial assets at fair value through profit or loss	222,277	67,069	46,441	335,787
Financial assets at fair value through other comprehensive income	2,103,754	–	–	2,103,754
Total assets	2,326,031	67,069	51,318	2,444,418

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Non-current financial assets at fair value through profit or loss	–	–	4,606	4,606
Current financial assets at fair value through profit or loss	240,277	16,183	110,308	366,768
Financial assets at fair value through other comprehensive income	2,364,390	–	–	2,364,390
Total assets	2,604,667	16,183	114,914	2,735,764

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 2019.

6 Revenue and other (losses)/income 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 (losses)/income represents net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss. Revenue and other (losses)/income recognised during the period comprises the following:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue		
Gross rental income from investment properties	38,369	37,752
Investment income from financial assets at fair value through profit or loss	1,514	2,287
Dividend income from financial assets at fair value through other comprehensive income	94,462	81,718
Management fee income from investment properties	5,882	5,968
Other	338	257
	<u>140,565</u>	<u>127,982</u>
Other (losses)/income		
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	<u>(28,330)</u>	<u>34,070</u>
Revenue and other (losses)/income	<u>112,235</u>	<u>162,052</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 (losses)/income and segment information *(Continued)*

The segment results for the six months ended 30 June 2020 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other (losses)/income	<u>44,251</u>	<u>67,984</u>	<u>112,235</u>
Segment result	6,817	64,796	71,613
Finance income			61
Finance expense			(136)
Share of losses of joint ventures	(5,975)	–	<u>(5,975)</u>
Profit before income tax			65,563
Income tax expense			<u>(22,778)</u>
Profit attributable to equity holders of the Company			<u>42,785</u>
Other items			
Depreciation of property, plant and equipment	(18)	(12)	(30)
Fair value losses on investment properties	<u>(10,800)</u>	–	<u>(10,800)</u>

Note: Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$2,473,000 was recognised for the six months ended 30 June 2020.

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

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

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

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.

6 Revenue and other (losses)/income 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 2020 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,457,209	2,597,603	5,054,812
Right-of-use assets			8,038
Investments in joint ventures	100,656	–	100,656
			<u>5,163,506</u>
Segment liabilities	48,246	24,128	72,374
Unallocated liabilities			44,092
			<u>116,466</u>

The segment assets and liabilities as at 31 December 2019 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,467,567	2,838,180	5,305,747
Right-of-use assets			10,511
Investments in joint ventures	108,499	–	108,499
			<u>5,424,757</u>
Segment liabilities	53,942	3,400	57,342
Unallocated liabilities			45,702
			<u>103,044</u>

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

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	44,545	51,095
United States of America	(12,548)	10,700
Europe	(9,761)	16,095
Taiwan	94,462	81,718
Other countries	(4,463)	2,444
	<u>112,235</u>	<u>162,052</u>

At 30 June 2020, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
	Hong Kong	2,464,787
Mainland China	<u>100,790</u>	<u>108,645</u>
	<u>2,565,577</u>	<u>2,586,723</u>

7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Depreciation of property, plant and equipment	30	45
Depreciation of right-of-use assets	2,473	1,855
Short-term lease expenses	–	403
Employee benefit expense (including directors' emoluments)	14,487	14,499
Management fee expense in respect of investment properties	<u>5,507</u>	<u>5,583</u>

8 Finance income/(expense)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Finance income		
Net exchange gain on financing activities	–	63
Bank interest income	<u>61</u>	<u>542</u>
	61	605
Finance expense		
Interest expense on short-term borrowing	(37)	(34)
Interest expense on lease liabilities and other non-current liability	(88)	(95)
Net exchange loss on financing activities	<u>(11)</u>	<u>–</u>
	(136)	(129)

9 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2019: 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	
	2020 HK\$'000	2019 HK\$'000
Current income tax		
– Hong Kong profits tax	2,197	2,148
– Withholding tax	19,837	17,160
Deferred income tax	<u>744</u>	<u>(809)</u>
	22,778	18,499

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	
	2020	2019
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	<u>42,785</u>	<u>138,139</u>
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	<u>34,433</u>	<u>34,477</u>
Earnings per share (HK\$)		
Basic and diluted (Note)	<u>1.24</u>	<u>4.01</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	
	2020	2019
	HK\$'000	HK\$'000
2019 final dividend paid of HK\$0.70 (2019: 2018 final dividend paid of HK\$0.70) per share	24,061	24,133
2019 special dividend paid of HK\$0.70 (2019: 2018 special dividend paid of HK\$0.70) per share	<u>24,061</u>	<u>24,134</u>
	<u>48,122</u>	<u>48,267</u>

The Directors have not declared an interim dividend for the six months ended 30 June 2020 (2019: Nil).

12 Property, plant and equipment

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Property, plant and equipment	183	213

Movement during the period is set out below:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net book amount as at 1 January	213	296
Depreciation	(30)	(45)
Net book amount as at 30 June	183	251

13 Investment properties

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Investment properties	2,456,700	2,467,500

Movement during the period is set out below:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
At fair value		
Balance at 1 January	2,467,500	2,553,230
Additions	–	9,029
Fair value changes	(10,800)	18,571
Balance at 30 June	2,456,700	2,580,830

The Group's investment properties with an aggregate carrying value of HK\$2,298,000,000 (31 December 2019: HK\$2,303,000,000) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2020 and 31 December 2019, 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 2020. 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 2020, 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 2020 HK\$'000	31 December 2019 HK\$'000			
Commercial	2,347,000	2,356,000	Direct comparison	Average unit rate – HK\$6,840 – HK\$13,179 per square feet (31 December 2019: HK\$6,857 – HK\$14,255 per square feet) Carpark: HK\$1,530,000 – HK\$2,050,000 per unit (31 December 2019: HK\$1,530,000 – HK\$2,050,000 per unit)	The higher the unit price, the higher the fair value
Industrial	109,700	111,500	Direct comparison	Average unit rate – HK\$2,597 per square feet (31 December 2019: HK\$2,640 per square feet) Carpark: HK\$540,000 – HK\$650,000 per unit (31 December 2019: HK\$540,000 – HK\$650,000 per unit)	The higher the unit price, the higher the fair value
	<u>2,456,700</u>	<u>2,467,500</u>			

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 Trade and other receivables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables (Note a)	460	941
Other receivables, prepayments and deposits	8,658	8,273
Dividend receivables	94,462	–
Amounts due from joint ventures (Note b)	1,408	1,558
	<u>104,988</u>	<u>10,772</u>

Notes:

- (a) The Group does not grant any credit period to its customers. At 30 June 2020, the aging analysis of the trade receivables were as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 30 days	301	941
31–60 days	110	–
61–90 days	49	–
	<u>460</u>	<u>941</u>

- (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\$139,169,000 (31 December 2019: HK\$146,538,000) together with the bank deposit of HK\$8,617,000 (31 December 2019: HK\$10,624,000) have been pledged to the short-term borrowing.

17 Share capital

	Number of shares	Amount HK\$'000
Ordinary share, issued and fully paid:		
At 1 January 2020	34,476,738	3,448
Shares repurchased and cancelled	<u>(104,000)</u>	<u>(11)</u>
At 30 June 2020	<u>34,372,738</u>	<u>3,437</u>
At 1 January 2019 and 30 June 2019	<u>34,476,738</u>	<u>3,448</u>

During the period ended 30 June 2020, the Company repurchased a total of 115,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited at an aggregate price of HK\$5,140,000, in which 104,000 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of the cancelled shares accordingly. The remaining 11,000 shares were subsequently cancelled in July 2020. These 11,000 shares were recognised as treasury shares at 30 June 2020. The premium paid and payable on repurchase was charged against the retained profits of the Company. An amount equivalent to the nominal value of the shares cancelled 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.

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Deferred income tax liabilities		
– to be settled after more than 12 months	<u>(26,195)</u>	<u>(25,451)</u>

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Balance at 1 January	(25,451)	(25,213)
Charged to the consolidated income statement (Note 9)	<u>(744)</u>	<u>(238)</u>
Balance at 30 June	<u>(26,195)</u>	<u>(25,451)</u>

18 Deferred income tax (Continued)

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	
	2020 HK\$'000	2019 HK\$'000
Balance at 1 January	(25,451)	(25,213)
(Charged)/credited to the consolidated income statement	(744)	809
Balance at 30 June	<u>(26,195)</u>	<u>(24,404)</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\$523,000 (31 December 2019: HK\$413,000) in respect of tax losses amounting to HK\$3,172,000 (31 December 2019: HK\$2,500,000). These tax losses have no expiry date.

19 Trade and other payables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
	Trade payables	3,401
Rental and management fee deposits	19,047	19,214
Other payables and accruals	28,024	30,649
	<u>50,472</u>	<u>53,315</u>

At 30 June 2020, the aging analysis of trade payables were as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
	Within 30 days	<u>3,401</u>

20 Short-term borrowing

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Secured borrowing from a financial institution (Note)	<u>8,882</u>	<u>8,877</u>

Notes:

- (a) The borrowing had an effective interest rate of 0.85% per annum at 30 June 2020 (31 December 2019: 0.76% 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 2020 and 31 December 2019, 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	
	2020	2019
	HK\$'000	HK\$'000
Salaries and other employee benefits	10,717	10,819
Post-employment benefits	36	36
	<u>10,753</u>	<u>10,855</u>

(b) Related party balances

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Amounts due from joint ventures	<u>1,408</u>	<u>1,558</u>

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 27 August 2020