



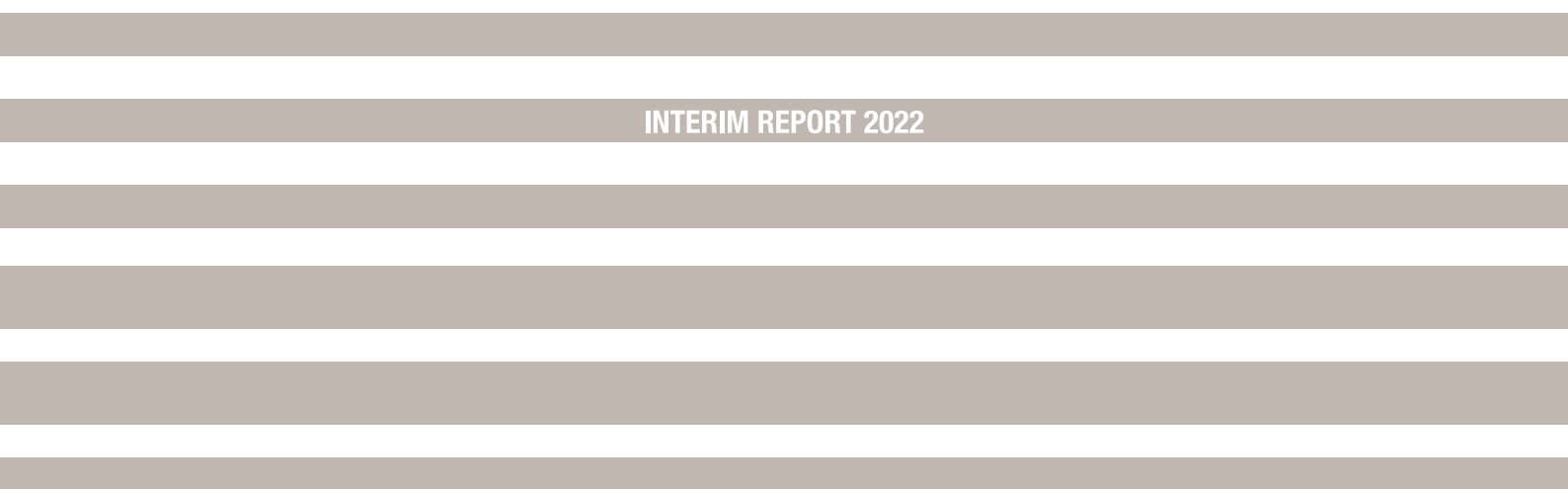
# Nanyang Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 212



INTERIM REPORT 2022



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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 Six months ended 30 June		Variance
	2022 HK\$'000	2021 HK\$'000	
Revenue and other (losses)/income	<b>55,552</b>	161,767	(66%)
(Loss)/profit attributable to equity holders of the Company	<b>(10,314)</b>	152,140	(107%)
Profit attributable to equity holders of the Company after excluding: – changes in fair value of investment properties and related tax effects	<b>21,819</b>	(40,043)	(154%)
	<b>11,505</b>	112,097	(90%)
(Loss)/earnings per share	<b>HK\$(0.30)</b>	HK\$4.45	(107%)
Earnings per share – after excluding the changes in fair value of investment properties and related tax effects	<b>HK\$0.34</b>	HK\$3.28	(90%)

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that the unaudited Group results for the six months ended 30 June 2022 showed a loss attributable to equity holders of HK\$10.3 million (2021: profit of HK\$152.1 million). The current period’s loss includes net realised and unrealised losses and investment income from financial assets at fair value through profit or loss of approximately HK\$68.3 million, the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2021 earnings, of approximately HK\$65.7 million (after netting 21% withholding tax), and the net fair value losses of investment properties (including those owned by joint ventures) of HK\$21.8 million (2021: gain of HK\$40 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\$11.5 million (2021: profit of HK\$112.1 million). Loss per share was HK\$0.30 (2021: earnings per share were HK\$4.45). 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\$0.34 (2021: HK\$3.28). During this period, total comprehensive income increased by HK\$106.7 million. This is due mainly to the Group’s holding of SCSB shares, whose share price increased to NT\$53.10 as at 30 June 2022 (31/12/21: NT\$47.25).

## **Business Review and Prospects**

### **Real Estate**

#### *Hong Kong*

The local economy continued to be affected by measures taken to control the coronavirus. Leasing activities at our building, Nanyang Plaza, in Kwun Tong, remained very sluggish. New rentals almost came to a halt and we reduced rental rates at renewals and offered rental concessions to existing tenants. Our anchor tenant, since 1996, occupying 43,000 sq.ft. or approximately 14.9% of the space, has decided to vacate the premises when the existing lease expires at the end of the year. We have commenced actively marketing the space. Of the 290,000 sq.ft. of industrial/office space that the Group holds, 89.1% is presently leased. With the new quarantine measures announced by the Government recently, hopefully the economy will open up slowly, which should enhance leasing activities.

#### *Shanghai*

Sung Nan’s land use right and joint venture term expired on 31 May 2022, even though the business licence was extended to 31 May 2042. We are discussing with our Chinese Partner the operation of the joint-venture at the same site, however, it is necessary to resolve first the land issue. Business at Shanghai, which was under lockdown in April and May, has slowly returned to normal.

#### *Shenzhen*

Earnings at Southern Textile Company Limited, the joint venture of which the Group owns 45%, was satisfactory despite rental concessions granted to tenants due to the lockdown for a week at the end of March. Business of the retail tenants, occupying the ground and first floors, however, did not recover.

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

### **Financial Investments**

Since the beginning of 2022, global equity markets have been volatile. They were affected by increases in interest rates to curb inflation, geopolitical tensions, the war between Russia and Ukraine, higher energy and commodity prices and the continued efforts by the Chinese government to contain the pandemic which affected the global supply chain. During this period, we decreased investments in U.S., China and Japan equities. For the six months ended 30 June 2022, the investment portfolios, including cash held in the portfolios, decreased by 16.4%. This has to be seen in the context of the decline of 21.2% of the MSCI Global Equity Index during the same period. Financial assets at fair value through profit or loss, classified as current assets, totalled HK\$361.7 million. This represented approximately 6.4% of the total assets of the Group. They were well diversified and comprised approximately 400 individual holdings. The Group recorded net realised and unrealised fair value losses of HK\$69.4 million and investment income of HK\$1.1 million. Equities comprised approximately 75.6% (of which U.S. 44%; European 17%; Japanese 4%; Asia ex-Japan 22% and Emerging Markets 13%), bonds 15.3% (of which U.S. 84%; European 7%; Emerging Markets 3% and others 6%), commodities 3.0% and cash 6.1%.

Going forward, rising interest rates to clamp down inflation, elevated energy prices, the war in Ukraine, tension between the United States and China, and policies taken to contain the pandemic in China will all create uncertainty in the markets. The performance of the portfolios improved further to early August. We further decreased investment in China equities and increased holdings in short-term investment grade bonds. Year-to-date the portfolios decreased by HK\$58 million, a drop of 13.45%, and the value, including cash, stood at approximately US\$48.7 million or HK\$382.3 million. For the rest of the year, we will remain cautious and will be on the lookout for any sudden changes in the markets.

The Group has an investment in a licensed bank in Taiwan, The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”), a company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange Corporation (Stock Code: 5876). The Group holds 177,568,191 shares representing approximately 4% of the total issued share capital of SCSB. This investment of HK\$2,454 million has been classified under non-current assets as financial assets at fair value through other comprehensive income (representing approximately 43.6% of the total assets of the Group) and there is no intention to dispose of the investment within 12 months of this report date. The Group received a net cash dividend of approximately HK\$65.7 million from SCSB’s 2021 earnings. (2021: received approximately HK\$66.1 million from SCSB’s 2020 earnings.)

On 13 August 2022, SCSB announced a Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares were offered for subscription. 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares issued under the SCSB Share Offer, will be offered to the existing shareholders of SCSB. Details of the SCSB Share Offer including the offer price and the timetable has yet to be announced. The Company will make further announcement(s) and keep the shareholders and the potential investors informed of any further development on the above matter and comply with the applicable Listing Rules as and when appropriate. Further details on the SCSB Share Offer can be found in the announcement made by SCSB as published on the website <https://mops.twse.com.tw/>.

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

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

Presently SCSB has 72 branches in Taiwan, one each in Hong Kong, Vietnam, Singapore and Wuxi, China. They also have three representative offices, in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. Completion of its headquarters in Taipei is expected to be sometime next year. SCSB 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 2022 was approximately NT\$7,257 million (2021 same period: net profit of approximately NT\$7,304 million). Total audited equity attributable to owners of SCSB at 30 June 2022 was approximately NT\$149,005 million (31/12/2021: approximately NT\$157,802 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 carrying value of HK\$2,312 million (31/12/2021: HK\$2,334 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2022 and 31 December 2021, no bank facilities were utilized. Debt to equity ratio increased from 0.01% as at 31 December 2021 to 0.16% as at 30 June 2022. Debt was represented by lease liabilities, equity was total equity of the Group. At the end of the period, the Group had net current assets of HK\$508 million (31/12/2021: HK\$547.7 million).

### **Purchase, Sale or Redemption of Shares**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the period.

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

As at 30 June 2022, 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 (Note 1)	10,584,090	147,854	5,500,000 (Note 2)	16,231,944	47.79%
Lincoln C. K. Yung	2,260,000	10,000	–	2,270,000	6.68%
Rudolf Bischof	150,000	–	–	150,000	0.44%
John Con-sing Yung	33,000	37,000	–	70,000	0.21%

Notes:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. 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 2022, 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:

	Number of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	16.19%

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 12 employees as at 30 June 2022 (2021: 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.

Thanks to all the staff for their loyalty and support during this past period as the Company was able to operate with daily attendance. Our prime interest has always been to ensure the wellbeing and health of our staff. We provided hand sanitizers and COVID-19 self-test kits for daily testing to all the staff who worked at the office. Also, in order to encourage employees to receive the COVID-19 vaccination, the Company grants them one day leave for each vaccination dosage received.

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

Mr. Lincoln Yung, the Managing Director of the Company, was appointed as the Treasurer of Merry Company Inc. on 20 May 2022. Mr. Yung was appointed as the Director of Peninsular Yarn and Fabric Merchandising Limited on 27 June 2022. He was also appointed as the President and ceased to be Treasurer of Cottage Investments Co. S.A. on 27 June 2022. With effective from 15 June 2022, Mr. Yung was appointed as the Honorary Adviser of Federation of HK Jiangsu Community Organisations Ltd.

Mr. John Con-sing Yung, the Non-Executive Director of the Company, was appointed as the Director of Mepal International Limited, East Coast Investments Limited and Velden Limited on 27 June 2022. Mr. Yung was also appointed as the Director and Treasurer of Cottage Investments Co. S.A. on 27 June 2022.

Mr. Wong Chi Kwong Patrick, the Independent Non-Executive Director, ceased to be the Council Member of Lingnan University on 31 July 2022.

Ms. Jennie Chen, the Executive Director and the Financial Controller of the Company, was appointed as the Director of Peninsular Inc., and the Director and Secretary of Merry Company Inc. on 20 May 2022. Ms. Chen was also appointed as a Director of Culvert Investments Limited, Nanyang Cotton Mill Limited and Highriver Estates Limited on 27 June 2022.

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**

With effect from 1 January 2022, the structure of Appendix 14 to the Listing Rules has been updated and renamed as the Corporate Governance Code. The provisions of the updated Corporate Governance Code are applicable to financial year commencing on or after 1 January 2022 and so will be fully complied with in the Company's 2022 Annual Report.

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 2022, in compliance with the code provisions of the Corporate Governance Code 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 2022.

### **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 2022 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2022 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 2022**

	Note	Six months ended 30 June	
		<b>2022</b>	2021
		<b>HK\$'000</b>	HK\$'000
Revenue	6	<b>125,023</b>	125,751
Other (losses)/income	6	<b>(69,471)</b>	36,016
Revenue and other (losses)/income	6	<b>55,552</b>	161,767
Direct costs		<b>(8,650)</b>	(8,386)
Gross profit		<b>46,902</b>	153,381
Administrative expenses		<b>(18,520)</b>	(22,631)
Other operating expenses, net		<b>(648)</b>	(773)
Changes in fair value of investment properties		<b>(16,159)</b>	38,400
Operating profit	7	<b>11,575</b>	168,377
Finance income	8	<b>164</b>	59
Finance expense	8	<b>(101)</b>	(46)
Share of (losses)/profits of joint ventures		<b>(1,986)</b>	3,438
Profit before income tax		<b>9,652</b>	171,828
Income tax expense	9	<b>(19,966)</b>	(19,688)
(Loss)/profit attributable to equity holders of the Company		<b>(10,314)</b>	152,140
(Loss)/earnings per share (basic and diluted)	10	<b>HK\$(0.30)</b>	HK\$4.45

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Six months ended 30 June	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(10,314)</b>	152,140
<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	<b>(3,943)</b>	725
Currency translation differences	<b>17,352</b>	3,230
Items that may not be reclassified subsequently to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	<b>103,600</b>	219,997
<b>Other comprehensive income for the period, net of tax</b>	<b>117,009</b>	223,952
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>106,695</b>	376,092

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2022**

	Note	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	155	177
Right-of-use assets		9,177	619
Investment properties	13	2,483,000	2,499,000
Investments in joint ventures	14	94,083	99,987
Financial assets at fair value through other comprehensive income	15	2,457,226	2,338,897
Non-current financial assets at fair value through profit or loss	17	9,880	9,242
		<u>5,053,521</u>	<u>4,947,922</u>
<b>Current assets</b>			
Trade and other receivables	16	92,775	9,858
Financial assets at fair value through profit or loss	17	361,699	446,161
Tax recoverable		-	1,174
Cash and bank balances		7,692	4,606
- Pledged bank deposits		119,884	143,819
		<u>582,050</u>	<u>605,618</u>
<b>Total assets</b>		<u><b>5,635,571</b></u>	<u>5,553,540</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	18	3,397	3,397
Other reserves		2,136,059	2,019,050
Retained profits		3,386,623	3,444,492
<b>Total equity</b>		<u><b>5,526,079</b></u>	<u>5,466,939</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		5,713	-
Deferred income tax liabilities	19	28,199	27,520
Other non-current liability		1,490	1,205
		<u>35,402</u>	<u>28,725</u>
<b>Current liabilities</b>			
Trade and other payables	20	52,582	57,265
Current income tax liabilities		18,113	-
Lease liabilities		3,395	611
		<u>74,090</u>	<u>57,876</u>
<b>Total liabilities</b>		<u><b>109,492</b></u>	<u>86,601</u>
<b>Total equity and liabilities</b>		<u><b>5,635,571</b></u>	<u>5,553,540</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Six months ended 30 June 2022			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2022</b>	3,397	2,019,050	3,444,492	5,466,939
Loss for the period	-	-	(10,314)	(10,314)
Other comprehensive income for the period	-	117,009	-	117,009
<b>Total comprehensive income for the period</b>	-	117,009	(10,314)	106,695
<b>Transactions with owners, recognised directly in equity:</b>				
Dividends relating to 2021 paid in June 2022 (Note 11)	-	-	(47,555)	(47,555)
	-	-	(47,555)	(47,555)
<b>Balance at 30 June 2022</b>	<b>3,397</b>	<b>2,136,059</b>	<b>3,386,623</b>	<b>5,526,079</b>
	Six months ended 30 June 2021			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2021</b>	3,419	1,665,106	3,310,383	4,978,908
Profit for the period	-	-	152,140	152,140
Other comprehensive income for the period	-	223,952	-	223,952
<b>Total comprehensive income for the period</b>	-	223,952	152,140	376,092
<b>Transactions with owners, recognised directly in equity:</b>				
Dividends relating to 2020 paid in June 2021 (Note 11)	-	-	(47,781)	(47,781)
Shares repurchased and cancelled	(6)	6	(2,300)	(2,300)
	(6)	6	(50,081)	(50,081)
<b>Balance at 30 June 2021</b>	<b>3,413</b>	<b>1,889,064</b>	<b>3,412,442</b>	<b>5,304,919</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Six months ended 30 June	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Net cash inflows/(outflows) from operating activities</b>	<b>28,247</b>	(3,451)
<b>Net cash inflows/(outflows) from investing activities</b>	<b>5</b>	(26)
<b>Cash flows from financing activities</b>		
Dividends paid	(47,555)	(47,781)
Repurchase of own shares	-	(2,300)
Principal elements of lease payments	(1,712)	(2,411)
Increase in pledged bank deposits	(3,086)	(1,564)
<b>Net cash outflows from financing activities</b>	<b>(52,353)</b>	(54,056)
<b>Net decrease in cash and cash equivalents</b>	<b>(24,101)</b>	(57,533)
<b>Cash and cash equivalents at 1 January</b>	<b>143,819</b>	123,243
<b>Currency translation difference</b>	<b>166</b>	32
<b>Cash and cash equivalents at 30 June</b>	<b>119,884</b>	65,742
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	<b>119,884</b>	65,742

# 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 30 August 2022.

## 2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2022 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 2021 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 2021 annual financial statements, except for the adoption of the amendments to standards effective for the year ending 31 December 2022.

### *(a) Amendments to standards effective in current accounting period*

During the period ended 30 June 2022, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession beyond 30 June 2021
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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, amendments to standards and interpretation that are not yet effective and have not been early adopted by the Group*

The following new standard, amendments to standards and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or in later periods but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts <sup>(1)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(2)</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>(1)</sup>
HKAS 1 (Amendments)	Disclosure of Accounting Policies <sup>(1)</sup>
HKAS 8 (Amendments)	Definition of Accounting Estimates <sup>(1)</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(1)</sup>
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(1)</sup>

<sup>(1)</sup> Effective for accounting periods beginning on or after 1 January 2023

<sup>(2)</sup> Effective date is to be determined

The Group has already commenced an assessment of the impact of the above new standard, amendments to standards and interpretation 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 2021.

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 2022. 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
<b>Assets</b>				
Non-current financial assets at fair value through profit or loss	-	-	9,880	9,880
Current financial assets at fair value through profit or loss	215,406	122,837	23,456	361,699
Financial assets at fair value through other comprehensive income	2,457,226	-	-	2,457,226
<b>Total assets</b>	<b>2,672,632</b>	<b>122,837</b>	<b>33,336</b>	<b>2,828,805</b>

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Non-current financial assets at fair value through profit or loss	-	-	9,242	9,242
Current financial assets at fair value through profit or loss	279,645	134,045	32,471	446,161
Financial assets at fair value through other comprehensive income	2,338,897	-	-	2,338,897
<b>Total assets</b>	<b>2,618,542</b>	<b>134,045</b>	<b>41,713</b>	<b>2,794,300</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 2021.

## 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	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Gross rental income from investment properties	34,660	35,772
Investment income from financial assets at fair value through profit or loss	1,133	1,058
Dividend income from financial assets at fair value through other comprehensive income	83,198	82,952
Management fee income from investment properties	5,624	5,567
Other	408	402
	<u>125,023</u>	<u>125,751</u>
Other (losses)/income		
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(69,471)	36,016
Revenue and other (losses)/income	<u>55,552</u>	<u>161,767</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 2022 are as follows:

	<b>Real estate HK\$'000</b>	<b>Financial investments HK\$'000</b>	<b>Total HK\$'000</b>
Revenue and other (losses)/ income	<u>40,284</u>	<u>15,268</u>	<u>55,552</u>
Segment result	<b>34</b>	<b>11,541</b>	<b>11,575</b>
Finance income			<b>164</b>
Finance expense			<b>(101)</b>
Share of losses of joint ventures	<b>(1,986)</b>	-	<u><b>(1,986)</b></u>
Profit before income tax			<b>9,652</b>
Income tax expense			<u><b>(19,966)</b></u>
Loss attributable to equity holders of the Company			<u><b>(10,314)</b></u>
Other items			
Depreciation of property, plant and equipment	<b>(11)</b>	<b>(11)</b>	<b>(22)</b>
Net fair value losses on investment properties	<u><b>(16,159)</b></u>	<u>-</u>	<u><b>(16,159)</b></u>

Note: Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$1,930,000 was recognised for the six months ended 30 June 2022.

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

The segment results for the six months ended 30 June 2021 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income/ (losses)	41,339	120,428	161,767
Segment result	51,420	116,957	168,377
Finance income			59
Finance expense			(46)
Share of profits of joint ventures	3,438	–	3,438
Profit before income tax			171,828
Income tax expense			(19,688)
Profit attributable to equity holders of the Company			152,140
Other items			
Depreciation of property, plant and equipment	(26)	(11)	(37)
Fair value gains on investment properties	38,400	–	38,400

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 2021.

## 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 and other non-current liability which are managed on a central basis.

The segment assets and liabilities as at 30 June 2022 are as follows:

	<b>Real estate HK\$'000</b>	<b>Financial investments HK\$'000</b>	<b>Total HK\$'000</b>
Segment assets	<b>2,491,068</b>	<b>3,041,243</b>	<b>5,532,311</b>
Right-of-use assets			<b>9,177</b>
Investments in joint ventures	<b>94,083</b>	–	<b>94,083</b>
			<b><u>5,635,571</u></b>
Segment liabilities	<b>48,301</b>	<b>22,394</b>	<b>70,695</b>
Unallocated liabilities			<b>38,797</b>
			<b><u>109,492</u></b>

The segment assets and liabilities as at 31 December 2021 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,506,929	2,946,005	5,452,934
Right-of-use assets			619
Investments in joint ventures	99,987	–	99,987
			<b><u>5,553,540</u></b>
Segment liabilities	52,901	4,364	57,265
Unallocated liabilities			29,336
			<b><u>86,601</u></b>

## 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	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	32,502	44,044
United States of America	(23,975)	13,937
Europe	(28,793)	14,501
Taiwan	83,198	82,952
Other countries	(7,380)	6,333
	<u>55,552</u>	<u>161,767</u>

At 30 June 2022, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	2,492,241	2,499,694
Mainland China	94,174	100,089
	<u>2,586,415</u>	<u>2,599,783</u>

## 7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	22	37
Depreciation of right-of-use assets	1,930	2,473
Employee benefit expense (including directors' emoluments)	11,873	15,161
Management fee expense in respect of investment properties	5,934	5,934
	<u>5,934</u>	<u>5,934</u>

## 8 Finance income/(expense)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Finance income</b>		
Bank interest income	<u>164</u>	<u>59</u>
<b>Finance expense</b>		
Interest expense on lease liabilities and other non-current liability	<u>(101)</u>	<u>(46)</u>

## 9 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,815	1,453
– Withholding tax	17,472	17,420
Deferred income tax	<u>679</u>	<u>815</u>
	<u>19,966</u>	<u>19,688</u>



## 10 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2022	2021
<b>(Loss)/earnings (HK\$'000)</b>		
(Loss)/profit attributable to equity holders of the Company	<u>(10,314)</u>	<u>152,140</u>
<b>Number of shares (thousands)</b>		
Weighted average number of ordinary shares in issue	<u>33,968</u>	<u>34,159</u>
<b>(Loss)/earnings per share (HK\$)</b>		
Basic and diluted (Note)	<u>(0.30)</u>	<u>4.45</u>

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

## 11 Dividends

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
2021 final dividend paid of HK\$0.70 (2021: 2020 final dividend paid of HK\$0.70) per share	<u>23,778</u>	<u>23,891</u>
2021 special dividend paid of HK\$0.70 (2021: 2020 special dividend paid of HK\$0.70) per share	<u>23,777</u>	<u>23,890</u>
	<u>47,555</u>	<u>47,781</u>

The Directors have not declared an interim dividend for the six months ended 30 June 2022 (2021: Nil).

## 12 Property, plant and equipment

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Property, plant and equipment	<b>155</b>	177

Movement during the period is set out below:

	Six months ended 30 June	
	<b>2022 HK\$'000</b>	2021 HK\$'000
Net book amount as at 1 January	177	162
Addition	-	85
Depreciation	<b>(22)</b>	(37)
Net book amount as at 30 June	<b>155</b>	210

## 13 Investment properties

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Investment properties	<b>2,483,000</b>	2,499,000

Movement during the period is set out below:

	Six months ended 30 June	
	<b>2022 HK\$'000</b>	2021 HK\$'000
<b>At fair value</b>		
Balance at 1 January	<b>2,499,000</b>	2,431,900
Addition	<b>159</b>	-
Fair value changes	<b>(16,159)</b>	38,400
Balance at 30 June	<b>2,483,000</b>	2,470,300

The Group's investment properties with an aggregate carrying value of HK\$2,312,000,000 (31 December 2021: HK\$2,334,000,000) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2022 and 31 December 2021, 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 2022. 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 been 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 2022, all investment properties are included in level 3 fair value hierarchy.

There were no changes in 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 2022 HK\$'000	31 December 2021 HK\$'000			
Commercial	2,359,000	2,385,000	Direct comparison	Average unit rate – HK\$6,750 – HK\$12,641 per square feet (31 December 2021: HK\$6,856 – HK\$13,717 per square feet)  Carpark: HK\$1,720,000 – HK\$2,320,000 per unit (31 December 2021: HK\$1,680,000 – HK\$2,250,000 per unit)	The higher the unit price, the higher the fair value
Industrial	124,000	114,000	Direct comparison	Average unit rate – HK\$2,936 per square feet (31 December 2021: HK\$2,696 per square feet)  Carpark: HK\$610,000 – HK\$740,000 per unit (31 December 2021: HK\$600,000 – HK\$720,000 per unit)	The higher the unit price, the higher the fair value
	<u>2,483,000</u>	<u>2,499,000</u>			

## 14 Investments in joint ventures

In respect of a joint venture of the Group, Shanghai Sung Nan Textile Co., Ltd., its joint venture term and land use right expired on 31 May 2022 despite its business licence is valid up to 31 May 2042. The Group accounted for its share of result of this joint venture up to 31 May 2022.

## 15 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.

## 16 Trade and other receivables

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Trade receivables (Note a)	<b>149</b>	202
Other receivables, prepayments and deposits	<b>8,095</b>	8,044
Dividend receivables	<b>83,197</b>	–
Amounts due from joint ventures (Note b)	<b>1,334</b>	1,612
	<b>92,775</b>	9,858

Notes:

- (a) The Group does not grant any credit period to its customers. At 30 June 2022, the aging analysis of the trade receivables were as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Within 30 days	<b>149</b>	202

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

## 17 Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss with an aggregate carrying value of HK\$151,160,000 (31 December 2021: HK\$172,962,000) together with the bank deposit of HK\$7,692,000 (31 December 2021: HK\$4,606,000) have been secured for banking facilities.

## 18 Share capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Ordinary share, issued and fully paid:</b>		
At 1 January 2022 and 30 June 2022	<b><u>33,967,738</u></b>	<b><u>3,397</u></b>
At 1 January 2021	34,185,238	3,419
Shares repurchased and cancelled	<u>(56,000)</u>	<u>(6)</u>
At 30 June 2021	<b><u>34,129,238</u></b>	<b><u>3,413</u></b>

During the period ended 30 June 2021, the Company repurchased a total of 56,000 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\$2,300,000 paid was charged against retained profits and the nominal value of the shares repurchased of HK\$5,600 was transferred to the capital redemption reserve.

## 19 Deferred income tax

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Deferred income tax liabilities		
– to be settled after more than 12 months	<b>(28,199)</b>	(27,520)

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Balance at 1 January	<b>(27,520)</b>	(26,442)
Charged to the consolidated income statement (Note 9)	<b>(679)</b>	(1,078)
Balance at 30 June/31 December	<b>(28,199)</b>	(27,520)

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>2022 HK\$'000</b>	2021 HK\$'000
Balance at 1 January	<b>(27,520)</b>	(26,442)
Charged to the consolidated income statement	<b>(679)</b>	(815)
Balance at 30 June	<b>(28,199)</b>	(27,257)

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\$618,000 (31 December 2021: HK\$217,000) in respect of tax losses amounting to HK\$3,747,000 (31 December 2021: HK\$1,318,000). These tax losses have no expiry date.

## 20 Trade and other payables

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Trade payables	<b>2,818</b>	3,143
Rental and management fee deposits	<b>20,360</b>	19,197
Other payables and accruals	<b>29,404</b>	34,925
	<b>52,582</b>	57,265

At 30 June 2022, the aging analysis of trade payables were as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Within 30 days	<b>2,818</b>	3,143

## 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	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Salaries and other employee benefits	<b>9,374</b>	12,115
Post-employment benefits	<b>266</b>	36
	<b>9,640</b>	12,151

### (b) Related party balances

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Amounts due from joint ventures	<b>1,334</b>	1,612



## **22 Events occurring after the reporting period**

On 13 August 2022, 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. 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 existing shareholders of SCSB. The Group currently holds 177,568,191 SCSB shares. Details of the SCSB share offer including the offer price and the timetable has yet to be announced.

On behalf of the Board

**Rudolf Bischof**

Chairman

Hong Kong, 30 August 2022