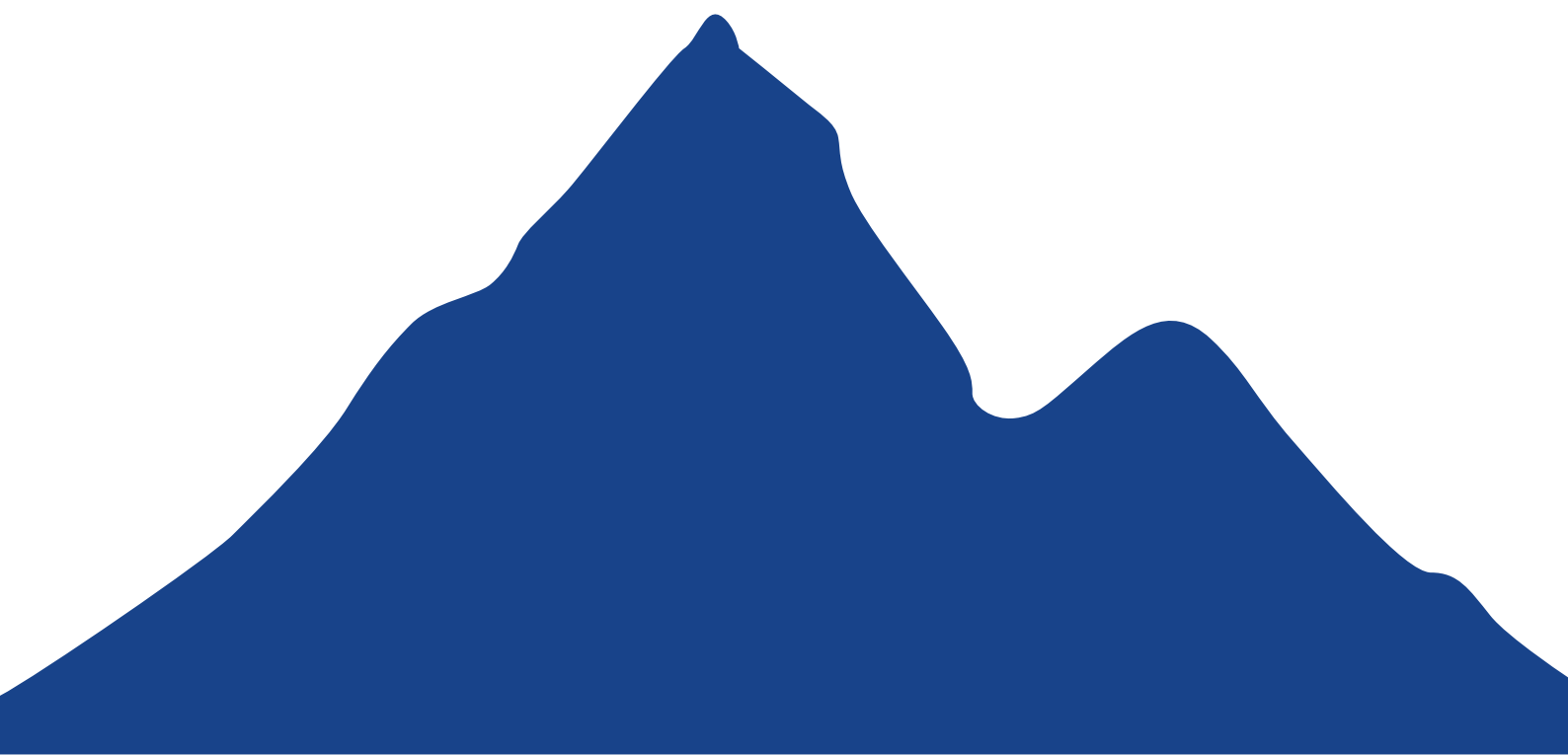




Nanyang Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 212



INTERIM REPORT 2023

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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
	2023 HK\$'000	2022 HK\$'000	
Revenue and other income/(losses)	142,565	55,552	157%
Profit/(loss) attributable to equity holders of the Company	125,809	(10,314)	1,320%
Profit attributable to equity holders of the Company after excluding: – changes in fair value of investment properties and related tax effects	(28,703)	21,819	(232%)
	97,106	11,505	744%
Earnings/(loss) per share	HK\$3.70	HK\$(0.30)	1,333%
Earnings per share – after excluding the changes in fair value of investment properties and related tax effects	HK\$2.86	HK\$0.34	741%

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that the unaudited Group results for the six months ended 30 June 2023 reported a profit attributable to equity holders of HK\$125.8 million (2022: loss of HK\$10.3 million). The current period’s profit comprised the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2022 earnings of approximately HK\$67.2 million (after netting 21% withholding tax); and the investment income from financial assets of HK\$2.3 million and net realised and unrealised gains from financial assets at fair value through profit or loss of approximately HK\$20.5 million. It also includes the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net gain of HK\$28.7 million (2022: loss of HK\$21.8 million). However, if excluding the net effect of the change in fair value of the investment properties (including those owned by joint ventures), 2023 would have shown a profit attributable to equity holders of HK\$97.1 million (2022: HK\$11.5 million). Earnings per share were HK\$3.70 (2022: loss of HK\$0.30). 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\$2.86 (2022: HK\$0.34). During this period, total comprehensive income increased by HK\$165.8 million.

Business Review and Prospects

Real Estate

Hong Kong

The local property market continued to be challenging despite the uplifting of all measures taken to control the pandemic. Leasing activities at our industrial/office (I/O) building, Nanyang Plaza, in Kwun Tong, was affected by the sluggish economy and ample supply in the Kwun Tong area. This created fierce competition for the few tenants looking for space. In order to retain existing tenants, we reduced rentals at renewals and offered favourable leasing terms and rental levels to attract new tenants. Of the 290,000 sq.ft. of I/O space the Group holds, approximately 80% is presently leased.

Shanghai

Sung Nan’s business licence was extended to 31 May 2042 although its land use right and joint venture term expired on 31 May 2022. We are discussing with our Chinese Partner the continuation of the joint-venture at the same site. However, it is necessary to resolve the land issue first.

Shenzhen

Earnings reported by Southern Textile Company Limited, of which the Group owns 45%, continued to be satisfactory. The total floor area of approximately 18,400 sq.ft. was fully leased to third parties. Despite the reopening of China at the beginning of 2023, the economy remained sluggish. Business of the retail tenants continued to be slow.

Business Review and Prospects *(Continued)*

Financial Investments

Growth in the global economy, in the first half of 2023, was uneven. China's reopening at the start of the year lifted sentiments hoping for better prospects for its local economy and globally. However, the weaker data reported recently showed that the recovery may be slower than expected. Elsewhere, markets in the United States, Japan and Europe performed well as interest rates looked peaking and inflation seems stabilizing or in some cases falling. During this period, we increased investments in investment grade bonds. For the six months ended 30 June 2023, the investment portfolios, including cash held in the portfolios, increased by approximately 5.8%. Financial assets at fair value through profit or loss, classified as current assets, totalled HK\$383.6 million. This represented approximately 7.2% 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 gains of HK\$20.5 million and investment income of HK\$2.3 million. Equities comprised approximately 71.3% (of which U.S. 49.5%; European 18.2%; Japanese 3.1%; Asia ex-Japan and others 15.3% and Emerging Markets 13.9%), bonds 22% (of which U.S. 85%; European 7.3%; Emerging Markets and others 7.7%), commodities 3.5% and cash 3.2%.

For the rest of the year, while the economic outlook is uncertain, we are hopeful the interest rate cycle in the United States and Europe may be coming to an end. Recent measures taken by the authorities in China to increase growth and to stabilise the property market and other sectors may provide support. As at 14 August 2023, the latest practicable date, the portfolios increased year-to-date by approximately 6.6% and the value including cash held in the portfolios, stood at approximately US\$51.0 million or HK\$399.3 million. We remain vigilant and will be on the lookout for any new investment opportunities as they arise.

The Group has an investment in a licensed bank incorporated in Taiwan, The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), the shares of which are listed on the Taiwan Stock Exchange Corporation (Stock Code: 5876). The Group holds a total of 190,585,095 SCSB shares representing approximately 4.0% of the issued share capital of SCSB. This investment of HK\$2,145.8 million has been classified under non-current assets as financial assets at fair value through other comprehensive income (representing approximately 40.4% of the total assets of the Group). 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\$67.2 million from SCSB's 2022 earnings (2022: received approximately HK\$65.4 million from SCSB's 2021 earnings).

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 four representative offices, in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia and Bac Ninh, Vietnam. SCSB's redevelopment of its headquarters in Taipei which commenced in 2021, is expected to be completed and ready for occupation some time in 2024. 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 period ended 30 June 2023 was approximately NT\$9,769.8 million (2022 same period: net profit of NT\$7,256.6 million). Total equity attributable to owners of SCSB at 30 June 2023 was approximately NT\$173,984.6 million (31/12/2022: approximately NT\$169,780.9 million). (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\$2,351 million (31/12/2022: HK\$2,317 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2023 and 31 December 2022, no bank facilities were utilized. Debt to equity ratio decreased from 0.15% as at 31 December 2022 to 0.11% as at 30 June 2023. 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\$455.6 million (31/12/2022: HK\$393.5 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 2023, 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	2,282,500	10,000	–	2,292,500	6.75%
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, the late 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 2023, 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 (the then Executive Director and Managing Director) 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 2023 (2022: 12). 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.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their hard work and contribution to the Group.

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

Mr. Wong Chi Kwong Patrick, the Independent Non-Executive Director of the Company, was appointed as the Independent Non-Executive Director of Tai Cheung Holdings Limited (whose shares had been listed on the Hong Kong Stock Exchange, Stock Code: 88) on 30 June 2023.

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 2023, 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 2023.

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 2023 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2023 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 2023

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	6	122,062	125,023
Other income/(losses)	6	20,503	(69,471)
Revenue and other income/(losses)	6	142,565	55,552
Direct costs		(10,150)	(8,650)
Gross profit		132,415	46,902
Administrative expenses		(18,692)	(18,520)
Other operating expenses, net		(403)	(648)
Changes in fair value of investment properties		31,000	(16,159)
Operating profit	7	144,320	11,575
Finance income	8	338	164
Finance expense	8	(89)	(101)
Share of profit/(losses) of joint ventures		678	(1,986)
Profit before income tax		145,247	9,652
Income tax expense	9	(19,438)	(19,966)
Profit/(loss) attributable to equity holders of the Company		125,809	(10,314)
Earnings/(loss) per share (basic and diluted)	10	HK\$3.70	HK\$(0.30)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the period	125,809	(10,314)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	5,352	13,409
Items that may not be reclassified subsequently to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	34,619	103,600
Other comprehensive income for the period, net of tax	39,971	117,009
Total comprehensive income for the period attributable to equity holders of the Company	165,780	106,695

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Note	30 June 2023 HK\$'000	31 December 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	138	161
Right-of-use assets		5,681	7,429
Investment properties	13	2,525,000	2,494,000
Investments in joint ventures	14	84,048	87,171
Financial assets at fair value through other comprehensive income	15	2,148,806	2,106,344
Non-current financial assets at fair value through profit or loss	17	9,698	10,008
		<u>4,773,371</u>	<u>4,705,113</u>
Current assets			
Trade and other receivables	16	95,620	10,138
Financial assets at fair value through profit or loss	17	383,559	342,451
Cash and bank balances			
– Pledged bank deposits		4,703	3,671
– Cash and cash equivalents		49,932	96,963
		<u>533,814</u>	<u>453,223</u>
Total assets		<u>5,307,185</u>	<u>5,158,336</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	3,397	3,397
Other reserves		1,685,794	1,645,823
Retained profits		3,507,879	3,416,038
Total equity		<u>5,197,070</u>	<u>5,065,258</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,226	3,981
Deferred income tax liabilities	19	28,172	27,894
Other non-current liability		1,497	1,493
		<u>31,895</u>	<u>33,368</u>
Current liabilities			
Trade and other payables	20	54,106	54,049
Current income tax liabilities		20,627	2,220
Lease liabilities		3,487	3,441
		<u>78,220</u>	<u>59,710</u>
Total liabilities		<u>110,115</u>	<u>93,078</u>
Total equity and liabilities		<u>5,307,185</u>	<u>5,158,336</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Six months ended 30 June 2023			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves (Note) HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2023	3,397	1,645,823	3,416,038	5,065,258
Profit for the period	-	-	125,809	125,809
Other comprehensive income for the period	-	39,971	-	39,971
Total comprehensive income for the period	-	39,971	125,809	165,780
Transactions with owners, recognised directly in equity:				
Dividends relating to 2022 paid in June 2023 (Note 11)	-	-	(33,968)	(33,968)
	-	-	(33,968)	(33,968)
Balance at 30 June 2023	3,397	1,685,794	3,507,879	5,197,070

	Six months ended 30 June 2022			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves (Note) HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2022	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
Total comprehensive income for the period	-	117,009	(10,314)	106,695
Transactions with owners, recognised directly in equity:				
Dividends relating to 2021 paid in June 2022 (Note 11)	-	-	(47,555)	(47,555)
	-	-	(47,555)	(47,555)
Balance at 30 June 2022	3,397	2,136,059	3,386,623	5,526,079

Note: Other reserves mainly represent financial assets at fair value through other comprehensive income reserve.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net cash (outflows)/inflows from operating activities	(11,141)	28,247
Net cash inflows from investing activities	579	5
Cash flows from financing activities		
Dividends paid	(33,968)	(47,555)
Principal elements of lease payments	(1,709)	(1,712)
Increase in pledged bank deposits	(1,032)	(3,086)
Net cash outflows from financing activities	(36,709)	(52,353)
Net decrease in cash and cash equivalents	(47,271)	(24,101)
Cash and cash equivalents at 1 January	96,963	143,819
Currency translation difference	240	166
Cash and cash equivalents at 30 June	49,932	119,884
Analysis of cash and cash equivalents		
Cash and bank balances	49,932	119,884

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 23 August 2023.

2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2023 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 2022 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2022 annual financial statements, except for the adoption of the new standard and amendments to standards effective for the year ending 31 December 2023.

(a) New standard and amendments to standards effective in current accounting period

During the period ended 30 June 2023, the Group has adopted the following new standard and amendments to standards which are mandatory for accounting periods beginning on 1 January 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of new standard and amendments to standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

3 Accounting policies (Continued)

(b) Amendments to standards and interpretation that are not yet effective and have not been early adopted by the Group

The following amendments to standards and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or in later periods but have not been early adopted by the Group:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽¹⁾
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁽¹⁾
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 January 2024

⁽²⁾ Effective date is to be determined

The Group has already commenced an assessment of the impact of the above 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 2022.

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

4 Financial risk management (Continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2023. 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	-	-	9,698	9,698
Current financial assets at fair value through profit or loss	232,399	128,990	22,170	383,559
Financial assets at fair value through other comprehensive income	<u>2,148,806</u>	-	-	<u>2,148,806</u>
Total assets	<u>2,381,205</u>	<u>128,990</u>	<u>31,868</u>	<u>2,542,063</u>

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022.

	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	-	-	10,008	10,008
Current financial assets at fair value through profit or loss	205,125	116,412	20,914	342,451
Financial assets at fair value through other comprehensive income	<u>2,106,344</u>	-	-	<u>2,106,344</u>
Total assets	<u>2,311,469</u>	<u>116,412</u>	<u>30,922</u>	<u>2,458,803</u>

4 Financial risk management *(Continued)*

Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between any level during the period.

5 Critical accounting estimates and judgements

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 2022.

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Gross rental income from investment properties	29,300	34,660
Investment income from financial assets at fair value through profit or loss	2,293	1,133
Dividend income from financial assets at fair value through other comprehensive income	85,319	83,198
Management fee income from investment properties	4,978	5,624
Other	172	408
	<u>122,062</u>	<u>125,023</u>
Other income/(losses)		
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	20,503	(69,471)
	<u>142,565</u>	<u>55,552</u>

The Group is organised on a worldwide basis into two main business segments:

- Real estate – investment in and leasing of industrial/office premises
- Financial investments – holding and trading of investment securities

There are no sales or other transactions between the business segments.

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

The segment results for the six months ended 30 June 2023 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income/ (losses)	<u>34,691</u>	<u>107,874</u>	<u>142,565</u>
Segment result	40,073	104,247	144,320
Finance income			338
Finance expense			(89)
Share of profit of joint ventures	678	-	<u>678</u>
Profit before income tax			145,247
Income tax expense			<u>(19,438)</u>
Profit attributable to equity holders of the Company			<u>125,809</u>
Other items			
Depreciation of right-of-use assets	-	-	(1,748)
Depreciation of property, plant and equipment	(11)	(12)	(23)
Net fair value gain on investment properties	<u>31,000</u>	<u>-</u>	<u>31,000</u>

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

The segment results for the six months ended 30 June 2022 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other (losses)/ income	40,284	15,268	55,552
Segment result	34	11,541	11,575
Finance income			164
Finance expense			(101)
Share of losses of joint ventures	(1,986)	–	(1,986)
Profit before income tax			9,652
Income tax expense			(19,966)
Loss attributable to equity holders of the Company			(10,314)
Other items			
Depreciation of right-of-use assets	–	–	(1,930)
Depreciation of property, plant and equipment	(11)	(11)	(22)
Net fair value losses on investment properties	(16,159)	–	(16,159)

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

(Continued)

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

The segment assets and liabilities as at 30 June 2023 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,533,262	2,684,194	5,217,456
Right-of-use assets			5,681
Investments in joint ventures	84,048	–	84,048
			<u>5,307,185</u>
Segment liabilities	50,448	24,285	74,733
Unallocated liabilities			35,382
			<u>110,115</u>

The segment assets and liabilities as at 31 December 2022 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,502,356	2,561,380	5,063,736
Right-of-use assets			7,429
Investments in joint ventures	87,171	–	87,171
			<u>5,158,336</u>
Segment liabilities	51,026	5,243	56,269
Unallocated liabilities			36,809
			<u>93,078</u>

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

(Continued)

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Hong Kong	33,401	32,502
United States of America	12,182	(23,975)
Europe	10,944	(28,793)
Taiwan	85,078	83,198
Other countries	960	(7,380)
	<u>142,565</u>	<u>55,552</u>

At 30 June 2023, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
	Hong Kong	2,530,750
Mainland China	84,117	87,251
	<u>2,614,867</u>	<u>2,588,761</u>

7 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	23	22
Depreciation of right-of-use assets	1,748	1,930
Employee benefit expense (including directors' emoluments)	13,003	11,873
Management fee expense in respect of investment properties	6,508	5,934
	<u>6,508</u>	<u>5,934</u>

8 Finance income/(expense)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Finance income		
Bank interest income	<u>338</u>	<u>164</u>
Finance expense		
Interest expense on lease liabilities and other non-current liability	<u>(89)</u>	<u>(101)</u>

9 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2022: 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	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,294	1,815
– Withholding tax	17,866	17,472
Deferred income tax	<u>278</u>	<u>679</u>
	<u>19,438</u>	<u>19,966</u>

10 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2023	2022
Earnings/(loss) (HK\$'000)		
Profit/(loss) attributable to equity holders of the Company	<u>125,809</u>	<u>(10,314)</u>
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	<u>33,968</u>	<u>33,968</u>
Earnings/(loss) per share (HK\$)		
Basic and diluted (Note)	<u>3.70</u>	<u>(0.30)</u>

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

11 Dividends

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
2022 final dividend paid of HK\$0.70 (2022: 2021 final dividend paid of HK\$0.70) per share	23,778	23,778
2022 special dividend paid of HK\$0.30 (2022: 2021 special dividend paid of HK\$0.70) per share	10,190	23,777
	<u>33,968</u>	<u>47,555</u>

The Directors have not declared an interim dividend for the six months ended 30 June 2023 (2022: Nil).

12 Property, plant and equipment

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Property, plant and equipment	<u>138</u>	<u>161</u>

Movement during the period is set out below:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net book amount as at 1 January	161	177
Depreciation	<u>(23)</u>	<u>(22)</u>
Net book amount as at 30 June	<u>138</u>	<u>155</u>

13 Investment properties

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Investment properties	2,525,000	2,494,000

Movement during the period is set out below:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
At fair value		
Balance at 1 January	2,494,000	2,499,000
Addition	–	159
Fair value changes	31,000	(16,159)
Balance at 30 June	2,525,000	2,483,000

The Group's investment properties with an aggregate carrying value of HK\$2,351,000,000 (31 December 2022: HK\$2,317,000,000) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2023 and 31 December 2022, no bank facilities were utilised.

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 2023. 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.

13 Investment properties (Continued)

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 2023, 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.

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 2023 HK\$'000	31 December 2022 HK\$'000			
Commercial	2,397,000	2,363,000	Direct comparison	Average unit rate – HK\$6,850 – HK\$12,372 per square feet (31 December 2022: HK\$6,768 – HK\$12,372 per square feet) Carpark: HK\$1,770,000 – HK\$2,380,000 per unit (31 December 2022: HK\$1,720,000 – HK\$2,320,000 per unit)	The higher the unit price, the higher the fair value
Industrial	128,000	131,000	Direct comparison	Average unit rate – HK\$3,029 per square feet (31 December 2022: HK\$3,102 per square feet) Carpark: HK\$650,000 – HK\$770,000 per unit (31 December 2022: HK\$650,000 – HK\$770,000 per unit)	The higher the unit price, the higher the fair value
	<u>2,525,000</u>	<u>2,494,000</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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables (Note a)	7	163
Other receivables, prepayments and deposits	9,278	8,611
Dividend receivables	85,077	–
Amounts due from joint ventures (Note b)	1,258	1,364
	95,620	10,138

Notes:

(a) The Group does not grant any credit period to its customers. At 30 June 2023, the aging analysis of the trade receivables is as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 30 days	7	163

(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\$162,655,000 (31 December 2022: HK\$149,392,000) together with the bank deposit of HK\$4,703,000 (31 December 2022: HK\$3,671,000) have been secured for banking facilities.

18 Share capital

	Number of shares	Amount HK\$'000
Ordinary share, issued and fully paid:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	33,967,738	3,397

19 Deferred income tax

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Deferred income tax liabilities		
– to be settled after more than 12 months	(28,172)	(27,894)

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Balance at 1 January	(27,894)	(27,520)
Charged to the consolidated income statement (Note 9)	(278)	(374)
Balance at 30 June/31 December	(28,172)	(27,894)

19 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	
	2023	2022
	HK\$'000	HK\$'000
Balance at 1 January	(27,894)	(27,520)
Charged to the consolidated income statement	(278)	(679)
Balance at 30 June	(28,172)	(28,199)

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\$68,000 (31 December 2022: HK\$55,000) in respect of tax losses amounting to HK\$411,000 (31 December 2022: HK\$334,000). These tax losses have no expiry date.

20 Trade and other payables

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Trade payables	2,565	2,341
Rental and management fee deposits	19,858	19,271
Other payables and accruals	31,683	32,437
	54,106	54,049

At 30 June 2023, the aging analysis of trade payables is as follows:

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Within 30 days	2,565	2,341

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	
	2023 HK\$'000	2022 HK\$'000
Salaries and other employee benefits	8,197	9,374
Post-employment benefits	27	266
	<u>8,224</u>	<u>9,640</u>

(b) Related party balances

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
	Amounts due from joint ventures	<u>1,258</u>

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 23 August 2023