



Nanyang Holdings Limited

(Incorporated in Bermuda with limited liability) Stock Code: 212

2021
Annual Report

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Directors

- # Rudolf Bischof (Chairman)
Hung Ching Yung, JP (Managing Director) (passed away on 3 March 2022)
Lincoln Chu Kuen Yung, JP, FHKIB (Deputy Managing Director)
(Appointed as the Managing Director with effect from 31 March 2022)
- # Robert Tsai To Sze
- * John Con-sing Yung
- # Wong Chi Kwong Patrick
Jennie Chen (Financial Controller)

- # *Independent Non-Executive Directors*
- * *Non-Executive Director*

Company Secretary

Lee Sheung Yee

Principal Share Registrar and Transfer Agent

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10
Bermuda

Branch Share Registrar and Registration Office

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen’s Road East
Wan Chai, Hong Kong

Independent Auditors

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince’s Building
Central, Hong Kong

Bankers

The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors

Mayer Brown

Company Website

www.nanyangholdingslimited.com

GROUP FINANCIAL HIGHLIGHTS

	2021 HK\$'000	2020 HK\$'000	Variance
Revenue and other income	<u>195,501</u>	<u>225,203</u>	(13%)
Profit attributable to equity holders of the Company	190,717	86,766	120%
Profit attributable to equity holders of the Company after deducting: – changes in fair value of investment properties and related tax effects	<u>(69,297)</u>	<u>65,742</u>	(205%)
	<u>121,420</u>	<u>152,508</u>	(20%)
	2021 HK\$	2020 HK\$	
Earnings per share	5.59	2.53	121%
Earnings per share – after deducting the changes in fair value of investment properties and related tax effects	3.56	4.44	(20%)
Final dividend per share	0.70	0.70	–
Special dividend per share	0.70	0.70	–
Dividend per share	1.40	1.40	–
Net asset value per share	<u>160.95</u>	<u>145.64</u>	11%

FIVE YEAR FINANCIAL SUMMARY

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Consolidated Income Statement					
Revenue and other income	195,501	225,203	228,897	121,965	204,357
Operating profit	201,165	132,030	75,566	344,302	336,913
Finance income	154	166	1,006	1,231	201
Finance expense	(71)	(658)	(304)	(71)	(976)
Share of profits/(losses) of joint ventures and an associate	10,992	(18,880)	6,306	11,140	37,593
Profit before income tax	212,240	112,658	82,574	356,602	373,731
Income tax expense	(21,523)	(25,892)	(22,293)	(22,084)	(18,748)
Profit attributable to equity holders of the Company	190,717	86,766	60,281	334,518	354,983
Dividends paid	47,781	48,122	48,267	47,122	35,116
Consolidated Balance Sheet					
Property, plant and equipment	177	162	213	296	421
Right-of-use assets	619	5,565	10,511	–	–
Investment properties	2,499,000	2,431,900	2,467,500	2,553,230	2,269,120
Investments in joint ventures	99,987	91,369	108,499	109,007	109,283
Available-for-sale financial assets	–	–	–	–	1,434,081
Financial assets at fair value through other comprehensive income	2,338,897	1,989,688	2,364,390	1,674,111	–
Non-current financial assets at fair value through profit or loss	9,242	4,918	4,606	4,300	–
Other non-current asset	–	–	–	9,739	15,407
Net current assets	547,742	483,543	398,062	422,485	448,226
Non-current lease liabilities	–	(611)	(5,454)	–	–
Deferred income tax liabilities	(27,520)	(26,442)	(25,451)	(25,213)	(22,960)
Other non-current liability	(1,205)	(1,184)	(1,163)	–	–
Net assets	5,466,939	4,978,908	5,321,713	4,747,955	4,253,578
Share capital	3,397	3,419	3,448	3,448	3,507
Reserves	5,463,542	4,975,489	5,318,265	4,744,507	4,250,071
Total equity	5,466,939	4,978,908	5,321,713	4,747,955	4,253,578

Rudolf Bischof

Chairman, Independent Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 80, was appointed an Independent Non-Executive Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York.

Lincoln Chu Kuen Yung, JP, FHKIB

Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Lincoln C. K. Yung, aged 76, has been a Director of the Company for 45 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from The University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is an Honorary Advisory Vice President and Fellow of The Hong Kong Institute of Bankers and appointed an Adjunct Professor of The Hong Kong Polytechnic University (School of Accounting and Finance). Mr. Yung is an Independent Non-Executive Director of Tai Ping Carpets International Limited and was appointed as the Company's Audit Committee Member and Nomination Committee Member in May 2020 and March 2012 respectively. He is also a Director of The Shanghai Commercial & Savings Bank, Ltd. (whose shares had been listed on the Taiwan Stock Exchange in October 2018) and Non-Executive Vice-Chairman of Southern Textile Co. Ltd. In 2013, Mr. Yung became Chairman of Shanghai Sung Nan Textile Co. Ltd. Mr. Yung is currently the Honorary President of HK Wuxi Trade Association Limited and Executive Vice-chairman of Federation of HK Jiangsu Community Organisations Ltd. He is also a director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands, Liberia and Panama. He is the son of the late Mr. Hung Ching Yung and the father of Mr. John Con-sing Yung.

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Mr. Robert Sze, aged 81, was appointed an Independent Non-Executive Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director of a number of Hong Kong listed companies, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited and Sunwah Kingsway Capital Holdings Limited. Mr. Sze has also been an Independent Non-Executive Director of Hop Hing Group Holdings Limited (resigned on 15 February 2022) during the past three years.

John Con-sing Yung

Non-Executive Director

Mr. John Yung, aged 53, was appointed a Non-Executive Director of the Company in December 2012. He holds a bachelor degree in arts and a master degree in business administration from the University of Chicago. Mr. Yung is a director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands and Liberia. He was appointed as Director of The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”) in Taiwan since 2003, the shares of which had been listed on the Taiwan Stock Exchange in October 2018. He is presently a Managing Director of SCSB. In May 2016, Mr. Yung was appointed as a Non-Executive Director of Shanghai Commercial Bank Ltd. in Hong Kong. In May 2021, Mr. Yung was appointed as a Non-Executive Chairman and Shareholder representative of AMK Microfinance Institution Plc. in Cambodia and was appointed as a Director of Pafoong Insurance Company (Hong Kong) Ltd. in Hong Kong in October 2018. He has over nine years of experience in information technology and telecommunication business in the Asia Pacific region. Mr. Yung is a son of Mr. Lincoln C. K. Yung and a grandson of the late Mr. Hung Ching Yung.

Wong Chi Kwong Patrick

Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination Committee

Mr. Patrick Wong, aged 60, was appointed an Independent Non-Executive Director of the Company in October 2016. He holds a bachelor degree in laws from University of London. In 1992, Mr. Wong was admitted as a solicitor in Hong Kong and was also admitted as a solicitor in England & Wales in 1994. He was a partner of Mayer Brown (formerly Johnson Stokes & Master) from 1996 to 2015 with which he had practised for over 20 years. His personal practice focuses on corporate finance and Hong Kong listed company related work.

Mr. Wong is currently the Chairman of Lingnan Education Organization Limited, a Council member and a Court member of Lingnan University. He is also the Deputy Chairman of Hong Kong Productivity Council, the Deputy Chairman of The Applied Research Council of the Government of the Hong Kong Special Administrative Region and the Chairman of Review Committee on Trust Fund for Severe Acute Respiratory Syndrome.

Jennie Chen

Director and Financial Controller

Ms. Jennie Chen, aged 66, was appointed a Director of the Company in September 2003. Ms. Chen holds the position of Financial Controller and has been with the Company for over 36 years. She graduated from the University of Toronto and has experience in accountancy, finance and investment, and the textile industry. Ms. Chen is a Director of Southern Textile Co. Ltd. and Shanghai Sung Nan Textile Co. Ltd. She is also a director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands and Panama.

R E P O R T O F T H E D I R E C T O R S

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its joint ventures and subsidiaries are set out in Notes 16 and 30 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 36.

The Directors recommend the payment of a final dividend of HK\$0.70 (2020: HK\$0.70) per share and a special dividend of HK\$0.70 (2020: HK\$0.70) per share, representing a total dividend distribution of approximately HK\$47.6 million (2020: HK\$47.9 million). Subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the final and special dividends will be paid on around 13 June 2022.

Closure of Register of Members

For the purpose of ascertaining the shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 16 May 2022 to 20 May 2022, both days inclusive. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 13 May 2022. The Annual General Meeting of the Company will be held on Friday, 20 May 2022.

For the purpose of ascertaining shareholders' entitlement for the proposed final and special dividends, the register of members of the Company will be closed from 30 May 2022 to 1 June 2022, both days inclusive. To qualify for the proposed final and special dividends, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 23 to the financial statements and in the consolidated statement of changes in equity on page 40 respectively.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2021, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$464,406,000 (2020: HK\$473,887,000).

Principal Properties

Details of the principal properties of the Group are set out on page 98.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 22 to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 5 to 6.

Mr. Rudolf Bischof retires by rotation in accordance with Bye-law 109(A) of the Bye-laws of the Company and, being eligible, offers himself for re-election.

Mr. John Con-sing Yung retires by rotation in accordance with Bye-law 109(A) of the Bye-laws of the Company and, being eligible, offers himself for re-election.

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS (cont'd)

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its 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	Personal interests	Shares of HK\$0.10 each of the Company			% of issued share capital
		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 year, the Company has not granted to any Directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company and its associated corporations.

No transactions, arrangements and contracts of significance in relation to the business of the Group to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year 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.

REPORT OF THE DIRECTORS *(cont'd)*

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

As at 31 December 2021, 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.

Directors' Interests in Competing Business

As at 31 December 2021, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased an aggregate of 217,500 of its shares on The Stock Exchange of Hong Kong Limited, all of which had been cancelled. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate cost HK\$
		Highest HK\$	Lowest HK\$	
2021				
March	31,500	40.00	40.00	1,260,000
April	24,500	42.45	42.45	1,040,025
August	85,500	39.00	39.00	3,334,500
September	76,000	39.00	36.95	2,894,950
	<u>217,500</u>			<u>8,529,475</u>

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

R E P O R T O F T H E

D I R E C T O R S *(cont'd)*

Dividend Policy

The Company has adopted a dividend policy (“Dividend Policy”), pursuant to which the Company may distribute dividends to its shareholders by ways of cash or by other means that the Company considers appropriate. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders.

The Board would review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- Results of operations of the Company;
- Cash flows of the Company;
- Financial condition of the Company;
- Shareholders’ interests of the Company;
- General business conditions and strategies of the Company;
- Capital requirements of the Company;
- The payment by subsidiaries of the Company of cash dividends to the Company; and
- Other factors the Board may deem relevant.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted Indemnity Provisions

At no time during the financial year and up to the date of this Directors’ Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

REPORT OF THE DIRECTORS *(cont'd)*

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	75%
– five largest suppliers combined	96%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 14% and 28% (2020: 13% and 27%) of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Details of related party transactions are set out in Note 28 to the financial statements. None of the transactions constitute a connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% (2020: more than 25%) of the Company's issued shares at 24 March 2022.

Business Review

Business review and prospects analysis is set out on pages 20 to 22.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 24 March 2022

The Board of Directors (the “Board”) of the Company is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group’s performance. Throughout the year, the Company was in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) which applies to all Directors and all relevant employees who are informed that they are subject to its provisions. 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 year ended 31 December 2021.

Board of Directors

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Company and its business by directing and supervising its affairs. The positions of Chairman and Managing Director are held by Mr. Rudolf Bischof and Mr. Hung Ching Yung respectively. The Chairman provides overall leadership and is responsible for effective functioning and leadership of the Board. The Managing Director focuses on business development and formulating strategic plans. The day-to-day management however has been delegated to the Executive Directors.

As disclosed in the announcement of the Company dated 7 March 2022, following the passing away of Mr. Hung Ching Yung on 3 March 2022, the Board currently comprises six Directors: two Executive Directors, three Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The Company Secretary keeps the minutes of Board meetings.

The Company has insurance coverage for its Directors and officers.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Board of Directors *(cont'd)*

The Board held four board meetings and an annual general meeting in 2021. Attendance of individual Directors is listed below:

		Board Meetings	Annual General Meeting
Executive Directors			
Mr. Hung Ching Yung, JP ^(Note 1)	Managing Director	2/4	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB ^(Note 2)	Deputy Managing Director	4/4	1/1
Ms. Jennie Chen	Financial Controller	4/4	1/1
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	4/4	1/1
Mr. Robert Tsai To Sze	Director	3/4	1/1
Mr. Wong Chi Kwong Patrick	Director	4/4	1/1
Non-Executive Director			
Mr. John Con-sing Yung	Director	4/4	1/1

Note:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. Mr. Lincoln C. K. Yung was the Deputy Managing Director and was then appointed as the Managing Director with effect from 31 March 2022.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other directors.

The late Mr. Hung Ching Yung is the father of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung is a son of Mr. Lincoln C. K. Yung.

The Independent Non-Executive Directors and Non-Executive Director are appointed for a specific term and are subject to retirement by rotation.

Directors' Continuous Professional Development

All the Directors of the Company participate in continuous professional development to ensure they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and Corporate Governance Code.

Directors are provided with written materials from time to time, they attend seminars and the Company Secretary also arranges suitable in-house training on the latest development of rules and regulations for assisting the Directors in discharging their duties.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Directors' Continuous Professional Development *(cont'd)*

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year.

		Materials	In-house training/ seminars
Executive Directors			
Mr. Hung Ching Yung, JP ^(Note 1)	Managing Director	√	√
Mr. Lincoln C. K. Yung, JP, FHKIB ^(Note 2)	Deputy Managing Director	√	√
Ms. Jennie Chen	Financial Controller	√	√
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	√	√
Mr. Robert Tsai To Sze	Director	√	√
Mr. Wong Chi Kwong Patrick	Director	√	√
Non-Executive Director			
Mr. John Con-sing Yung	Director	√	√

Note:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. Mr. Lincoln C. K. Yung was the Deputy Managing Director and was then appointed as the Managing Director with effect from 31 March 2022.

Remuneration Committee

The Remuneration Committee was established by the Board on 25 May 2005. The written terms of which were revised on 7 December 2005, 7 May 2012 and 18 May 2012 and further revised on 2 September 2015. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2021. Attendance of individual members is listed below:

	Attendance
Mr. Wong Chi Kwong Patrick – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Hung Ching Yung, JP ^(Note 1)	0/1
Mr. Lincoln C. K. Yung, JP, FHKIB ^(Note 2)	1/1
Mr. Robert Tsai To Sze	1/1

Note:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. Mr. Lincoln C. K. Yung was the Deputy Managing Director and was then appointed as the Managing Director with effect from 31 March 2022.

Remuneration Committee (cont'd)

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Auditor's Remuneration

For the year ended 31 December 2021, fees paid/payable to the auditors of the Group for audit and non-audit services amounted to HK\$1,697,000 and HK\$1,134,000 respectively. The non-audit services mainly include tax compliance, ESG reporting advisory and company secretarial services.

Nomination Committee

The Nomination Committee was established by the Board on 21 March 2012. The written terms of which were revised on 2 September 2015. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2021. Attendance of individual members is listed below:

	Attendance
Mr. Rudolf Bischof – Chairman of the Nomination Committee	1/1
Mr. Hung Ching Yung, JP ^(Note 1)	0/1
Mr. Lincoln C. K. Yung, JP, FHKIB ^(Note 2)	1/1
Mr. Robert Tsai To Sze	1/1
Mr. Wong Chi Kwong Patrick	1/1

Note:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. Mr. Lincoln C. K. Yung was the Deputy Managing Director and was then appointed as the Managing Director with effect from 31 March 2022.

The principal duty of the Committee is to review the structure, size and composition of the Board annually, to make recommendations regarding any proposed changes to complement the corporate strategy and to identify individuals suitably qualified to become Board members. The Committee also assesses the independence of Independent Non-Executive Directors and makes recommendations to the Board on the appointment or reappointment of Directors in particular the Chairman and the Chief Executive. In doing this, professional advice may be sought if considered necessary. The Board has adopted a nomination policy on 5 December 2018.

Board Diversity Policy

The Company believes that board diversity is an essential element in maintaining competitive advantage and sustainable development of the Company. The diversity also enables the Company to attract, retain and motivate employees from the widest possible pool of available talent.

The Company recognizes and embraces the benefits of diversity at Board level and has commitment to diversity at all levels through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience.

The Board adopted a board diversity policy on 7 November 2013 and further revised on 5 December 2018. The Nomination Committee will review this Policy from time to time and monitor its implementation.

Audit Committee

The Audit Committee was established by the Board on 25 September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze, FCA, FCPA, Mr. Rudolf Bischof and Mr. Wong Chi Kwong Patrick.

The Committee met twice in 2021. Attendance of individual members is listed below:

	Attendance
Mr. Robert Tsai To Sze, FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. Wong Chi Kwong Patrick	2/2

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the “Code Provision”) of the Corporate Governance Code, Appendix 14 of the Listing Rules, written terms of reference (the “Terms”) which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30 June 2005. The amendments to the Code Provision which became effective on 1 January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15 April 2009 and revised on 18 May 2012 and 2 September 2015 and further revised on 2 December 2015. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system, risk management and internal control systems.

During 2021, the Audit Committee met to review the 2020 annual report and accounts and the 2021 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence, thereafter reporting to the Board.

Risk Management and Internal Control

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an ongoing basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal control and operational risks to the Executive Directors.

The Directors are satisfied with the effectiveness of the Group's internal controls and consider that the key areas of the Group's system of internal controls are reasonably implemented. The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting and ensure effective compliance with the Listing Rules and all other applicable laws and regulations.

The Group does not have an in-house internal audit function. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group. During the year, independent external professionals were hired to perform internal audit functions and a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems. They concluded that there were no material control design gaps and no material or significant issues with the operating effectiveness of the risk management and control environment.

To ensure the dissemination of inside information of the Company to the public and its shareholders in an equal and timely manner in accordance with the Listing Rules, applicable laws and regulatory requirement, a Policy on Disclosure of Inside Information has been established to set out the guidelines, procedures and internal controls for the handling and dissemination of inside information.

The Company has also established a whistleblowing policy under which employees who have concerns about any suspected misconduct or malpractice can raise their concern in confidence without fear of reprisal or victimisation.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner.

The independent auditor's report states the auditors' reporting responsibilities.

Company Secretary

The Company Secretary, not being a full time employee of the Group, ensures that board procedures are followed and is responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors. The primary contact at the Company with whom the Company Secretary has been contacting in respect of company secretarial matters is Ms. Jennie Chen, an Executive Director who is also the Financial Controller, or her delegate.

During the year ended 31 December 2021, the Company Secretary has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

Shareholders' Rights

The Company established a shareholder communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a shareholder and procedures for shareholders to propose a person for election as a Director. Details of these procedures and policy are available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>.

Constitutional Documents

During the year ended 31 December 2021, no amendment was made to the Company's constitutional documents.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 24 March 2022

We are deeply saddened by the passing of Mr. Hung Ching Yung, JP who was the Managing Director of the Company, a Member of the Remuneration Committee and a Member of the Nomination Committee, on 3 March 2022.

Mr. Yung founded the Company with his late brother-in-law Mr. Yun Cheng Wang in 1947. He had served the Company since its inception and had made many invaluable contributions. Nanyang was one of the pioneers in the Hong Kong textile industry introducing the first vertically integrated textile mill with spinning, weaving and dyeing operations. We would like to express our sincere appreciation and gratitude and extend our deepest condolences to the Yung family.

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that for the year ended 31 December 2021 the Group reported a profit attributable to equity holders of HK\$190.7 million (2020: profit of HK\$86.8 million). The current year’s profit comprises the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2020 earnings, of approximately HK\$66.1 million (after netting 21% withholding tax); and the investment income and net realised and unrealised gains from financial assets at fair value through profit or loss of approximately HK\$29.8 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\$69.3 million (2020: loss of HK\$65.7 million). However, if excluding the net effect of the change in fair value of the investment properties (including those owned by joint ventures), 2021 would have shown a profit attributable to equity holders of HK\$121.4 million (2020: HK\$152.5 million), representing a decrease of 20%. Total earnings per share were HK\$5.59 (2020: HK\$2.53). 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\$3.56 (2020: HK\$4.44). The Group’s net asset value per share increased from HK\$145.64 (at 31/12/2020) to HK\$160.95 (at 31/12/2021), as a fair value gain of approximately HK\$337.4 million was recorded in the other comprehensive income, as compared to a fair value loss of HK\$363.6 million in 2020.

The Directors recommend the payment of a final dividend of HK\$0.70 per share and a special dividend of HK\$0.70 per share, representing a total dividend distribution of approximately HK\$47.6 million (2020: final dividend of HK\$0.70 per share and a special dividend of HK\$0.70 per share, representing a total dividend distribution of approximately HK\$47.9 million).

Business Review and Prospects

Real Estate

Hong Kong

The local property leasing market continues to be challenging due to the measures taken to control the pandemic. In the first quarter of 2022, viewing by potential new tenants, at Nanyang Plaza, in Kwun Tong, which the Group holds 290,000 sq.ft. of industrial/office space, came to a standstill. Of the total space 92.4% is presently leased. The anchor tenant, Federal Express, who has leased 42,976 sq.ft. or 14.9% of the space, since 1996, decided to move out by the end of this year. We have commenced marketing the space. However, with ample new office space coming on stream in the Kwun Tong area, there will be fierce competition for tenants. In addition to offering favourable leasing terms and attractive rental rates to new tenants and retain existing ones, we will also consider decoration subsidy to attract new tenants.

Business Review and Prospects *(cont'd)*

Real Estate *(cont'd)*

Shanghai

The new tenant who has leased approximately 21,202 sq.m. or 75.3% of the total space, at Shanghai Sung Nan Textile Co. Ltd., the Group's 65% joint venture, to be used as an old age or rehabilitation facility, has finished demolition work. They have received approval from the local authorities to start renovation work. The facility is expected to be operational in the first quarter of 2023.

Sung Nan's land use right and joint venture term is expiring on 31 May 2022. Discussions are ongoing with our Chinese Partner for the formation of a new joint venture under new terms at the same site.

Shenzhen

Earnings at Southern Textile Company Limited, the joint venture of which the Group owns 45%, continues to be satisfactory. Business of the retail tenants, occupying the ground and first floors, however, continued to be very sluggish due to measures taken to control the pandemic.

Financial Investments

In the second half of 2021, performance of our investment portfolios was affected by the regulatory review by the Chinese authorities on the internet, education, the policy to promote common prosperity and measures taken to prevent the collapse in the real estate sector. We reduced investment in Hong Kong, China and Japanese equities. For the year ended 31 December 2021, the investment portfolios, including cash held in the portfolios, increased by 5.6% year on year. Financial assets at fair value through profit or loss, classified as current assets, totalled HK\$446.2 million. This represented approximately 8.0% of the total assets of the Group. They comprised approximately 400 individual holdings. The Group recorded net realised and unrealised fair value gains of HK\$26.9 million and investment income of HK\$3.0 million. Equities comprised approximately 80.2% (of which U.S. 43.6%; European 16.4%; Japanese 4.7%; Asia ex-Japan 22.0% and Emerging Markets 13.3%), bonds 12.4% (of which U.S. 84.4%; European 4.0%; Emerging Markets 6.9% and others 4.7%), commodities 2.4% and cash 5.0%.

In the current year, the expected rise in interest rates due to inflationary pressures, geopolitical tensions, continued efforts by the Chinese authorities to regulate the internet and to prevent the collapse of the property market, and measures taken to contain the COVID-19 pandemic will continue to affect global equity markets. At the time of writing this, the conflict between Russia and Ukraine caused commodity prices to spike higher and further amplify inflation. Major equity markets experienced substantial declines and affected our portfolios. During this period, we reduced US equities and emerging markets bonds. As at 22 March 2022, the latest practicable date, the portfolios decreased year-to-date by approximately 5.86% and the value, including cash held in the portfolios, stood at approximately US\$55.7 million or HK\$435.6 million.

Business Review and Prospects *(cont'd)*

Financial Investments *(cont'd)*

The war between Russia and Ukraine, the relationship between the US and China, supply chain bottlenecks and high energy prices have created extreme uncertainty in the markets. However, China's actions to ease monetary and fiscal policies to promote growth may help support markets to some extent. We remain vigilant and hopeful that if the geopolitical crisis is resolved, markets could rebound.

The Group has an investment in a licensed bank in Taiwan, The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"). Presently, the Group holds 177,568,191 shares which represents approximately 4% of the total issued share capital of SCSB. This investment of HK\$2,335 million has been classified under non-current assets as financial assets at fair value through other comprehensive income (representing approximately 42% 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\$66.1 million from SCSB's 2020 earnings.

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, Phnom Penh, Cambodia and Bac Ninh, Vietnam. In 2020, SCSB commenced redevelopment of its headquarters in Taipei. It is expected that the new headquarters should be completed and ready for occupation in 2023. In January 2021, SCSB received licence to start the wealth management business for ultra high net worth clients. 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 year ended 31 December 2021 was approximately NT\$14,255.6 million (2020 same period: net profit of NT\$13,462.9 million). Total equity attributable to owners of SCSB at 31 December 2021 was approximately NT\$157,801.8 million (31/12/2020: approximately NT\$155,103.3 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 value of HK\$2,334 million (31/12/2020: HK\$2,272 million) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2021 and 2020, these bank facilities were not utilized. At the end of the year, the Group had net current assets of HK\$547.7 million (31/12/2020: HK\$483.5 million).

Employees

The Group employed 13 employees as at 31 December 2021. 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 year 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 extra allowance, adequate face masks, hand sanitizers and COVID-19 self-test kits to all the staff who worked at the office.

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

Rudolf Bischof

Chairman

Hong Kong, 24 March 2022

About This Report

The Board recognises that it has an overall responsibility for the Environmental, Social and Governance (“ESG”) strategy and reporting of the Group. The scope of this report covers the major operations of the Group in property investment and investment holding and trading. It provides an overview of our key ESG performance in environmental protection, employment and labour practices, operating practices and community investment for the year ended 31 December 2021. It was prepared in accordance with the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited.

Board Statement

The Board oversees the overall direction of the Group’s ESG strategies and the Group organises initiatives to align with the direction.

The Board acknowledges the significance of effective sustainability practices and actively integrates ESG considerations in key business decisions. The Board supervises the management and monitoring of significant ESG topics that have been identified as relevant to the Group. ESG performance is measured, reviewed and reported to management regularly for continuous improvement.

The Board regularly evaluates and determines our ESG related risks, and ensures that appropriate and effective ESG risk management and internal control systems are in place. The Board also meets and discusses the effectiveness of these systems as well as the progress made against relevant ESG-related goals and targets during the year ended 31 December 2021.

Stakeholder Engagement and Materiality Assessment

We maintain an open and transparent dialogue with our stakeholders, including employees, customers, shareholders, suppliers/contractors, and the wider community, to understand their aspirations, collect their views and expectations, and act in response to their feedback. We engaged with our stakeholders on an ongoing basis via various channels, such as meetings, hotline and email. The key interests and concerns of our stakeholders are summarised and analysed to help us identify the key ESG issues, which have been reflected via the respective disclosures in the rest of this report.

Responding to Climate Change

As a result of climate change, extreme weather events, such as typhoons, seasonal storms and heavy rains, are likely to become more frequent in the future. To manage and mitigate climate risks resulting from extreme weather events and protect the Group against possible financial loss, the Group has formulated emergency plans to deal with extreme weathers, which aims to reduce disruption and loss due to suspension of operations. The Group regularly reviews the impact of climate change on its operation and will formulate measures in response to different risks to reduce the risks to the Group and achieve sustainable operations in future.

The Board will keep monitoring all relevant risks and opportunities and update its strategy in responding to climate change.

Summary of our Environmental Targets

We care about long-term sustainable development of our business and we ongoingly review our sustainability performance against our targets. We have set the following long-term targets, focusing on emissions reduction, efficient consumption of energy and water, waste reduction and responsible office practice aiming for continuous improvement. Actions and measures taken to achieve the targets are disclosed in detail in the following paragraphs of this report.

- Reducing GHG emissions through active management of our buildings
- Increasing energy and water consumption efficiency through application of innovative technologies
- Reducing waste generation through usage optimization, waste management and promoting circular solutions
- Promoting responsible office practice through awareness and capability building initiatives among employees.

Environmental Protection

The Group is committed to operating its business sustainably. We put emphasis on environmental conservation at our investment properties by enabling green initiatives to happen and our building manager plays a key part in it. As the major owner at Nanyang Plaza, we are dedicated to reducing GHG emissions and energy consumption within our buildings wherever possible through active monitoring practices by our building managers. We engage with building managers to ensure energy-efficient lamps are installed at carparks and common areas to enhance energy efficiency and reduce greenhouse gas (GHG) emissions. Our building manager also installed timer controls to automatically turn off the lighting at unused areas and reduce passenger lifts available for service after 7pm every day. Besides engagement with our building manager, we also make renovations and additions to some of our buildings to reduce energy consumption and GHG emissions.

We promote the efficient use of water in our buildings. We make sure the building manager encourage smart water use by installing automatic sensor taps at washrooms and encourage our tenants to conserve water.

We are determined to reduce waste and promote circular use of resources in our buildings. Responsible waste management practices have been adopted at Nanyang Plaza to encourage reduction, reuse and recycling.

We continue to implement responsible office practices to raise staff awareness on environmental protection. For instance, employees are reminded to switch off idle electrical appliances, reuse envelopes and adopt double-sided printing.

Employment and Labour Practices

Employment

The Group is committed to nurturing a happy and motivated workforce to support business needs. Remuneration is determined by reference to the qualifications and experience of the staff. In addition to salaries, we provide a range of benefits including discretionary bonuses, medical cover and provident fund.

We support the wellbeing of our staff by encouraging a balance between work and life. We are committed to facilitating working arrangements accommodating employees' work, personal and family commitments. The health of our staff and their family are always our first priority. Under the COVID-19 pandemic, we have prepared and distributed face masks, hand sanitizers and COVID-19 self-test kits to our staff. We have a zero-tolerance against harassment and discrimination of any form.

Health and Safety

Protecting health and safety of our employees is our key priority. Regular inspection and replacement are conducted in line with the regulations to ensure proper functioning of fire extinguishers in the event of an emergency. The building safety is ensured by regular inspection and scheduled maintenance work by qualified specialists.

The Group has also participated in courses that imparted valuable knowledge to employees on occupational health and safety as well as basic first aid care within the workplace.

During 2021, the Group continued to take active actions to combat the COVID-19 pandemic. Hand sanitizers were provided for tenants and visitors in the lobby of Nanyang Plaza. Cleaning and disinfection are maintained in a timely manner on each floor of the building.

Development and Training

The Group believes that talent development is critical in maintaining competitiveness of our business. We offer a wide range of internal and external training courses to management for keeping up market knowledge. During 2021, several physical and online seminars were given to the management and the directors by professional bodies, across various topics such as the market of the Greater Bay Area, corporate governance and compliance, anti-corruption and anti-money laundering and outlook on economic and market of the United States and Hong Kong. We also care about training and development of non-managerial staff. Online and offline training were provided to office staff covering training on Microsoft 365 software, Adobe software, cybersecurity and guidance on dealing with ransomware.

Labour Standards

Whilst the industry we are in is typically considered to have a relatively lower risk, we adhere to internationally-accepted labour standards and strictly prohibit the use of child and forced labour. We expect our business partners to observe and comply with the same standard of labour practices.

Operating Practices

Supply Chain Management

The Group interacts with a number of suppliers and service providers. Adherence to social standards by suppliers and service providers forms an important part of our standard for sustainable procurement. We strive to minimise the risks associated with our supply chain, including those associated with environmental, social and governance practices, by working closely with our suppliers. We favour the procurement of environmentally and socially sustainable goods.

Product Responsibility

The Group primarily serves in property investment as well as investment holding and trading. We have engaged an internationally well-established third party company to manage our leased properties. The building manager is primarily responsible for the quality of our leased properties. However, we carry out site inspections and hold regular meetings with them so as to ensure the conditions of building services. We also review and evaluate their performance annually and provide feedback for them to identify room for improvement.

Complaint handling mechanisms are implemented at our leased properties with an aim to collect and address customer concerns. Complaints are documented upon receipt and followed up in a timely manner. Any complaints and incidents are also discussed during the meeting to identify the causes of occurrence and appropriateness of resolution so as to improve future service quality.

The Group is committed to protecting customer privacy and has corresponding policies and procedures in place. Customer privacy data is handled with care, treated with strict confidentiality and accessible only by authorised personnel.

Anti-corruption

We operate our business with integrity, transparency and accountability. We have zero tolerance for any form of corruption, bribery or fraud. This principle has been well conveyed to our employees. Our whistleblowing policy allows employees to report observed and suspected misconducts, irregularities and malpractices in a confidential manner.

Community Investment

We collaborate with charitable organisations in finding sustainable solutions to address social challenges. As in previous year, the Group made donations to several local organisations and charities to help the underprivileged, including China Coast Community, the Community Chest of Hong Kong, St. James Settlement, and Little Sisters of the Poor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Regulatory Compliance

The Group observes closely the laws and regulations relevant to our business and makes efforts to meeting regulatory expectations. Regulatory frameworks within which the Group operates are analysed and monitored; internal policies are prepared and updated accordingly. Seminars or trainings are also conducted where necessary to strengthen the awareness and understanding of the Group's internal controls and compliance procedures. During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment and labour practices and operating practices.

The following environmental and social data are prepared in accordance with Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange. The summary table below only include quantitative KPIs applicable to our businesses. For disclosures in line with qualitative KPIs, please refer to the main sections of this report.

Environmental KPI Data Table

Environmental KPIs	Unit	2021	2020
A1: Emissions			
Total greenhouse gas (GHG) emissions	Tonne CO ₂ e	2,336.62	2,327.03
Scope 1 – Direct emissions and removals	Tonne CO ₂ e	0.27	1.57
Scope 2 – Energy indirect emissions	Tonne CO ₂ e	2,336.35	2,325.46
A2: Use of Resources			
Total energy consumption	kWh	3,291,705.41	3,281,718.46
Total direct energy consumption	kWh	1,070.41	6,422.46
Diesel	kWh	1,070.41	6,422.46
Total direct energy consumption intensity	kWh/Revenue		
By revenue	HK\$'000	0.01	0.03
Total indirect energy consumption	kWh	3,290,635.00	3,275,296.00
Purchased electricity	kWh	3,290,635.00	3,275,296.00
Total indirect energy consumption intensity	kWh/Revenue		
By revenue	HK\$'000	19.51	17.83
Water consumption	m ³	6,799.00	10,323.00
Water consumption intensity	m ³ /Revenue		
By revenue	HK\$'000	0.04	0.06

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Social KPI Data Table

Social KPIs	Unit	2021	2020
B1: Employment			
Total workforce	No. of employees	13	13
Full-time	No. of employees	13	13
Part-time	No. of employees	–	–
Male	No. of employees	7	7
Female	No. of employees	6	6
Non-Managers	No. of employees	9	9
Managers	No. of employees	1	1
Top Managers	No. of employees	3	3
20 – 29	No. of employees	–	–
30 – 39	No. of employees	–	–
40 – 49	No. of employees	1	1
50 – 59	No. of employees	4	4
60 or above	No. of employees	8	8
Hong Kong	No. of employees	13	13
Employee turnover rate	Percentage	0	0
B2: Health and Safety			
Number and rate of work related fatalities occurred in each of the past three years including the reporting year*	Cases; Percentage	0; 0%	0; 0%
* We had zero cases of work-related fatalities in 2019.			
Lost days due to work injury	Days	0	0
B3: Development and Training			
Number of trained full-time employees	No. of employees	7	11
Percentage of trained full-time employees	Percentage	54%	85%
Male	No. of employees; Percentage	4; 57%	5; 71%
Female	No. of employees; Percentage	3; 43%	6; 100%
Non Managers	No. of employees; Percentage	3; 75%	7; 78%
Managers	No. of employees; Percentage	1; 100%	1; 100%
Top Managers	No. of employees; Percentage	3; 100%	3; 100%
Average number of training hours completed per full time employee	Hours	6.31	7.04
Male	Hours	7.28	7.71
Female	Hours	5.17	6.25
Non Managers	Hours	0.33	1.00
Managers	Hours	2.00	5.50
Top Managers	Hours	25.67	25.67

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Social KPI Data Table *(cont'd)*

Social KPIs	Unit	2021	2020
B4: Labour Standards Please see disclosures in “Labour Standards” section.			
B5: Supply Chain Management			
a. Number of suppliers in supply chain			
Number of suppliers	No. of suppliers	23	23
b. Number of suppliers by geographical region			
Hong Kong			
Suppliers	No. of suppliers	23	23
B6: Product Responsibilities Our principal activities are property investment and therefore this aspect is not applicable.			
B7: Anti-corruption			
Number of concluded legal cases regarding corruption practice brought against the issuer or its employees during the reporting period and the outcomes of the cases	There are no such cases brought against Nanyang or our employees during the reporting period.		
B8: Community Investment			
a. Amount of money donated/ contributed to focus area of contribution			
Food safety and care for underprivileged	HKD	6,000	3,060

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Nanyang Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 36 to 97, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is summarised as follows:

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p>Valuation of investment properties held by the Group and its joint ventures</p> <p>Refer to Notes 4.1, 15 and 16 to the consolidated financial statements</p> <p>As at 31 December 2021, the Group's investment properties were stated at fair value of HK\$2,499,000,000 and the fair value of investment properties held by joint ventures attributable to the Group amounted to HK\$60,490,000.</p> <p>Management has engaged independent external valuers to perform valuation of the investment properties. The valuation of these investment properties requires significant judgement and estimates by management and the valuers. It is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.</p>	<p>Our audit procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none">• We evaluated management's valuation process of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.• We evaluated the valuers' qualifications and expertise and read their terms of engagement with the Group to assess whether there were any matters that affected their objectivity and scope of work.• We obtained the valuation reports for all properties and assessed whether the valuation approach adopted was suitable for determining the fair value for the purpose of the financial statements.• We held discussions with the valuers to assess the valuation approach and the key assumptions (including adjustments to comparable market data, discount rates and estimated market rent).• We performed testing over the source data provided by the Group to the external valuers, on a sample basis, to satisfy ourselves of the accuracy of the property information used by the valuers.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Key Audit Matters *(cont'd)*

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p>Valuation of investment properties held by the Group and its joint ventures <i>(cont'd)</i></p> <p>In determining a property's valuation, valuers used either the direct comparison approach or discounted cash flow method. They took into account property-specific information such as the location and age of the properties, adjustments to comparable market transactions, current tenancy agreements and rental income. They applied assumptions for discount rates and estimated market rent which were influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.</p> <p>Due to the significant judgement and estimates involved, specific audit focus was placed on this area.</p>	<p>Our audit procedures in relation to the valuation of investment properties included: <i>(cont'd)</i></p> <ul style="list-style-type: none">• We assessed the reasonableness of the comparable market data and assumptions used by the external valuers by comparing these to our knowledge of the property market and published external data.• We assessed the adequacy of the disclosures relating to the fair value measurement of investment properties in the context of the applicable financial reporting standards. <p>We found that the valuation was supported by the available audit evidence.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(cont'd)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

C O N S O L I D A T E D I N C O M E S T A T E M E N T

For the Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	168,647	183,674
Other income	5	26,854	41,529
Revenue and other income	5	195,501	225,203
Direct costs	6	(17,031)	(16,368)
Gross profit		178,470	208,835
Administrative expenses	6	(43,383)	(40,687)
Other operating expense, net	8	(1,022)	(518)
Changes in fair value of investment properties		67,100	(35,600)
Operating profit		201,165	132,030
Finance income	9	154	166
Finance expense	9	(71)	(658)
Share of profit/(loss) of joint ventures		10,992	(18,880)
Profit before income tax		212,240	112,658
Income tax expense	10	(21,523)	(25,892)
Profit attributable to equity holders of the Company		190,717	86,766
Earnings per share (basic and diluted)	11	HK\$5.59	HK\$2.53
Dividends	12	47,555	47,859

The notes on pages 42 to 97 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F C O M P R E H E N S I V E I N C O M E

For the Year ended 31 December 2021

	2021	2020
	HK\$'000	HK\$'000
Profit for the year	190,717	86,766
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of joint ventures accounted for under equity method	2,570	6,880
Currency translation differences	13,691	(12,373)
Items that may not be reclassified subsequently to profit or loss		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	337,364	(363,601)
Other comprehensive income for the year, net of tax	353,625	(369,094)
Total comprehensive income attributable to equity holders of the Company	544,342	(282,328)

The notes on pages 42 to 97 are an integral part of these financial statements.

C O N S O L I D A T E D B A L A N C E S H E E T

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	177	162
Right-of-use assets	14	619	5,565
Investment properties	15	2,499,000	2,431,900
Investments in joint ventures	16	99,987	91,369
Financial assets at fair value through other comprehensive income	18	2,338,897	1,989,688
Non-current financial assets at fair value through profit or loss	20	9,242	4,918
		4,947,922	4,523,602
		4,947,922	4,523,602
Current assets			
Trade and other receivables	19	9,858	9,860
Financial assets at fair value through profit or loss	20	446,161	407,094
Tax recoverable		1,174	–
Cash and bank balances			
– Pledged bank deposits	21	4,606	4,700
– Cash and cash equivalents	21	143,819	123,243
		605,618	544,897
		605,618	544,897
Total assets		5,553,540	5,068,499
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	3,397	3,419
Other reserves	23	2,019,050	1,665,106
Retained profits	23	3,444,492	3,310,383
		5,466,939	4,978,908
Total equity		5,466,939	4,978,908

CONSOLIDATED BALANCE

SHEET (cont'd)

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	–	611
Deferred income tax liabilities	25	27,520	26,442
Other non-current liability		1,205	1,184
		<u>28,725</u>	<u>28,237</u>
Current liabilities			
Trade and other payables	24	57,265	54,981
Current income tax liabilities		–	1,530
Lease liabilities	14	611	4,843
		<u>57,876</u>	<u>61,354</u>
Total liabilities		<u>86,601</u>	<u>89,591</u>
Total equity and liabilities		<u>5,553,540</u>	<u>5,068,499</u>

The notes on pages 42 to 97 are an integral part of these financial statements.

The financial statements on pages 36 to 97 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Lincoln C. K. Yung
Director

Jennie Chen
Director

C O N S O L I D A T E D S T A T E M E N T O F

C H A N G E S I N E Q U I T Y

For the Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Balance at 1 January		4,978,908	5,321,713
Profit for the year		190,717	86,766
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of joint ventures accounted for under equity method	23	2,570	6,880
Currency translation differences	23	13,691	(12,373)
Items that may not be reclassified subsequently to profit or loss			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	23	337,364	(363,601)
Total other comprehensive income, net of tax		353,625	(369,094)
Total comprehensive income		544,342	(282,328)
Transactions with owners:			
Final dividend relating to 2020/2019	23	(23,891)	(24,061)
Special dividend	23	(23,890)	(24,061)
Shares repurchased and cancelled	23	(8,530)	(12,355)
Total transactions with owners		(56,311)	(60,477)
Balance at 31 December		5,466,939	4,978,908

The notes on pages 42 to 97 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C A S H F L O W S

For the Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	15,854	38,939
Interest paid		(50)	(202)
Income tax paid		(5,075)	(6,853)
		10,729	31,884
Net cash generated from operating activities			
Cash flows from investing activities			
Interest received		154	166
Purchase of plant and equipment		(85)	(6)
Dividends received from financial assets at fair value through other comprehensive income	26(b)	66,248	74,625
Dividend received from a joint venture	26(b)	4,450	4,422
		70,767	79,207
Net cash inflows from investing activities			
Cash flows from financing activities			
Repurchase of own shares		(8,530)	(12,355)
Dividends paid		(47,781)	(48,122)
Principal elements of lease payments	26(c)	(4,843)	(4,757)
Decrease in pledged bank deposits	26(c)	94	5,924
Drawdown of short-term borrowing	26(c)	–	6,000
Repayment of short-term borrowing	26(c)	–	(15,312)
		(61,060)	(68,622)
Net cash outflows from financing activities			
Net increase in cash and cash equivalents		20,436	42,469
Cash and cash equivalents at 1 January		123,243	80,874
Currency translation difference		140	(100)
		143,819	123,243
Cash and cash equivalents at 31 December	21	143,819	123,243

The notes on pages 42 to 97 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2022.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amendments to standards that are effective in 2021

During the year ended 31 December 2021, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2021:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) Amendments to standards that are effective in 2021 *(cont'd)*

The adoption of the 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.

(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 2022 or later periods but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts ⁽³⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽⁵⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKFRS 16 (Amendments)	Leases ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽³⁾
HKAS 1 (Amendments)	Disclosure of Accounting Policies ⁽³⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽³⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽³⁾
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use ⁽²⁾
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ⁽²⁾
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle ⁽²⁾
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁽²⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽³⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 April 2021

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

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

⁽⁴⁾ Effective date is to be determined

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

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Subsidiaries *(cont'd)*

(a) **Consolidation *(cont'd)***

(i) *Business combinations *(cont'd)**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Nanyang Holdings Limited.

(iii) *Disposal of subsidiaries*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or expense'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/(expenses), net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.5 Foreign currency translation *(cont'd)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Over the remaining lease term
Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2.7 Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the income statement as changes in fair value of investment properties.

2 Significant accounting policies *(cont'd)*

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.9 Financial assets *(cont'd)*

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income/(expenses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income/(expenses) and impairment expenses are presented as separate line item in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(losses) in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.9 Financial assets *(cont'd)*

(b) Recognition and measurement *(cont'd)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss, changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised in the income statement.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, if any. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Significant accounting policies *(cont'd)*

2.14 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.14 Current and deferred income tax *(cont'd)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Employee benefits

(a) Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.16 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.16 Provisions *(cont'd)*

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

(a) Rental and management fee income

Rental income is recognised on a straight-line basis over the lease periods. Management fee income is recognised over the period when services are rendered.

(b) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised in profit or loss when the right to receive payment is established.

(c) Interest income

Interest income on financial assets at amortised cost and financial assets at FVPL calculated using the effective interest method is recognised in profit or loss.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.18 Leases *(cont'd)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income statement on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.20 Share capital

Ordinary shares are classified as equity.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period when the dividends are approved by the Company's shareholders or directors, where appropriate.

3 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.

3.1 Financial risk factors

(a) Market risk

(i) Equity price risk

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through other comprehensive income are mainly listed equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK\$116,945,000 (2020: HK\$99,484,000) higher/lower.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$13,748,000 (2020: HK\$11,919,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(ii) *Foreign currency risk*

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide and bank balances, primarily with respect to Euro ("EUR"), Japanese yen ("JPY"), Renminbi ("RMB"), British Pounds ("GBP"), Swiss Franc ("CHF") and New Taiwan Dollars ("NTD"). The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the EUR with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$2,255,000 (2020: HK\$1,584,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss and cash and cash equivalents (2020: financial assets at fair value through profit or loss and cash and cash equivalents).

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the JPY with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$430,000 (2020: HK\$361,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the RMB with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$595,000 (2020: HK\$724,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated financial assets at fair value through profit or loss and cash and cash equivalents.

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the GBP with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$733,000 (2020: HK\$668,000) higher/lower, mainly as a result of currency translation gain/loss on the British Pounds-denominated financial assets at fair value through profit or loss.

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the CHF with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$420,000 (2020: HK\$422,000) higher/lower, mainly as a result of currency translation gain/loss on the Swiss Franc-denominated financial assets at fair value through profit or loss.

At 31 December 2021, had the HK dollar weakened/strengthened by 5% against the NTD with all other variables held constant, the equity would have been HK\$116,748,000 (2020: HK\$99,254,000) higher/lower, mainly as a result of currency translation gain/loss on the New Taiwan dollars-denominated listed equity securities classified as financial assets at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) Market risk *(cont'd)*

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities.

Bank deposits and short-term borrowing issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

As at 31 December 2021, had interest rates been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2021 would have been HK\$798,000 higher/lower (2020: HK\$586,000), mainly as a result of higher/lower interest income on bank deposits.

(b) Credit and counterparty risk

The credit and counterparty risk mainly arises from debt securities investments held under financial assets at fair value through profit or loss, deposits, cash and investments placed with banks and financial institutions and derivative financial instruments transacted with banks. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating, mainly ranged from A to AA-.

The Group's credit risk concentration of investments of listed debt securities as at 31 December 2021 and 2020 is analysed below based upon the credit rating of the issuers:

	2021 HK\$'000	2020 HK\$'000
A to AAA	8,649	7,098
B to BBB	–	1,582
Unrated (Note)	2,630	2,900
	<u>11,279</u>	<u>11,580</u>

Note:

The Directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

The amounts disclosed in the table are the contractual undiscounted cash flows including interest payment.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 December 2021				
Trade payables	3,143	–	–	3,143
Rental and management fee deposits	15,453	2,012	1,732	19,197
Other payables and accruals (less provisions)	25,939	–	–	25,939
Lease liabilities	612	–	–	612
	<u>45,147</u>	<u>2,012</u>	<u>1,732</u>	<u>48,891</u>
At 31 December 2020				
Trade payables	3,368	–	–	3,368
Rental and management fee deposits	13,636	4,648	1,208	19,492
Other payables and accruals (less provisions)	23,966	–	–	23,966
Lease liabilities	4,892	612	–	5,504
	<u>45,862</u>	<u>5,260</u>	<u>1,208</u>	<u>52,330</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

During 2021 and 2020, the Group's strategy was to maintain borrowings at a low level.

As at 31 December 2021 and 2020, the debt to equity ratio were as follows:

	2021 HK\$'000	2020 HK\$'000
Lease liabilities (Note 14)	611	5,454
Debt	611	5,454
Total equity	5,466,939	4,978,908
Debt to equity ratio	0.01%	0.1%

The debt to equity ratio decreased from 0.1% to 0.01% as a result of settlement of lease liabilities.

3.3 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).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021. See Note 15 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	–	–	9,242	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
Total assets	2,618,542	134,045	41,713	2,794,300

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Non-current financial assets at fair value through profit or loss	–	–	4,918	4,918
Current financial assets at fair value through profit or loss	244,615	106,255	56,224	407,094
Financial assets at fair value through other comprehensive income	1,989,688	–	–	1,989,688
Total assets	2,234,303	106,255	61,142	2,401,700

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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

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.

As at 31 December 2021, non-current financial assets at fair value through profit or loss of HK\$9,242,000 (2020: HK\$4,918,000) and financial assets at fair value through profit or loss of HK\$32,471,000 (2020: HK\$56,224,000) are measured with valuation techniques using significant unobservable inputs (level 3). These valuation techniques and methods, including net asset values and prices observed in recent transactions, are generally recognised within the financial investment industry.

The following table presents the changes in level 3 instruments for the year ended 31 December 2021:

	Non-current financial assets at fair value through profit or loss HK\$'000	Current financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
At 1 January 2020	4,606	110,308	114,914
Additions	–	335	335
Disposals	–	(57,275)	(57,275)
Change in fair value recognised in profit or loss	312	2,856	3,168
At 31 December 2020 and 1 January 2021	4,918	56,224	61,142
Additions	2,331	1,165	3,496
Disposals	–	(27,140)	(27,140)
Change in fair value recognised in profit or loss	1,993	2,222	4,215
At 31 December 2021	9,242	32,471	41,713

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

4 Critical accounting estimates and judgements

4.1 Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31 December 2021 by an independent professional property valuer on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties. Details of the judgement and assumptions have been disclosed in Note 15.

4.2 Classification of listed financial assets at fair value through other comprehensive income

In connection with the Group's investment in The Shanghai Commercial & Savings Bank, Ltd ("SCSB"), certain Directors of the Company are also directors of SCSB. Their appointment as directors of SCSB was not nominated by the Group and does not represent the Group's interest. Accordingly, the Group does not have significant influence in SCSB and the investments in SCSB are classified as a financial asset at fair value through other comprehensive income.

5 Revenue and other 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 income represents net realised and unrealised gains on financial assets at fair value through profit or loss. Revenue and other income recognised during the year comprises the following:

	2021 HK\$'000	2020 HK\$'000
Revenue		
Gross rental income from investment properties	70,361	74,380
Investment income from financial assets at fair value through profit or loss	2,986	3,213
Dividend income from financial assets at fair value through other comprehensive income	83,828	94,462
Management fee income from investment properties	11,112	11,438
Other	360	181
	<u>168,647</u>	<u>183,674</u>
Other income		
Net realised and unrealised gains on financial assets at fair value through profit or loss	26,854	41,529
	<u>26,854</u>	<u>41,529</u>
Revenue and other income	<u>195,501</u>	<u>225,203</u>

Management fee income is recognised over a period of time when the related performance obligation is satisfied. Contract liabilities in relation to management services and the transaction price allocated to these unsatisfied contracts as at 31 December 2021 amounted to HK\$185,000 (2020: HK\$156,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

5 Revenue and other income and segment information *(cont'd)*

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.

The segment results for the year ended 31 December 2021 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income	81,593	113,908	195,501
Segment results	94,073	107,092	201,165
Finance income			154
Finance expense			(71)
Share of profit of joint ventures	10,992	–	10,992
Profit before income tax			212,240
Income tax expense			(21,523)
Profit attributable to equity holders of the Company			<u>190,717</u>
Other items			
Depreciation of property, plant and equipment	(45)	(25)	(70)
Fair value gains on investment properties	67,100	–	67,100

Note:

Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$4,946,000 was recognised for the year ended 31 December 2021.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

5 Revenue and other income and segment information *(cont'd)*

The segment results for the year ended 31 December 2020 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income	85,818	139,385	225,203
Segment results	(1,293)	133,323	132,030
Finance income			166
Finance expense			(658)
Share of loss of joint ventures	(18,880)	–	(18,880)
Profit before income tax			112,658
Income tax expense			(25,892)
Profit attributable to equity holders of the Company			86,766
Other items			
Depreciation of property, plant and equipment	(34)	(23)	(57)
Fair value losses on investment properties	(35,600)	–	(35,600)

Note:

Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$4,946,000 was recognised for the year ended 31 December 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

5 Revenue and other income and segment information *(cont'd)*

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
			<u>5,553,540</u>
Segment liabilities	52,901	4,364	57,265
Unallocated liabilities			29,336
			<u>86,601</u>

The segment assets and liabilities as at 31 December 2020 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,440,085	2,531,480	4,971,565
Right-of-use assets			5,565
Investments in joint ventures	91,369	–	91,369
			<u>5,068,499</u>
Segment liabilities	52,673	3,838	56,511
Unallocated liabilities			33,080
			<u>89,591</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

5 Revenue and other income and segment information *(cont'd)*

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue and other income from Hong Kong and from other countries for the year ended 31 December is analysed as follows:

	2021	2020
	HK\$'000	HK\$'000
Hong Kong	69,340	102,966
United States of America	15,115	10,604
Europe	16,718	14,246
Taiwan	83,713	94,462
Other countries	10,615	2,925
	195,501	225,203

At 31 December 2021, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	2021	2020
	HK\$'000	HK\$'000
Hong Kong	2,499,694	2,437,503
Mainland China	100,089	91,493
	2,599,783	2,528,996

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

6 Expenses by nature

	2021	2020
	HK\$'000	HK\$'000
Auditor's remuneration	1,697	1,697
Depreciation of property, plant and equipment	70	57
Depreciation of right-of-use assets	4,946	4,946
Direct operating expenses arising from investment properties that		
– generated rental income	2,195	1,763
– did not generate rental income	244	113
Employee benefit expense (including directors' emoluments) (Note 7)	31,615	29,251
Management fee expense in respect of investment properties	12,190	12,190
Legal and professional fee	1,189	1,241
Others	6,268	5,797
	60,414	57,055

7 Employee benefit expense

	2021	2020
	HK\$'000	HK\$'000
Wages and salaries	31,398	29,036
Retirement benefit costs – defined contribution plans (Note a)	217	215
	31,615	29,251

Notes:

(a) Retirement scheme – defined contribution plans

With effect from 1 December 2000, a mandatory provident fund scheme has been set up for the eligible employees of the Group in Hong Kong. Contributions to the scheme by the Group are made at a certain percentage of basic monthly salary. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions totaling HK\$31,430 (2020: HK\$32,765) were payable to the scheme at the year end, which are included in trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes: *(cont'd)*

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2021 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowances HK\$'000	Other benefits [#] HK\$'000	Employer's contributions to retirement scheme	Total HK\$'000
						HK\$'000	
Mr. Rudolf Bischof	540	-	-	-	-	-	540
Mr. Hung Ching Yung	24	5,769	2,326	277	141	18	8,555
Mr. Lincoln C. K. Yung	24	5,769	2,326	99	294	18	8,530
Mr. Robert Tsai To Sze	540	-	-	-	-	-	540
Mr. John Con-sing Yung	300	-	-	-	-	-	300
Mr. Wong Chi Kwong Patrick	480	-	-	-	-	-	480
Ms. Jennie Chen	24	2,579	691	-	-	18	3,312
Total	1,932	14,117	5,343	376	435	54	22,257

The remuneration of every Director for the year ended 31 December 2020 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowances HK\$'000	Other benefits [#] HK\$'000	Employer's contributions to retirement scheme	Total HK\$'000
						HK\$'000	
Mr. Rudolf Bischof	540	-	-	-	-	-	540
Mr. Hung Ching Yung	24	5,574	2,247	288	135	18	8,286
Mr. Lincoln C. K. Yung	24	5,574	2,247	105	212	18	8,180
Mr. Robert Tsai To Sze	540	-	-	-	-	-	540
Mr. John Con-sing Yung	300	-	-	-	-	-	300
Mr. Wong Chi Kwong Patrick	480	-	-	-	-	-	480
Ms. Jennie Chen	24	2,441	655	-	-	18	3,138
Total	1,932	13,589	5,149	393	347	54	21,464

[#] Other benefits represent motor vehicle expenses.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes: *(cont'd)*

(c) Five highest paid individuals

The five highest paid individuals in the Group include 3 (2020: 3) Directors whose emoluments are reflected in the analysis presented in Note 7(b) above. The emoluments payable to the remaining individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, housing and other allowances and benefits in kind	3,346	3,210
Contributions to retirement scheme	36	36
	3,382	3,246

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
	1	1

8 Other operating expense, net

	2021 HK\$'000	2020 HK\$'000
Net exchange gain on operating activities	459	605
Others	(1,481)	(1,123)
	(1,022)	(518)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

9 Finance income/(expense)

	2021 HK\$'000	2020 HK\$'000
Finance income		
Bank interest income	154	166
	<u>154</u>	<u>166</u>
Finance expense		
Interest expense on short-term borrowing	–	(67)
Interest expense on lease liabilities and other non-current liability	(71)	(156)
Net exchange loss on financing activities	–	(435)
	<u>(71)</u>	<u>(658)</u>

10 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. 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.

The amount of taxation charged to the consolidated income statement represents:

	2021 HK\$'000	2020 HK\$'000
Current income tax		
– Hong Kong profits tax	2,918	3,975
– Withholding tax	18,074	20,545
– (Over)/under-provision in prior years	(547)	381
	<u>20,445</u>	<u>24,901</u>
Deferred income tax (Note 25)	1,078	991
	<u>21,523</u>	<u>25,892</u>

The Group's share of income tax expense of joint ventures for the year amounted to HK\$2,403,000 (2020: HK\$1,677,000) and is included in the consolidated income statement as share of results of joint ventures.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

10 Income tax expense *(cont'd)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2021	2020
	HK\$'000	HK\$'000
Profit before income tax	212,240	112,658
Adjust: share of (profit)/loss of joint ventures	(10,992)	18,880
	201,248	131,538
Calculated at a tax rate of 16.5% (2020: 16.5%)	33,206	21,704
Income not subject to tax	(32,381)	(23,757)
Expenses not deductible for tax purposes	3,609	7,107
Tax concession (Note)	(165)	(165)
(Over)/under-provision for current income tax in prior years	(547)	381
Tax loss not recognised	6	77
Utilisation of previously unrecognised tax losses	(279)	–
Withholding tax on dividend income from overseas investments and a joint venture	18,074	20,545
	21,523	25,892

Note:

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. The two-tiered profits tax rate regime is applicable to the Group and only one subsidiary in the Group could elect for the two-tiered rates regime.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	190,717	86,766
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	34,092	34,322
Earnings per share (HK\$)		
Basic and diluted (Note)	5.59	2.53

Note:

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

12 Dividends

	2021 HK\$'000	2020 HK\$'000
2021 proposed final dividend of HK\$0.70 (2020: HK\$0.70) per share	23,777	23,929
2021 proposed special dividend of HK\$0.70 (2020: HK\$0.70) per share	23,778	23,930
	47,555	47,859

At a meeting held on 24 March 2022 the Directors proposed a final dividend of HK\$0.70 (2020: HK\$0.70) per share and a special dividend of HK\$0.70 (2020: HK\$0.70) per share representing a total dividend distribution of approximately HK\$47.6 million (2020: HK\$47.9 million). These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 20 May 2022 and are not reflected as dividends payable in these financial statements.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

13 Property, plant and equipment

	Properties HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2021			
Opening net book amount	152	10	162
Addition	–	85	85
Depreciation	(50)	(20)	(70)
	<u>102</u>	<u>75</u>	<u>177</u>
Closing net book amount			
At 31 December 2021			
Cost	6,089	2,414	8,503
Accumulated depreciation and impairment losses	(5,987)	(2,339)	(8,326)
	<u>102</u>	<u>75</u>	<u>177</u>
Net book amount			
Year ended 31 December 2020			
Opening net book amount	205	8	213
Addition	–	6	6
Depreciation	(53)	(4)	(57)
	<u>152</u>	<u>10</u>	<u>162</u>
Closing net book amount			
At 31 December 2020			
Cost	6,089	2,329	8,418
Accumulated depreciation and impairment losses	(5,937)	(2,319)	(8,256)
	<u>152</u>	<u>10</u>	<u>162</u>
Net book amount			

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

14 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Right-of-use assets		
Office premises	619	5,565
	619	5,565
Lease liabilities		
Current	611	4,843
Non-current	–	611
	611	5,454

There was no addition to the right-of-use assets during the year ended 31 December 2021 and 2020.

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets (Note 6)	4,946	4,946
Interest expense (included in finance expense)	50	135
	4,996	5,081

The total cash outflow for leases in 2021 was approximately HK\$4,893,000 (2020: HK\$4,892,000).

(c) The Group's leasing activities and how they are accounted for

The Group leases a premise under operating leases mainly for use as office premise. The terms of the lease run for a period of three years (2020: three years). Lease payments are fixed for the contracted period. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment properties

	2021	2020
	HK\$'000	HK\$'000
At fair value		
Opening balance at 1 January	2,431,900	2,467,500
Fair value changes	67,100	(35,600)
	2,499,000	2,431,900
Closing balance at 31 December	2,499,000	2,431,900

The Group's investment properties with an aggregate carrying value of HK\$2,334,000,000 (2020: HK\$2,272,000,000) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2021 and 2020, no banking 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 31 December 2021. 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 valuers for financial reporting purposes. This department reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15 Investment properties (cont'd)

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed industrial and commercial properties in Hong Kong are generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

As at 31 December 2021, all investment properties are included in level 3 fair value hierarchy.

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

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
	2021 HK\$'000	2020 HK\$'000			
Commercial	2,385,000	2,322,000	Direct comparison	Average unit rate – HK\$6,856 – HK\$13,717 per square feet (2020: HK\$6,750 – HK\$13,448 per square feet) Carpark: HK\$1,680,000 – HK\$2,250,000 per unit (2020: HK\$1,530,000 – HK\$2,050,000 per unit)	The higher the unit price, the higher the fair value
Industrial	114,000	109,900	Direct comparison	Average unit rate – HK\$2,696 per square feet (2020: HK\$2,602 per square feet) Carpark: HK\$600,000 – HK\$720,000 per unit (2020: HK\$540,000 – HK\$650,000 per unit)	The higher the unit price, the higher the fair value
	<u>2,499,000</u>	<u>2,431,900</u>			

For minimum lease payments receivable on leases of investment properties, refer to Note 27.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

16 Investments in joint ventures

	2021 HK\$'000	2020 HK\$'000
Share of net assets	99,987	91,369

The following is a list of the principal joint ventures indirectly held by the Company as at 31 December 2021:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Attributable interest to the Group		
			Equity interest	Profit sharing	Voting power
Shanghai Sung Nan Textile Co., Ltd (Note a)	People's Republic of China, limited liability company	Property investment in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Property investment in the People's Republic of China	45%	45%	43%

Notes:

- (a) Since unanimous consent of all the parties sharing control is required for resolution of important strategic decisions including financial and operating, the investment is classified as joint venture even though the Group has a 57% voting interest.
- (b) All companies above are private and there is no quoted price available for their shares.

The fair value of investment properties held by joint ventures attributable to the Group amounted to HK\$60,490,000 (2020: HK\$55,344,000).

There are no commitment and contingent liabilities relating to the Group's investments in its joint ventures.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

17 Financial instruments by category

	2021	2020
	HK\$'000	HK\$'000
Assets as per consolidated balance sheet		
Financial assets at amortised cost		
Trade and other receivables (excluding deposits and prepayments)	2,253	2,384
Pledged bank deposits	4,606	4,700
Cash and cash equivalents	143,819	123,243
Financial assets at fair value through other comprehensive income	2,338,897	1,989,688
Non-current financial assets at fair value through profit or loss	9,242	4,918
Financial assets at fair value through profit or loss	446,161	407,094
	2,944,978	2,532,027
	2021	2020
	HK\$'000	HK\$'000
Liabilities as per consolidated balance sheet		
Financial liabilities at amortised cost		
Trade and other payables (excluding provisions)	48,279	46,826
Lease liabilities	611	5,454
	48,890	52,280

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

18 Financial assets at fair value through other comprehensive income

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	2021 HK\$'000	2020 HK\$'000
Listed equity securities – Hong Kong	3,934	4,617
Listed equity securities – outside Hong Kong	2,334,963	1,985,071
	2,338,897	1,989,688

(b) Financial assets at fair value through other comprehensive income

Movement of financial assets at fair value through other comprehensive income is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	1,989,688	2,364,390
Currency translation differences	11,845	(11,101)
Net fair value gains/(losses) recognised in equity	337,364	(363,601)
	2,338,897	1,989,688

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

18 Financial assets at fair value through other comprehensive income *(cont'd)*

(b) Financial assets at fair value through other comprehensive income *(cont'd)*

The financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2021	2020
	HK\$'000	HK\$'000
New Taiwan dollars (Note)	2,334,963	1,985,071
Others	3,934	4,617
	2,338,897	1,989,688

Note:

The financial assets at fair value through other comprehensive income represented the following investment:

Name	Place of incorporation	Principal Activities	Particulars of issued share capital	Group's equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	4,481,603,140 ordinary shares of NT\$10 each	3.96%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

19 Trade and other receivables

	2021	2020
	HK\$'000	HK\$'000
Trade receivables (Note a)	202	185
Other receivables, prepayments and deposits	8,044	8,215
Amounts due from joint ventures (Note c)	1,612	1,460
	9,858	9,860

Notes:

- (a) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31 December 2021, the aging analysis of the trade receivables is as follows:

	2021	2020
	HK\$'000	HK\$'000
Within 30 days	202	185

There is no concentration of credit risk with respect to trade receivables. The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

- (b) The carrying amounts of trade and other receivables approximate their fair values.
- (c) The amounts due from joint ventures are unsecured, interest free and repayable on demand.
- (d) The trade and other receivables are mainly denominated in Hong Kong dollars.
- (e) The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss

	2021 HK\$'000	2020 HK\$'000
Non-current asset		
Unlisted securities		
Debt securities	9,242	4,918
	-----	-----
Current assets		
Listed securities		
Equity securities	158,682	152,118
Debt securities	11,279	11,580
Fund investments	109,684	80,917
	-----	-----
	279,645	244,615
	-----	-----
Unlisted securities		
Equity securities	31,478	26,505
Debt securities	1,000	1,000
Fund investments	134,038	134,974
	-----	-----
	166,516	162,479
	-----	-----
	446,161	407,094
	-----	-----
	-----	-----
	455,403	412,012
	-----	-----

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 26).

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as 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\$172,962,000 (2020: HK\$165,552,000) were secured for banking facilities.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss *(cont'd)*

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Euro	43,091	31,513
Japanese yen	8,596	7,212
Hong Kong dollars	28,361	37,863
United States dollars	335,396	293,131
Others	39,959	42,293
	<u>455,403</u>	<u>412,012</u>

21 Cash and bank balances

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	143,819	123,243
Pledged bank deposits (Note a)	4,606	4,700
	<u>148,425</u>	<u>127,943</u>

Notes:

(a) As at 31 December 2021, bank deposits of HK\$4,606,000 (2020: HK\$4,700,000) were pledged to secure the banking facilities.

(b) The carrying amounts of cash and bank balances are mainly denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollars	119,288	103,429
United States dollars	26,280	23,470
Other	2,857	1,044
	<u>148,425</u>	<u>127,943</u>

(c) Maximum exposure to credit risk is HK\$148,425,000 (2020: HK\$127,943,000).

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

22 Share capital

	Number of Shares	Amount HK\$'000
Ordinary share, issued and fully paid:		
At 1 January 2020	34,476,738	3,448
Shares repurchased and cancelled	(291,500)	(29)
	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	34,185,238	3,419
Shares repurchased and cancelled	(217,500)	(22)
	<hr/>	<hr/>
At 31 December 2021	<u>33,967,738</u>	<u>3,397</u>

During the year ended 31 December 2021, the Company repurchased a total of 217,500 (2020: 291,500) of its own shares through purchases on The Stock Exchange of Hong Kong Limited. The repurchased shares were subsequently cancelled. The aggregate price of HK\$8,530,000 (2020: HK\$12,355,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$21,750 (2020: HK\$29,150) was transferred to the capital redemption reserve.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23 Reserves

	Contributed surplus HK\$'000	Financial assets at FVOCI reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2021	2,459	1,529,434	56,175	1,000	76,000	7,758	(9,301)	1,581	3,310,383	4,975,489
Currency translation differences	-	-	-	-	-	-	13,691	-	-	13,691
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	2,570	-	-	2,570
Fair value gains on financial assets at fair value through other comprehensive income	-	337,364	-	-	-	-	-	-	-	337,364
2020 final dividend	-	-	-	-	-	-	-	-	(23,891)	(23,891)
2020 special dividend	-	-	-	-	-	-	-	-	(23,890)	(23,890)
Profit for the year	-	-	-	-	-	-	-	-	190,717	190,717
Transfer to statutory reserves of a joint venture	-	-	-	-	-	297	-	-	(297)	-
Shares repurchased and cancelled	-	-	-	-	-	-	-	22	(8,530)	(8,508)
At 31 December 2021	2,459	1,866,798	56,175	1,000	76,000	8,055	6,960	1,603	3,444,492	5,463,542
Balance as at 1 January 2020	2,459	1,893,035	56,175	1,000	76,000	7,505	(3,808)	1,552	3,284,347	5,318,265
Currency translation differences	-	-	-	-	-	-	(12,373)	-	-	(12,373)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	6,880	-	-	6,880
Fair value losses on financial assets at fair value through other comprehensive income	-	(363,601)	-	-	-	-	-	-	-	(363,601)
2019 final dividend	-	-	-	-	-	-	-	-	(24,061)	(24,061)
2019 special dividend	-	-	-	-	-	-	-	-	(24,061)	(24,061)
Profit for the year	-	-	-	-	-	-	-	-	86,766	86,766
Transfer to statutory reserves of a joint venture	-	-	-	-	-	253	-	-	(253)	-
Shares repurchased and cancelled	-	-	-	-	-	-	-	29	(12,355)	(12,326)
At 31 December 2020	2,459	1,529,434	56,175	1,000	76,000	7,758	(9,301)	1,581	3,310,383	4,975,489

Contributed surplus

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited (“NCML”) in exchange for the Company’s new shares issued. The Group’s contributed surplus represents the difference between the nominal value of NCML’s shares and the nominal value of the Company’s shares issued pursuant to the group reorganisation less subsequent distribution. The Company’s contributed surplus represents the difference between the nominal value of the Company’s shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

23 Reserves *(cont'd)*

Financial assets at FVOCI reserves

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.9. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Statutory reserves

Statutory reserves are created in accordance with the terms of the joint venture agreements of the joint ventures established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31 December 2021 comprise statutory surplus reserve of HK\$4,027,500 (2020: HK\$3,879,000) and enterprise development reserve of HK\$4,027,500 (2020: HK\$3,879,000) which are appropriated from the retained profits of the joint ventures.

General reserve

General reserve arose from transfers from retained profits and has no specific purpose.

24 Trade and other payables

	2021 HK\$'000	2020 HK\$'000
Trade payables (Note a)	3,143	3,368
Rental and management fee deposits	19,197	19,492
Other payables and accruals	34,925	32,121
	<u>57,265</u>	<u>54,981</u>

Notes:

(a) At 31 December 2021, the aging analysis of the trade payables is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	<u>3,143</u>	<u>3,368</u>

(b) The carrying amounts of trade and other payables approximate their fair values and are denominated in Hong Kong dollars.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

25 Deferred income tax

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

	2021 HK\$'000	2020 HK\$'000
Deferred income tax liabilities		
– to be settled after more than 12 months	(27,520)	(26,442)

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

	2021 HK\$'000	2020 HK\$'000
Balance at 1 January	(26,442)	(25,451)
Tax charged to the consolidated income statement (Note 10)	(1,078)	(991)
Balance at 31 December	(27,520)	(26,442)

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

Deferred income tax liabilities:

	Accelerated tax depreciation HK\$'000
At 1 January 2020	(25,505)
Charged to the consolidated income statement	(937)
At 31 December 2020 and 1 January 2021	(26,442)
Charged to the consolidated income statement	(1,078)
At 31 December 2021	(27,520)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

25 Deferred income tax *(cont'd)*

Deferred income tax assets:

	Deductible temporary differences HK\$'000
At 1 January 2020	54
Charged to the consolidated income statement	(54)
	—
At 31 December 2020, 1 January 2021 and 31 December 2021	—

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\$217,000 (2020: HK\$490,000) in respect of tax losses amounting to HK\$1,318,000 (2020: HK\$2,970,000). These tax losses have no expiry date.

26 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	212,240	112,658
Share of (profit)/loss of joint ventures	(10,992)	18,880
Finance (income)/expense, net, excluding exchange differences	(83)	57
Dividend income from financial assets at fair value through other comprehensive income	(83,828)	(94,462)
Net exchange losses/(gains)	3,531	(2,178)
Depreciation of property, plant and equipment	70	57
Depreciation of right-of-use assets	4,946	4,946
Changes in fair value of investment properties	(67,100)	35,600
	58,784	75,558
Operating profit before working capital changes	58,784	75,558
Decrease in trade and other receivables	2	912
Increase in financial assets at fair value through profit or loss	(45,216)	(39,197)
Increase in trade and other payables	2,284	1,666
	15,854	38,939
Net cash generated from operations	15,854	38,939

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

26 Notes to the consolidated statement of cash flows *(cont'd)*

(b) Dividends received from a joint venture and financial assets at fair value through other comprehensive income:

	2021	2020
	HK\$'000	HK\$'000
Dividends received	88,772	99,592
Withholding tax paid	(18,074)	(20,545)
	70,698	79,047

(c) Liabilities and assets from financing activities

The movement in liabilities and assets from financing activities are as follows:

	Pledged bank deposits HK\$'000	Lease liabilities HK\$'000	Short-term borrowing HK\$'000	Total HK\$'000
Balance as at 1 January 2021	(4,700)	5,454	–	754
Cash inflow	94	–	–	94
Cash outflow	–	(4,843)	–	(4,843)
	(4,606)	611	–	(3,995)
Balance as at 31 December 2021	(4,606)	611	–	(3,995)
Balance as at 1 January 2020	(10,624)	10,211	8,877	8,464
Cash inflow	5,924	–	6,000	11,924
Cash outflow	–	(4,757)	(15,312)	(20,069)
Currency translation differences	–	–	435	435
	(4,700)	5,454	–	754
Balance as at 31 December 2020	(4,700)	5,454	–	754

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

27 Future rental receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly.

At 31 December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	53,222	54,734
Later than one year but not later than 5 years	33,976	35,816
	87,198	90,550

28 Related party transactions

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Key management compensation

	2021 HK\$'000	2020 HK\$'000
Salaries and other short term employee benefits	24,261	23,404
Contributions to retirement scheme	72	72
	24,333	23,476

(b) Related party balances

	2021 HK\$'000	2020 HK\$'000
Amounts due from joint ventures (Note 19)	1,612	1,460
	1,612	1,460

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

29 Balance sheet and reserve movement of the Company

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	378,782	378,782
	-----	-----
Current assets		
Trade and other receivables	277	151
Amounts due from subsidiaries	152,803	152,803
Cash and cash equivalents	9,617	12,719
	-----	-----
	162,697	165,673
	-----	-----
Total assets	541,479	544,455
	-----	-----
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	3,397	3,419
Other reserves (Note)	357,844	357,822
Retained profits (Note)	108,165	117,646
	-----	-----
Total equity	469,406	478,887
	-----	-----
LIABILITIES		
Current liabilities		
Other payables	4,015	3,564
Amounts due to subsidiaries	68,058	62,004
	-----	-----
	72,073	65,568
	-----	-----
Total equity and liabilities	541,479	544,455
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NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

29 Balance sheet and reserve movement of the Company *(cont'd)*

Note:

Reserve movement of the Company

	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	356,241	1,581	117,646	475,468
Profit for the year	–	–	46,830	46,830
Share repurchased and cancelled	–	22	(8,530)	(8,508)
2020 final dividend	–	–	(23,891)	(23,891)
2020 special dividend	–	–	(23,890)	(23,890)
	<u>356,241</u>	<u>1,603</u>	<u>108,165</u>	<u>466,009</u>
At 31 December 2021	<u>356,241</u>	<u>1,603</u>	<u>108,165</u>	<u>466,009</u>
At 1 January 2020	356,241	1,552	123,117	480,910
Profit for the year	–	–	55,006	55,006
Share repurchased and cancelled	–	29	(12,355)	(12,326)
2019 final dividend	–	–	(24,061)	(24,061)
2019 special dividend	–	–	(24,061)	(24,061)
	<u>356,241</u>	<u>1,581</u>	<u>117,646</u>	<u>475,468</u>
At 31 December 2020	<u>356,241</u>	<u>1,581</u>	<u>117,646</u>	<u>475,468</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 Subsidiaries

Details of the subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group's equity interest	
					2021	2020
Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	50,000 shares of US\$1 each	100%	100%
Cottage Investments Co SA	Panama, limited liability company	Hong Kong	Investment holding	100 common shares without par value issued at US\$10 each and 100 common shares of US\$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares of US\$1 each	100%	100%
East Coast Investments Ltd	Hong Kong, limited liability company	Hong Kong	Investment trading	2 ordinary shares	100%	100%
Highriver Estates Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	2 ordinary shares	100%	100%
Infinity Peace Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares without par value issued at US\$1 each	100%	100%
Mepal International Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	3 ordinary shares	100%	100%
Merry Co Inc	Liberia, limited liability company	The People's Republic of China	Property Holding	1 share without par value issued at US\$1,000	100%	100%
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 Subsidiaries *(cont'd)*

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group's equity interest	
					2021	2020
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding	2 ordinary shares	100%	100%
Peninsular Inc	Liberia, limited liability company	Hong Kong	Investment holding	1 share without par value issued at HK\$10,000	100%	100%
Peninsular Yarn and Fabric Merchandising Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	1,000 ordinary shares	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding and trading	10,000 ordinary shares of US\$1 each	100%	100%

+ Subsidiary held directly by the Company.

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2021 and 2020

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2006–2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A–D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%