

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **NANYANG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 212)**

### **2020 FINAL RESULTS ANNOUNCEMENT**

#### **GROUP FINANCIAL HIGHLIGHTS**

	<b>2020</b>	2019	Variance
	<b>HK\$'000</b>	HK\$'000	
Revenue and other income	<b>225,203</b>	228,897	(2%)
Profit attributable to equity holders of the Company	<b>86,766</b>	60,281	44%
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	<b>65,742</b>	103,003	(36%)
	<b>152,508</b>	163,284	(7%)
	<b>2020</b>	2019	
	<b>HK\$</b>	HK\$	
Earnings per share	<b>2.53</b>	1.75	45%
Earnings per share			
– after deducting the changes in fair value of investment properties and related tax effects	<b>4.44</b>	4.74	(6%)
Final dividend per share	<b>0.70</b>	0.70	–
Special dividend per share	<b>0.70</b>	0.70	–
Dividend per share	<b>1.40</b>	1.40	–
Net asset value per share	<b>145.64</b>	154.36	(6%)

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that for the year ended 31 December 2020 the Group reported a profit attributable to equity holders of HK\$86.8 million (2019: profit of HK\$60.3 million). The current year’s profit comprises the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2019 earnings, of approximately HK\$74.6 million (after netting 21% withholding tax); and net realised and unrealised gains on financial assets at fair value through profit or loss of HK\$41.5 million; as well as the change in fair value of investment properties (including those owned by joint ventures). Excluding the net effect of revaluing the investment properties at fair value, 2020 would have shown a profit attributable to equity holders of HK\$152.5 million (2019: profit of HK\$163.3 million). Total earnings per share were HK\$2.53 (2019: HK\$1.75). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK\$4.44 (2019: HK\$4.74). The Group’s net asset value per share decreased from HK\$154.36 (at 31/12/2019) to HK\$145.64 (at 31/12/2020), as a fair value loss of approximately HK\$363.6 million was recorded in the other comprehensive income, as compared to a fair value gain of HK\$574.8 million in 2019. Included in the other comprehensive income is the fair value loss of the Group’s holding of SCSB shares, whose share price declined to NT\$41.10 as at 31 December 2020 (31/12/19: NT\$52).

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		<b>2020</b>	2019
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Revenue	2	<b>183,674</b>	173,449
Other income	2	<b>41,529</b>	55,448
		<hr/>	<hr/>
Revenue and other income	2	<b>225,203</b>	228,897
Direct costs		<b>(16,368)</b>	(16,675)
		<hr/>	<hr/>
Gross profit		<b>208,835</b>	212,222
Administrative expenses		<b>(40,687)</b>	(41,495)
Other operating (expense)/income, net		<b>(518)</b>	308
Changes in fair value of investment properties		<b>(35,600)</b>	(95,469)
		<hr/>	<hr/>
Operating profit	3	<b>132,030</b>	75,566
Finance income	4	<b>166</b>	1,006
Finance expense	4	<b>(658)</b>	(304)
Share of (loss)/profit of joint ventures		<b>(18,880)</b>	6,306
		<hr/>	<hr/>
Profit before income tax		<b>112,658</b>	82,574
Income tax expense	5	<b>(25,892)</b>	(22,293)
		<hr/>	<hr/>
Profit attributable to equity holders of the Company		<b>86,766</b>	60,281
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (basic and diluted)	6	<b>HK\$2.53</b>	HK\$1.75
		<hr/> <hr/>	<hr/> <hr/>
Dividends	7	<b>47,859</b>	48,267
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the year</b>	<b>86,766</b>	60,281
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of joint ventures accounted for under equity method	<b>6,880</b>	(2,048)
Currency translation differences	<b>(12,373)</b>	(10,986)
Items that may not be reclassified subsequently to profit or loss		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	<b>(363,601)</b>	574,778
<b>Other comprehensive income for the year, net of tax</b>	<b>(369,094)</b>	561,744
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b>(282,328)</b>	622,025

**CONSOLIDATED BALANCE SHEET***As at 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>162</b>	213
Right-of-use assets		<b>5,565</b>	10,511
Investment properties		<b>2,431,900</b>	2,467,500
Investments in joint ventures		<b>91,369</b>	108,499
Financial assets at fair value through other comprehensive income		<b>1,989,688</b>	2,364,390
Non-current financial assets at fair value through profit or loss		<b>4,918</b>	4,606
		<b>4,523,602</b>	4,955,719
<b>Current assets</b>			
Trade and other receivables	8	<b>9,860</b>	10,772
Financial assets at fair value through profit or loss		<b>407,094</b>	366,768
Cash and bank balances			
– Pledged bank deposits		<b>4,700</b>	10,624
– Cash and cash equivalents		<b>123,243</b>	80,874
		<b>544,897</b>	469,038
<b>Total assets</b>		<b>5,068,499</b>	5,424,757
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>3,419</b>	3,448
Other reserves		<b>1,665,106</b>	2,033,918
Retained profits		<b>3,310,383</b>	3,284,347
<b>Total equity</b>		<b>4,978,908</b>	5,321,713
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>611</b>	5,454
Deferred income tax liabilities		<b>26,442</b>	25,451
Other non-current liability		<b>1,184</b>	1,163
		<b>28,237</b>	32,068
<b>Current liabilities</b>			
Trade and other payables	9	<b>54,981</b>	53,315
Current income tax liabilities		<b>1,530</b>	4,027
Short-term borrowing		<b>–</b>	8,877
Lease liabilities		<b>4,843</b>	4,757
		<b>61,354</b>	70,976
<b>Total liabilities</b>		<b>89,591</b>	103,044
<b>Total equity and liabilities</b>		<b>5,068,499</b>	5,424,757

## NOTES TO THE FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

#### (a) Amendments to standards that are effective in 2020

During the year ended 31 December 2020, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2020:

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

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

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

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform Phase 2 <sup>(2)</sup>
HKFRS 17	Insurance Contracts <sup>(4)</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>(6)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(5)</sup>
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession <sup>(1)</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>(4)</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use <sup>(3)</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>(3)</sup>
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle <sup>(3)</sup>

## 1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) New standard and amendments to standards that are not yet effective and have not been early adopted by the Group (cont'd)

- (1) Effective for accounting periods beginning on or after 1 June 2020
- (2) Effective for accounting periods beginning on or after 1 January 2021
- (3) Effective for accounting periods beginning on or after 1 January 2022
- (4) Effective for accounting periods beginning on or after 1 January 2023
- (5) Effective date is to be determined
- (6) Effective for business combinations for which the acquisition date is on or after the beginning of the first accounting periods beginning on or after 1 January 2022

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

## 2 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:

	2020 HK\$'000	2019 HK\$'000
Revenue		
Gross rental income from investment properties	74,380	75,236
Investment income from financial assets at fair value through profit or loss	3,213	4,477
Dividend income from financial assets at fair value through other comprehensive income	94,462	81,461
Management fee income from investment properties	11,438	11,989
Other	181	286
	<u>183,674</u>	<u>173,449</u>
Other income		
Net realised and unrealised gains on financial assets at fair value through profit or loss	41,529	55,448
Revenue and other income	<u>225,203</u>	<u>228,897</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 2020 amounted to HK\$156,000 (2019: HK\$108,000) respectively.

## 2 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 2020 are as follows:

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

*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.



## 2 REVENUE AND OTHER INCOME AND SEGMENT INFORMATION (cont'd)

The segment results for the year ended 31 December 2019 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income	87,225	141,672	228,897
Segment results	(61,061)	136,627	75,566
Finance income			1,006
Finance expense			(304)
Share of profit of joint ventures	6,306	-	6,306
Profit before income tax			82,574
Income tax expense			(22,293)
Profit attributable to equity holders of the Company			60,281
Other items			
Depreciation of property, plant and equipment	(61)	(24)	(85)
Fair value losses on investment properties	(95,469)	-	(95,469)

*Note:* Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK\$4,328,000 was recognised for the year ended 31 December 2019.

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

The segment assets and liabilities as at 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
			5,068,499
Segment liabilities	52,673	3,838	56,511
Unallocated liabilities			33,080
			89,591

## 2 REVENUE AND OTHER INCOME AND SEGMENT INFORMATION (cont'd)

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

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

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:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	102,966	97,253
United States of America	10,604	20,344
Europe	14,246	25,641
Taiwan	94,462	81,461
Other countries	2,925	4,198
	<u>225,203</u>	<u>228,897</u>

At 31 December 2020, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	2,437,503	2,478,078
Mainland China	91,493	108,645
	<u>2,528,996</u>	<u>2,586,723</u>

### 3 OPERATING PROFIT

Operating profit is stated after charging the following:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>57</b>	85
Depreciation of right-of-use assets	<b>4,946</b>	4,328
Short-term lease expenses	–	403
Employee benefit expense (including directors' emoluments)	<b>29,251</b>	30,029
Management fee expense in respect of investment properties	<b>12,190</b>	12,190
	<b><u>12,190</u></b>	<b><u>12,190</u></b>

### 4 FINANCE INCOME/(EXPENSE)

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Finance income</b>		
Net exchange gain on financing activities	–	179
Bank interest income	<b>166</b>	827
	<b><u>166</u></b>	<b><u>1,006</u></b>
<b>Finance expense</b>		
Interest expense on short-term borrowing	<b>(67)</b>	(100)
Interest expense on lease liabilities and other non-current liability	<b>(156)</b>	(204)
Net exchange loss on financing activities	<b>(435)</b>	–
	<b><u>(658)</u></b>	<b><u>(304)</u></b>

## 5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Withholding tax on dividends receivable from overseas investments including joint ventures and 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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>3,975</b>	4,171
– Withholding tax	<b>20,545</b>	17,597
– Under-provision in prior years	<b>381</b>	287
	<b>24,901</b>	22,055
Deferred income tax	<b>991</b>	238
	<b>25,892</b>	22,293

The Group's share of income tax expense of joint ventures for the year amounted to HK\$1,677,000 (2019: HK\$2,977,000) and is included in the consolidated income statement as share of results of joint ventures.

## 6 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.

	<b>2020</b>	2019
<b>Earnings (HK\$'000)</b>		
Profit attributable to equity holders of the Company	<b>86,766</b>	60,281
<b>Number of shares (thousands)</b>		
Weighted average number of ordinary shares in issue	<b>34,322</b>	34,477
<b>Earnings per share (HK\$)</b>		
Basic and diluted ( <i>Note</i> )	<b>2.53</b>	1.75

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

## 7 DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
2020 proposed final dividend of HK\$0.70 (2019: HK\$0.70) per share	23,929	24,133
2020 proposed special dividend of HK\$0.70 (2019: HK\$0.70) per share	<u>23,930</u>	<u>24,134</u>
	<u><u>47,859</u></u>	<u><u>48,267</u></u>

## 8 TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	185	941
Other receivables, prepayments and deposits	8,215	8,273
Amounts due from joint ventures	<u>1,460</u>	<u>1,558</u>
	<u><u>9,860</u></u>	<u><u>10,772</u></u>

The Group does not grant any credit term to customers. At 31 December 2020, the aging analysis of the trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	<u><u>185</u></u>	<u><u>941</u></u>

There is no concentration of credit risk with respect to trade receivables.

## 9 TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	3,368	3,452
Rental and management fee deposits	19,492	19,214
Other payables and accruals	<u>32,121</u>	<u>30,649</u>
	<u><u>54,981</u></u>	<u><u>53,315</u></u>

At 31 December 2020, the aging analysis of the trade payables is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	<u><u>3,368</u></u>	<u><u>3,452</u></u>

## DIVIDEND

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\$47.9 million (2019: 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\$48.3 million). Subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the final and special dividends will be payable on or around 11 June 2021. These proposed dividends are not reflected as dividends payable in the financial statements for the year ended 31 December 2020, but will be reflected as appropriations of retained profits for the year ending 31 December 2021.

The register of members of the Company will be closed from 31 May 2021 to 2 June 2021, 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, 28 May 2021.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased an aggregate of 291,500 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 purchased	Price per share		Aggregate cost HK\$
		Highest HK\$	Lowest HK\$	
2020				
March	54,000	46.00	45.00	2,457,950
April	24,000	44.90	44.90	1,077,600
May	26,000	44.60	42.60	1,142,250
June	11,000	42.00	42.00	462,000
July	147,500	42.00	40.00	6,054,900
September	1,000	40.45	40.45	40,450
October	28,000	40.00	40.00	1,120,000
	<u>291,500</u>			<u>12,355,150</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.

## **BUSINESS REVIEW AND PROSPECTS**

### **Real Estate**

#### ***Hong Kong***

Measures taken to control the coronavirus has brought economic activities, in the local economy, to almost a standstill. Rentals and occupancy at Nanyang Plaza, in Kwun Tong, declined and the take up rate has been very slow. Of the 290,000 sq. ft. of industrial/office space, the Group holds, presently is 89.7% leased. We will continue to offer favourable leasing terms and attractive rental rates, in order to attract new tenants and to retain existing ones.

#### ***Shanghai***

Results of Shanghai Sung Nan Textile Co. Ltd., the Group's 65% joint venture, in 2020, was affected by the coronavirus and the abrupt termination in November of the lease of the anchor tenant, a Taiwan listed wedding banquet company, who leased approximately 75% of the total space. Since resumption of operation in late May 2020, despite being granted ample rental relief measures, business of the tenant did not recover. As a result, Sung Nan's rental income dropped significantly. At the beginning of December, Sung Nan filed an arbitration application with the International Arbitration Centre in Shanghai for repossession of the premises. With the assistance of our Chinese Partner, a lease agreement has been signed with a new tenant subject to relevant government approval for a rehabilitation centre.

Sung Nan's land use right and joint venture term will be expiring on 31 May 2022. Included in the 2020 loss was the share of fair value loss of HK\$26.8 million from revaluation of the investment properties. It is our intention to negotiate with our Chinese Partner for the formation of a new joint venture under new terms at the same site.

#### ***Shenzhen***

The rental concessions granted to tenants during the period from 23 January 2020, when the lockdown at Wuhan was announced, affected earnings in the first half, at Southern Textile Company Limited, a joint venture in which the Group owns 45%. However, Southern finished the year with satisfactory results.

## Financial Investments

2020 was a challenging year with significant volatility. In the first half, COVID-19 created havoc in financial markets. However, in the second half, with interest rates remaining at a very low level, the release of fiscal stimulus packages from major governments and the introduction of several vaccines for the coronavirus towards the end of the year, equity markets staged a dramatic comeback. During this period, we closely monitored our positions and readjusted the portfolios in order to achieve a positive result. We reduced emerging market bonds, increased emerging market equities, especially in China, allocated a portion of the investments to non-US Dollar denominated funds, and increased exposure to healthcare and sustainable equity funds and to gold.

For the year ended 31 December 2020, the investment portfolios, including cash held in the portfolios, increased by 9.85% year on year. Financial assets at fair value through profit or loss, classified as current assets, totalled HK\$407.1 million. This represented approximately 8% of the total assets of the Group. They comprise approximately 400 individual holdings. The Group recorded net realised and unrealised fair value gains of HK\$41.5 million and investment income of HK\$3.2 million. Equities comprised approximately 78.9% (of which U.S. 36.6%; European 15.8%; Japanese 5.3%; Asia ex-Japan 28.4% and Emerging Markets 13.9%), bonds 13.4% (of which U.S. 84.3%; European 3.7%; Emerging Markets 5.2% and others 6.8%), commodities 2.5% and cash 5.2%. In retrospect, the technology and China related shares added value to the portfolios.

In the new year, with the roll out of the vaccination programs, it is expected that economic normalization could return again soon. We invested in an equity fund related to global consumer demand and increased equity investments in smart energy and new technology. Also, we increased investment in China equities during the recent market correction. As at 17 March 2021, the latest practicable date, the portfolios increased year-to-date by approximately 4% and the value, including cash held in the portfolios, stood at approximately US\$60.1 million or HK\$465.8 million. Against a backdrop of geopolitical uncertainty and the recent market volatility, especially in the technology sector, there is a constant need to stay vigilant and adjust the composition of the portfolios as interest rates start to creep up.

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\$1,985.1 million has been classified under non-current assets as financial assets at fair value through other comprehensive income (representing approximately 39% of the total assets of the Group) and there is no intention to dispose the investment within 12 months of this report date. The Group received a net cash dividend of approximately HK\$74.6 million from SCSB’s 2019 earnings.



Presently SCSB has 69 branches in Taiwan, one each in Hong Kong, Vietnam, Singapore and Wuxi, China. They also have three representative offices, in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. During the year, SCSB commenced redevelopment of its headquarters in Taipei. Completion and occupation, of which, is expected to be in 2023. Also, in August, SCSB received the ‘Best Client Trust Award’ from Business Today Magazine. In January 2021, SCSB received its licence to start its wealth management business for ultra high net worth clients. SCSB also holds a 57.6% interest in Shanghai Commercial Bank Limited (“SCB”) in Hong Kong. SCB has 44 branches in Hong Kong, three in China and four branches overseas. The reviewed net profit attributable to owners of SCSB for the nine months ended 30 September 2020 was approximately NT\$10,320.9 million (2019 same period: net profit of approximately NT\$11,309.6 million). Total reviewed equity attributable to owners of SCSB at 30 September 2020 was approximately NT\$152,812.6 million (31/12/2019: approximately NT\$153,567.6 million audited). (These figures were extracted from SCSB’s website at <http://www.scsb.com.tw>.)

## **FINANCIAL POSITION**

The Group’s investment properties with an aggregate value of HK\$2,272 million (31/12/2019: HK\$2,303 million) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2020 and 2019, these bank facilities were not utilized. Debt to equity ratio decreased from 0.4% as at 31 December 2019 to 0.1% as at 31 December 2020 as a result of repayment of borrowings of Euro 1.0 million (approximately HK\$9 million). Debt included borrowing and lease liabilities; equity was total equity of the Group. At the end of the year, the Group had net current assets of HK\$483.5 million (31/12/2019: HK\$398.1 million).

## **EMPLOYEES**

The Group employed 13 employees as at 31 December 2020. 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 and hand sanitizers for all the staff who worked at the office.

## **CORPORATE GOVERNANCE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2020, 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”).

## **CODE FOR DEALING IN COMPANY'S SECURITIES BY DIRECTORS**

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"). 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 2020.

## **AUDIT COMMITTEE AND REVIEW OF RESULTS**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the draft consolidated financial statements for the year ended 31 December 2020 with the management.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.nanyangholdingslimited.com](http://www.nanyangholdingslimited.com). The 2020 annual report containing the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board  
**Lee Sheung Yee**  
*Company Secretary*

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises seven Directors as follows:

*Executive Directors:*

Hung Ching Yung, JP (*Managing Director*)  
Lincoln C.K. Yung, JP, FHKIB  
(*Deputy Managing Director*)  
Jennie Chen (*Financial Controller*)

*Independent Non-Executive Directors:*

Rudolf Bischof (*Chairman*)  
Robert T. T. Sze  
Wong Chi Kwong Patrick

*Non-Executive Director:*

John Con-sing Yung