

NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

2008 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHT

	Unaudited	
	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
Revenue/turnover	14,458	79,998
Profit attributable to equity holders of the Company	77,491	101,045
(Loss)/profit attributable to equity holders of the Company – excluding changes in fair value of investment properties and related deferred tax	(10,509)	53,014
Earnings per share	HK\$1.79	HK\$2.29
(Loss)/earnings per share – excluding changes in fair value of investment properties and related deferred tax	HK\$(0.24)	HK\$1.20

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2008 showed a profit of HK\$77.5 million (2007: HK\$101.0 million). A gain of HK\$88.0 million resulted from the revaluation of the investment properties of the Company and a jointly controlled entity on a fair value basis. If the effect of the revaluation had been excluded, the half year would have shown a loss of HK\$10.5 million (2007: profit HK\$53.0 million). Earnings per share were HK\$1.79 (2007: HK\$2.29).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2008

		Six months ended 30th June	
		2008	2007
		HK\$'000	HK\$'000
Revenue/turnover	(Note 2)	14,458	79,998
Direct costs		<u>(6,048)</u>	<u>(5,964)</u>
Gross profit		8,410	74,034
Administrative expenses		(18,916)	(19,035)
Other operating income		1,256	1,435
Other operating expenses		(1,733)	(1,847)
Changes in fair value of investment properties		<u>75,600</u>	<u>57,900</u>
Operating profit	(Note 3)	64,617	112,487
Finance costs	(Note 4)	(787)	(2,267)
Share of profits of jointly controlled entities	(Note 5)	<u>18,803</u>	<u>1,881</u>
Profit before income tax		82,633	112,101
Income tax expense	(Note 6)	<u>(5,142)</u>	<u>(11,056)</u>
Profit attributable to equity holders of the Company		<u>77,491</u>	<u>101,045</u>
Earnings per share (basic and diluted)	(Note 7)	<u>HK\$1.79</u>	<u>HK\$2.29</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2008

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,585	2,809
Investment properties	1,074,000	998,400
Jointly controlled entities	224,672	197,833
Available-for-sale financial assets	624,650	472,173
Deferred income tax assets	108	115
	<u>1,926,015</u>	<u>1,671,330</u>
Current assets		
Trade and other receivables (Note 9)	16,461	8,430
Financial assets at fair value through profit or loss	295,054	384,288
Cash and cash equivalents	93,447	40,683
	<u>404,962</u>	<u>433,401</u>
Total assets	<u>2,330,977</u>	<u>2,104,731</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	4,333	4,346
Reserves	2,069,012	1,857,158
Total equity	<u>2,073,345</u>	<u>1,861,504</u>
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	145,368	141,228
Current liabilities		
Trade and other payables (Note 10)	46,042	45,772
Tax payable	2,222	1,227
Short-term bank loans	64,000	55,000
	<u>112,264</u>	<u>101,999</u>
Total liabilities	<u>257,632</u>	<u>243,227</u>
Total equity and liabilities	<u>2,330,977</u>	<u>2,104,731</u>
Net current assets	<u>292,698</u>	<u>331,402</u>
Total assets less current liabilities	<u>2,218,713</u>	<u>2,002,732</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

(a) Basis of preparation

This Interim Financial Information for the six months ended 30th June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This Interim Financial Information should be read in conjunction with the 2007 annual financial statements.

(b) Significant accounting policies

The significant accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2007 annual financial statements.

The following new standard and amendments to standards which are relevant to the Group’s operations have been issued but are not effective for the accounting period ended 30th June 2008:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009

The Group has not early adopted the above new standard and amendments to standards. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group’s financial statements.

2 Revenue and segment information

Revenue recognised during the period comprises the following:

	Six months ended 30th June	
	2008	2007
	HK\$’000	HK\$’000
Gross rental income from investment properties	24,617	21,786
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(33,011)	33,352
Dividend income from listed investments	1,430	1,894
Dividend income from unlisted investments	12,407	11,576
Interest income	1,378	3,959
Management fee income from investment properties	4,120	4,161
Commission income	3,517	3,270
	14,458	79,998

(a) *Primary reporting format – business segments*

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

- Textile – manufacture and distribution of textile products
- Property – investment in and leasing of industrial/office premises
- Investments – holding and trading of investment securities

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

The segment results for the six months ended 30th June 2008 are as follows:

	Textile HK\$'000	Property HK\$'000	Investments HK\$'000	Group HK\$'000
Revenue	<u>3,517</u>	<u>28,737</u>	<u>(17,796)</u>	<u>14,458</u>
Segment results	3,751	80,689	(19,823)	64,617
Finance costs				(787)
Share of profits of jointly controlled entities	(4,476)	23,279	–	<u>18,803</u>
Profit before income tax				82,633
Income tax expense				<u>(5,142)</u>
Profit attributable to equity holders of the Company				<u><u>77,491</u></u>
Capital expenditure	–	13	–	13
Depreciation	<u>178</u>	<u>48</u>	<u>11</u>	<u>237</u>

The segment results for the six months ended 30th June 2007 are as follows:

	Textile HK\$'000	Property HK\$'000	Investments HK\$'000	Group HK\$'000
Revenue	<u>3,270</u>	<u>25,947</u>	<u>50,781</u>	<u>79,998</u>
Segment results	3,223	63,109	46,155	112,487
Finance costs				(2,267)
Share of profits of jointly controlled entities	1,881	–	–	<u>1,881</u>
Profit before income tax				112,101
Income tax expense				<u>(11,056)</u>
Profit attributable to equity holders of the Company				<u><u>101,045</u></u>
Capital expenditure	19	10	–	29
Depreciation	<u>164</u>	<u>46</u>	<u>11</u>	<u>221</u>

The segment assets and liabilities at 30th June 2008 are as follows:

	Textile HK\$'000	Property HK\$'000	Investments HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	4,606	1,097,945	1,003,646	108	2,106,305
Jointly controlled entities	<u>101,599</u>	<u>123,073</u>	<u>–</u>	<u>–</u>	<u>224,672</u>
Total assets	<u>106,205</u>	<u>1,221,018</u>	<u>1,003,646</u>	<u>108</u>	<u>2,330,977</u>
Total liabilities	<u>4,976</u>	<u>39,089</u>	<u>1,977</u>	<u>211,590</u>	<u>257,632</u>

The segment assets and liabilities at 31st December 2007 are as follows:

	Textile HK\$'000	Property HK\$'000	Investments HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	2,764	1,022,386	881,633	115	1,906,898
Jointly controlled entities	<u>105,345</u>	<u>92,488</u>	<u>–</u>	<u>–</u>	<u>197,833</u>
Total assets	<u>108,109</u>	<u>1,114,874</u>	<u>881,633</u>	<u>115</u>	<u>2,104,731</u>
Total liabilities	<u>3,525</u>	<u>40,075</u>	<u>2,172</u>	<u>197,455</u>	<u>243,227</u>

(b) *Secondary reporting format – geographical segments*

The Group's three main business segments operate in the following main geographical areas:

Hong Kong – textile, property and investments

United States of America, Europe, Taiwan and Southeast Asia – investments

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

	Revenue Six months ended 30th June		Operating results Six months ended 30th June		Capital expenditure Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	26,819	36,538	77,986	70,355	13	29
United States of America	(6,078)	16,218	(6,332)	15,617	–	–
Europe	(13,983)	6,924	(14,517)	6,651	–	–
Southeast Asia	(1,681)	7,316	(1,746)	6,925	–	–
Taiwan	12,125	11,582	12,115	11,574	–	–
Other countries	<u>(2,744)</u>	<u>1,420</u>	<u>(2,889)</u>	<u>1,365</u>	<u>–</u>	<u>–</u>
	<u>14,458</u>	<u>79,998</u>	<u>64,617</u>	<u>112,487</u>	<u>13</u>	<u>29</u>

Total assets are allocated based on where the assets are located.

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Hong Kong	1,121,563	1,048,350
United States of America	224,176	232,248
Europe	98,095	107,787
Southeast Asia	26,886	29,213
Taiwan	612,416	459,810
Other countries	23,061	29,375
	2,106,197	1,906,783
Jointly controlled entities	224,672	197,833
Unallocated assets	108	115
	2,330,977	2,104,731

3 Operating profit

Operating profit is stated after charging depreciation of HK\$237,000 (2007: HK\$221,000).

4 Finance costs

	Six months ended 30th June 2008 HK\$'000	2007 HK\$'000
Interest expenses on short-term bank loans	787	2,267

5 Share of profits of jointly controlled entities

The Group's share of profits of jointly controlled entities for the period comprises the following:

	Six months ended 30th June 2008 HK\$'000	2007 HK\$'000
Fair value gains on investment properties (net of taxation)	24,610	–
Other operating results	(5,807)	1,881
Total	18,803	1,881

6 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	995	1,187
Deferred income tax		
– Recognition of temporary differences	12,211	9,869
– Change in profits tax rate	(8,064)	–
	<u>5,142</u>	<u>11,056</u>

In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for the fiscal year of 2008/2009.

The share of profits of jointly controlled entities in the income statement includes the share of overseas taxation attributable to jointly controlled entities for the six months ended 30th June 2008 of HK\$8,282,000 (2007: HK\$469,000).

7 Earnings per share

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

	Six months ended 30th June	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>77,491</u>	<u>101,045</u>
Weighted average number of ordinary shares in issue (thousands)	<u>43,363</u>	<u>44,078</u>
Basic earnings per share (HK\$)	<u>1.79</u>	<u>2.29</u>

The Company has no dilutive potential ordinary shares.

8 Dividends

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
2007 final dividend paid of HK\$0.40 (2007: 2006 final dividend paid of HK\$0.40) per share	17,334	17,610
2007 special dividend paid of HK\$0.10 (2007: 2006 special dividend paid of HK\$0.30) per share	<u>4,334</u>	<u>13,207</u>
Total	<u>21,668</u>	<u>30,817</u>

9 Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$389,000 (2007: HK\$179,000). The Group does not grant any credit to its customers.

At 30th June 2008, the aging analysis of trade receivables is as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Within 30 days	361	179
31 – 60 days	28	–
	389	179

10 Trade and other payables

Included in trade and other payables are trade payables of HK\$2,057,000 (2007: HK\$1,701,000).

At 30th June 2008, the aging analysis of trade payables is as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Within 30 days	1,717	1,361
31 – 60 days	340	340
	2,057	1,701

INTERIM DIVIDEND

The Directors have decided not to declare an interim dividend for the six months ended 30th June 2008 (2007: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, the Company purchased a total of 127,500 shares of the Company on The Stock Exchange of Hong Kong Limited, all of which have been subsequently cancelled. The Directors consider that the repurchase of shares will benefit the shareholders by enhancing the net assets per share. The details of such repurchases were as follows:

<i>Month of repurchase</i>	<i>Number of shares purchased</i>	<i>Price paid per share</i>		<i>Amount paid before expenses HK\$</i>
		<i>Highest HK\$</i>	<i>Lowest HK\$</i>	
2008				
January	100,000	18.60	17.80	1,816,000
April	27,500	17.70	–	486,750
	<u>127,500</u>			<u>2,302,750</u>

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

BUSINESS REVIEW AND PROSPECTS

Textile Operations

In the first half of 2008, the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, reported a loss. Performance was affected by sluggish denim sales, increases in cotton prices, raw material and energy costs and the appreciation of the RMB exchange rate. Our share of the loss was HK\$4.6 million. In view of the continuing unfavourable outlook, the management is taking steps to stop production in the third quarter upon completion of all the orders on hand. Construction at the industrial site in Taicang, Jiangsu Province has also been suspended.

The Company's 45% joint venture in Shenzhen, Southern Textile Company Limited, continued to report satisfactory results. Its main asset, a factory building which is leased to third parties, has an occupancy rate of 98.6%.

Real Estate

In the first half of 2008, rental levels of prime office space remained firm due to low vacancy rates. This has benefitted the industrial/office (I/O) market as businesses relocated to decentralized locations. We were able to achieve higher rental levels on renewals and new leases. Of the 290,000 sq.ft. of I/O space the Company holds at Nanyang Plaza, presently 94% is leased.

Leasing activities in Shanghai have softened. The Company, through a jointly controlled entity, owns a 33% interest in a Shanghai commercial property located in the Jingan District. The building has a total floor area of 22,300 sq.m. and the transfer of ownership was completed in March 2008. Among the tenants are several US multinational corporations. Taking into account rental offers received recently, occupancy at the building could reach about 80%.

The revaluation of the investment properties of the Company and the Shanghai building at fair value has resulted in a gain of HK\$88.0 million which has been recognized in the consolidated income statement.

Financial Investments

Problems brought on by subprime mortgages and fixed income investment vehicles continued to affect the global economy. During the first half of 2008, equity markets were volatile and generally lower. There is no sign that they will improve soon. In view of the uncertain outlook, we took a conservative stance by reducing equity exposure further and raised cash in the portfolios. As at 27th August 2008, the value of the portfolios was US\$45.7 million, a year-to-date decline of 12.0%. This compares with a decline of 16.3% in MSCI Global Equity Index. 40.5% was invested in equities of which 26.4% were in the U.S., 11.0% in bonds, 19.3% in alternative strategies and the balance of 29.2% in cash and money market instruments.

FINANCIAL POSITION

The Group's investment properties with a value of HK\$1,047.0 million (31/12/2007: HK\$973.0 million) have been mortgaged to a bank to secure general banking facilities. As at 30th June 2008, HK\$64 million (31/12/2007: HK\$55 million) of the facilities were utilized. At the end of the period, the Company had net current assets of HK\$292.7 million (31/12/2007: HK\$331.4 million).

EMPLOYEES

The Group employed 25 employees as at 30th June 2008. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover and provident funds.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2008, in compliance with the code provisions of the Code on Corporate Governance Practices 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 set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the required standard set out in the Model Code throughout the six months ended 30th June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2008 with the management.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

Please refer to the website of the Stock Exchange of Hong Kong and the Company's website at <http://www.nanyangholdingslimited.com> for details of the 2008 Interim Results Announcement.

By Order of the Board

John Barr

Company Secretary

Hong Kong, 3rd September 2008

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

Executive Directors:

Y. C. Wang (*Senior Managing Director*)

H. C. Yung, JP (*Managing Director and General Manager*)

Lincoln C. K. Yung, JP (*Deputy Managing Director*)

Jennie Chen

Independent Non-Executive Directors:

Rudolf Bischof (*Chairman*)

James J. Bertram

Robert T. T. Sze