NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

2018 INTERIM RESULTS ANNOUNCEMENT

GROUP FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2018	2017	**Variance**
	HK$'000	HK$'000	
Revenue and other (loss)/income	**108,359**	128,450	(16%)
Profit attributable to equity holders of the Company *(Note)*	**287,395**	195,049	47%
Profit attributable to equity holders of the Company after deducting: – changes in fair value of investment properties and related tax effects	**(217,284)**	(83,904)	159%
	70,111	111,145	(37%)
Earnings per share	**HK$8.22**	HK$5.55	48%
Earnings per share – after deducting the changes in fair value of investment properties and related tax effects	**HK$2.01**	HK$3.16	(36%)

Note: Profit attributable to equity holders of the Company for the six months ended 30 June 2017 comprised share of profits of an associate of HK$17,137,000. The associate was subsequently dissolved in February 2018.

The Board of Directors of Nanyang Holdings Limited ("the Company") announces that the unaudited Group results for the six months ended 30 June 2018 showed a profit after taxation of HK$287.4 million (2017 profit of HK$195 million). The current period's earnings comprises mainly of the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2017 earnings, of approximately HK$59.3 million (after netting 21% withholding tax) and the revaluation gain of investment properties at fair value (including those owned by joint ventures) which resulted in a net gain of HK$217.3 million (2017: HK$83.9 million). Excluding the net effect of revaluing the investment properties at fair value, the half year would have shown a profit after tax of HK$70.1 million (2017: profit of HK$111.1 million, excluding the net effect of revaluing the investment properties at fair value and including the non-recurring income from an associate of HK$17.1 million). Total earnings per share were HK$8.22 (2017: HK$5.55). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK$2.01 (2017: HK$3.16, excluding the net effect of revaluing the investment properties at fair value and including the non-recurring income from an associate of HK$17.1 million).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Six months ended 30 June	
	Note	**2018**	2017
		HK$'000	HK$'000
Revenue	2	**119,016**	105,168
Other (loss)/income	2	**(10,657)**	23,282
Revenue and other (loss)/income	2	**108,359**	128,450
Direct costs		**(8,074)**	(7,658)
Gross profit		**100,285**	120,792
Administrative expenses		**(19,370)**	(19,823)
Other operating (expenses)/income, net		**(167)**	1,720
Changes in fair value of investment properties		**220,391**	86,210
Operating profit	3	**301,139**	188,899
Finance income	4	**661**	1
Finance expense	4	**(36)**	(259)
Share of profits of joint ventures		**4,098**	4,427
Share of profits of an associate		**–**	17,137
Profit before income tax		**305,862**	210,205
Income tax expense	5	**(18,467)**	(15,156)
Profit attributable to equity holders of the Company		**287,395**	195,049
Earnings per share (basic and diluted)	6	**HK$8.22**	HK$5.55

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**287,395**	195,049
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available-for-sale financial assets	**–**	246,931
Share of other comprehensive income of joint ventures and an associate accounted for under equity method	**(1,452)**	1,177
Currency translation differences	**7,673**	7,110
Items that may not be reclassified subsequently to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**83,408**	–
Other comprehensive income for the period, net of tax	**89,629**	255,218
Total comprehensive income for the period attributable to equity holders of the Company	**377,024**	450,267

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	**30 June 2018 HK$'000**	31 December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**354**	421
Investment properties		**2,497,620**	2,269,120
Investments in joint ventures		**111,929**	109,283
Prepayment		**9,755**	15,407
Available-for-sale financial assets		**–**	1,434,081
Financial assets at fair value through other comprehensive income		**1,518,823**	–
Non-current financial assets at fair value through profit or loss		**4,581**	–
		4,143,062	3,828,312
Current assets			
Trade and other receivables	8	**86,128**	11,248
Financial assets at fair value through profit or loss		**330,653**	301,057
Cash and bank balances			
– Pledged bank deposits		**14,386**	24,989
– Cash and cash equivalents		**101,173**	172,148
		532,340	509,442
Total assets		**4,675,402**	4,337,754
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,490**	3,507
Other reserves		**1,322,626**	1,233,558
Retained profits		**3,248,335**	3,016,513
Total equity		**4,574,451**	4,253,578
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**23,419**	22,960
Current liabilities			
Trade and other payables	9	**49,264**	50,712
Current income tax liabilities		**19,070**	1,101
Short-term borrowing		**9,198**	9,403
		77,532	61,216
Total liabilities		**100,951**	84,176
Total equity and liabilities		**4,675,402**	4,337,754

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This Interim Financial Information for the six months ended 30 June 2018 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 2017 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

b. Significant accounting policies

The significant accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2017 annual financial statements, except for the adoption of the new standard, interpretation and amendments to standards effective for the year ending 31 December 2018.

(i) New standard, interpretation and amendments to standards effective in current accounting period and are relevant to the Group's operations

During the period ended 30 June 2018, the Group has adopted the following new standard, interpretation and amendments to standards which are mandatory for accounting periods beginning on 1 January 2018:

HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Revenue from Contracts with Customers – Clarifications
Annual Improvements	Annual Improvements to HKFRSs 2014–2016 Cycle

The impact of the adoption of HKFRS 9 is disclosed in Note 1(b)(iii) below. The adoption of other new standard, interpretation and amendments to standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b. Significant accounting policies *(Continued)*

(ii) New standards, interpretation and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new standards, interpretation and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods but have not been early adopted by the Group:

HKAS 19 (Amendments)	Plan amendment, curtailment or settlement [(1)]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [(1)]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments [(1)]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities [(1)]
HKFRS 16	Leases [(1)]
HKFRS 17	Insurance Contracts [(2)]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(3)]
Annual Improvements	Annual Improvements to HKFRSs 2015–2017 Cycle [(1)]

(1) Effective for accounting periods beginning on or after 1 January 2019
(2) Effective for accounting periods beginning on or after 1 January 2021
(3) Effective date is to be determined

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$2,276,475. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b. Significant accounting policies *(Continued)*

(iii) Changes in accounting policy

Under the adoption of HKFRS 9, the Group has elected to use a modified retrospective approach for transition. The reclassifications and the adjustments arising from the new standard are therefore not restated in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that were not affected by the changes have not been included.

Unaudited Condensed Consolidated Balance Sheet (extract)

	As at 31 December 2017 As previously reported HK$'000	Effects of the adoption of HKFRS 9 HK$'000	As at 1 January 2018 As restated HK$'000
Non-current assets			
Available-for-sale financial assets	1,434,081	(1,434,081)	–
Financial assets at fair value through other comprehensive income	–	1,429,142	1,429,142
Non-current financial assets at fair value through profit or loss	–	4,939	4,939
Equity			
Other reserves	1,233,558	(578)	1,232,980
Retained profits	3,016,513	578	3,017,091

On 1 January 2018, the Group's management has assessed the business models and the contractual cash flow characteristics of each of the financial instruments, and has classified them into appropriate categories under HKFRS 9.

The Group has elected to present changes in the fair value of its equity investments not held for trading (previously classified as available-for-sale financial assets) in other comprehensive income. Under this election, dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Changes in fair value are recognised in other comprehensive income and never recycled to profit and loss, even if the asset is impaired, sold or otherwise derecognised. Accordingly, available-for-sale financial assets with carrying value of HK$1,429.1 million were reclassified to financial assets at fair value through other comprehensive income (FVOCI) and the corresponding accumulated fair value gains of HK$1,076.8 million were transferred from available-for-sale investments reserve to financial assets at FVOCI reserve on 1 January 2018 respectively.

The investments in funds do not meet the criteria to be classified as FVOCI and hence, available-for-sale financial assets with carrying value of HK$4.9 million were reclassified to non-current financial assets at fair value through profit or loss on 1 January 2018. The corresponding accumulated fair value gains of HK$0.6 million were transferred from the available-for-sale investments reserve to retained profits on 1 January 2018. Subsequent fair value changes will be recognised in the profit and loss.

The results of the adopted new impairment model as at 1 January 2018 have not resulted in material impact on the carrying amount of the Group's financial assets.

2 REVENUE AND OTHER (LOSS)/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 and available-for-sale financial assets. Other (loss)/income represents net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss. Revenue and other (loss)/income recognised during the period comprises the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Revenue		
Gross rental income from investment properties	**35,969**	35,100
Investment income from financial assets at fair value through profit or loss	**2,394**	1,948
Dividend income from financial assets at fair value through other comprehensive income	**75,054**	–
Dividend income from available-for-sale financial assets	**–**	62,447
Management fee income from investment properties	**5,419**	5,390
Other	**180**	283
	119,016	105,168
Other (loss)/income		
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	**(10,657)**	23,282
Revenue and other (loss)/income	**108,359**	128,450

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.

2 REVENUE AND OTHER (LOSS)/INCOME AND SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2018 are as follows:

	Real estate HK$'000	**Financial investments HK$'000**	**Total HK$'000**
Revenue and other (loss)/income	**41,388**	**66,971**	**108,359**
Segment result	**237,185**	**63,954**	**301,139**
Finance income			**661**
Finance expense			**(36)**
Share of profits of joint ventures	**4,098**	**–**	**4,098**
Profit before income tax			**305,862**
Income tax expense			**(18,467)**
Profit attributable to equity holders of the Company			**287,395**
Other items			
Depreciation	**(55)**	**(12)**	**(67)**
Fair value gain on investment properties	**220,391**	**–**	**220,391**

The segment results for the six months ended 30 June 2017 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Revenue and other (loss)/income	40,610	87,840	128,450
Segment result	102,150	86,749	188,899
Finance income			1
Finance expense			(259)
Share of profits of joint ventures	4,427	–	4,427
Share of profits of an associate	17,137	–	17,137
Profit before income tax			210,205
Income tax expense			(15,156)
Profit attributable to equity holders of the Company			195,049
Other items			
Depreciation	(55)	(12)	(67)
Fair value gain on investment properties	86,210	–	86,210

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude investments in joint ventures and segment liabilities exclude deferred income tax liabilities and short-term bank loans which are managed on a central basis.

2 REVENUE AND OTHER (LOSS)/INCOME AND SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities as at 30 June 2018 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Segment assets	**2,497,794**	**2,065,679**	**4,563,473**
Investments in joint ventures	**111,929**	**–**	**111,929**
			4,675,402
Segment liabilities	**48,954**	**19,380**	**68,334**
Unallocated liabilities			**32,617**
			100,951

The segment assets and liabilities as at 31 December 2017 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Segment assets	2,269,672	1,958,799	4,228,471
Investments in joint ventures	109,283	–	109,283
			4,337,754
Segment liabilities	48,913	2,900	51,813
Unallocated liabilities			32,363
			84,176

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**39,228**	48,827
United States of America	**(1,042)**	6,497
Europe	**(3,095)**	8,079
Taiwan	**75,054**	62,447
Other countries	**(1,786)**	2,600
	108,359	128,450

2 REVENUE AND OTHER (LOSS)/INCOME AND SEGMENT INFORMATION *(Continued)*

At 30 June 2018, the total of non-current assets other than financial instruments located/operated in Hong Kong and in other places are as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Hong Kong	**2,507,549**	2,284,755
Mainland China	**112,109**	109,476
	2,619,658	2,394,231

3 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Depreciation	**67**	67
Employee benefit expense (including directors' emoluments)	**13,862**	13,889
Operating leases payments on land and buildings	**1,936**	1,915
Management fee expense in respect of investment properties	**5,395**	5,395

4 FINANCE INCOME/(EXPENSE)

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Finance income		
Net exchange gain on financing activities	**272**	–
Bank interest	**389**	1
	661	1
Finance expense		
Net exchange loss on financing activities	**–**	(181)
Interest expense on bank loans	**(36)**	(78)
	(36)	(259)

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. Withholding tax on dividends receivable from overseas investments including joint ventures and an associate has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**2,245**	2,093
– Withholding tax	**15,763**	12,489
Deferred income tax	**459**	574
	18,467	15,156

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 period.

	Six months ended 30 June	
	2018	2017
Earnings (HK$'000)		
Profit attributable to equity holders of the Company	**287,395**	195,049
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	**34,945**	35,116
Earnings per share (HK$)		
Basic and diluted (Note)	**8.22**	5.55

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

7 DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
2017 final dividend paid of HK$0.70 (2017: 2016 final dividend paid of HK$0.60) per share	**24,434**	21,070
2017 special dividend paid of HK$0.65 (2017: 2016 special dividend paid of HK$0.40) per share	**22,688**	14,046
	47,122	35,116

The Directors have not declared an interim dividend for the six months ended 30 June 2018 (2017: Nil).

8 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2018	2017
	HK$'000	HK$'000
Trade receivables	**888**	862
Other receivables, prepayments and deposits	**8,799**	8,421
Dividend receivables	**74,726**	–
Amounts due from joint ventures	**1,715**	1,965
	86,128	11,248

The Group does not grant any credit period to its customers. At 30 June 2018, the aging analysis of the trade receivables were as follows:

	30 June	31 December
	2018	2017
	HK$'000	HK$'000
Within 30 days	**888**	862

9 TRADE AND OTHER PAYABLES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade payables	**4,074**	3,656
Rental and management fee deposits	**19,235**	18,139
Other payables	**25,955**	28,917
	49,264	50,712

At 30 June 2018, the aging analysis of trade payables were as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 30 days	**3,528**	3,110
31–60 days	**546**	546
	4,074	3,656

INTERIM DIVIDEND

The Directors have not declared an interim dividend for the six months ended 30 June 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2018, the Company repurchased 167,500 of its shares on The Stock Exchange of Hong Kong Limited, all of which have 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 paid per share Highest	Price paid per share Lowest	Aggregate price
		HK$	HK$	HK$
2018				
January	28,000	53.00	50.55	1,456,900
February	112,500	57.50	50.50	6,033,575
April	18,000	57.00	57.00	1,026,000
May	9,000	57.00	56.90	512,775
	167,500			9,029,250

Except 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

Real Estate

Hong Kong

Of the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, in Kwun Tong, presently is 95.9% leased. The value of our building continued to rise in the low interest rate environment. Major capital works, which began in 2017, to rectify certain infrastructure systems have progressed on schedule, with our share being approximately HK$18 million. This should enhance the value of our building.

Shanghai

The Group's 65% investment in Shanghai, Shanghai Sung Nan Textile Co. Ltd., reported steady results. It has a total leasable area of 28,142 sq.m. and is fully leased. The anchor tenant (who leased approximately 21,202 sq.m. or 75.3% of the total space) is a subsidiary of a Taiwan listed wedding banquet company. Its business continued to be stable. As the term of the joint venture will expire in less than 4 years, we, together with our Chinese partner, are exploring ways to extend the term of the existing joint venture.

Shenzhen

Southern Textile Company Limited, the Group's 45% joint venture, continued to perform satisfactorily. Of the total leasable floor area of approximately 18,400 sq.m., presently is 100% leased to third parties.

Financial Investments

At the beginning of 2018, steady economic growth elevated equity markets to new highs. However, rising inflation, the imminent increase in U.S. interest rates and trade war rhetorics between the U.S. and China impacted market sentiment and caused volatility in the markets. From mid-February, the U.S. equity market was stable but Hong Kong and emerging markets declined due to the strengthening of the U.S. dollars. We took the opportunity to increase our positions cautiously in U.S., Asia and emerging markets equities and U.S. bonds during pullbacks and reduced emerging market bonds.

For the six months ended 30 June 2018, financial assets at fair value through profit or loss, classified as current assets, was HK$330.7 million, which represented approximately 7.1% of the total assets of the Group. The investment accounts including cash held by the portfolios decreased by 2.5%. This comprises over 400 individual holdings. The Group recorded net realised and unrealised fair value losses of HK$10.7 million and investment income of HK$2.4 million. The year-to-date performance of the investment portfolios up to 20 August 2018 decreased by 2.38%. Equities comprised approximately 77% (of which U.S. 39%; European 24%; Japanese 8%; Asia ex-Japan 19% and Emerging Markets 10%), bonds 21.9% (of which U.S. 54%; European 12%; Emerging Markets 27% and others 7%) and commodities 1.1%.

Second quarter earnings, for current reporting season, reported by U.S. firms were above consensus and the U.S. equity market continued to perform satisfactorily. However, the continued trade war tensions between the U.S. and China, have heightened trade and political uncertainty and increased market volatility. This continued to have a negative impact on equity markets especially in China and Hong Kong.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), a licensed bank in Taiwan, represents approximately 4.1% of the total issued share capital of SCSB. It is classified under non-current assets as a financial asset at fair value through other comprehensive income as there is no intention to dispose of it within 12 months of this report date. The investment is stated at fair value and, in the first half of 2018, it performed satisfactorily. For the six months ended 30 June 2018, its value increased by HK$89.8 million or around 6.3%. SCSB has applied and has received approval from the Taiwan authorities to have its shares listed, which is expected to be later this year. In August, the Group received a net cash dividend of approximately HK$59.3 million (after netting 21% withholding tax) in respect of its 2017 earnings, as compared to net cash dividend received last year of approximately HK$50.6 million, in respect of its 2016 earnings. The Board continues to view this as a sound and long term investment.

Presently SCSB has 69 branches in Taiwan, one in Hong Kong, one in Vietnam and one in Singapore. They also have three representative offices, one in Jakarta, Indonesia, one in Bangkok, Thailand and one in Phnom Penh, Cambodia. 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 income attributable to owners of SCSB for the three months ended 31 March 2018 was approximately NT$3,844.8 million (2017 same period: unaudited net income of approximately NT$3,734.8 million), representing an increase of 2.9%. Total equity attributable to owners of SCSB at 31 March 2018 was approximately NT$123,674.2 million (31/12/2017: approximately NT$122,409.8 million), an increase of 1.0%. (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$2,332 million (31/12/2017: HK$2,107 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2018, no bank facilities were utilized (31/12/2017: Nil). The Group also borrowed Euro 1 million (approximately HK$9.2 million as at 30 June 2018) collatorized by a portion of the investment portfolio, to hedge its Euro exposure.

EMPLOYEES

The Group employed 13 employees as at 30 June 2018. 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.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2018, 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 six months ended 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the Group's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

Please refer to the website of The Stock Exchange of Hong Kong Limited and the Company's website at http://www.nanyangholdingslimited.com for details of the 2018 Interim Results Announcement.

By Order of the Board
Lee Sheung Yee
Company Secretary

Hong Kong, 27 August 2018

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