NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

2018 FINAL RESULTS ANNOUNCEMENT

GROUP FINANCIAL HIGHLIGHTS

	2018 HK$'000	2017 HK$'000	Variance
Revenue and other (losses)/income	**121,965**	204,357	(40%)
Profit attributable to equity holders of the Company	**334,518**	354,983	(6%)
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	**(272,963)**	(170,585)	60%
– non-recurring income *(note)*	**–**	(37,719)	(100%)
	61,555	146,679	(58%)
	2018 HK$	2017 HK$	
Earnings per share	**9.92**	10.11	(2%)
Earnings per share – after deducting the changes in fair value of investment properties and related tax effects and non-recurring income	**1.83**	4.18	(56%)
Final dividend per share	**0.70**	0.70	–
Special dividend per share	**0.70**	0.65	8%
Dividend per share	**1.40**	1.35	4%
Net asset value per share	**137.71**	121.30	14%

Note: Non-recurring income in 2017 comprised share of profit of an associate as the associate was subsequently dissolved in 2018 and reversal of provision for indemnity.

The Board of Directors of Nanyang Holdings Limited ("the Company") announces that for the year ended 31 December 2018 the Group reported a profit after taxation of HK$334.5 million (2017: profit of HK$355 million). The current year's profit comprises mainly the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2017 earnings, of approximately HK$59.5 million (after netting 21% withholding tax); as well as the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net gain totalling HK$273 million (2017: HK$170.6 million). Excluding the net effect of revaluing the investment properties at fair value, 2018 would have shown a profit after taxation of HK$61.6 million (2017: profit of HK$146.7 million, excluding the net effect of revaluing the investment properties at fair value and non-recurring items). Comparing with 2017, the current year's profit (after deducting fair value change of investment properties and non-recurring items) declined by 58% mainly due to the absence of share of profit from an associate, which was dissolved in early 2018, and reversal of provision for indemnity in 2017 totalling approximately HK$37.7 million, as well as loss from the investment portfolios in 2018 of approximately HK$41.8 million. Total earnings per share were HK$9.92 (2017: HK$10.11). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK$1.83 (2017: HK$4.18, excluding the net effect of revaluing the investment properties at fair value and non-recurring items). The Group's net asset value per share increased from HK$121.30 (at 31/12/2017) to HK$137.71 (at 31/12/2018). During the year, we repurchased a total of 589,500 shares of the Company for a total consideration of approximately HK$31.4 million. These shares were subsequently cancelled.

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 2018 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 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	*2*	**163,752**	156,681
Other (losses)/income	*2*	**(41,787)**	47,676
Revenue and other (losses)/income	*2*	**121,965**	204,357
Direct costs		**(15,934)**	(15,238)
Gross profit		**106,031**	189,119
Administrative expenses		**(37,271)**	(37,557)
Other operating (expenses)/income, net		**(459)**	7,311
Changes in fair value of investment properties		**276,001**	178,040
Operating profit	*3*	**344,302**	336,913
Finance income	*4*	**1,231**	201
Finance expense	*4*	**(71)**	(976)
Share of profits of joint ventures		**11,140**	6,089
Share of profit of an associate		**–**	31,504
Profit before income tax		**356,602**	373,731
Income tax expense	*5*	**(22,084)**	(18,748)
Profit attributable to equity holders of the Company		**334,518**	354,983
Earnings per share (basic and diluted)	*6*	**HK$9.92**	HK$10.11
Dividends	*7*	**48,267**	47,339

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Profit for the year	**334,518**	354,983
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available-for-sale financial assets	**–**	365,221
Share of other comprehensive income of joint ventures and an associate accounted for under equity method	**(7,184)**	20,696
Currency translation differences	**4,123**	10,139
Items that may not be reclassified subsequently to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**241,438**	–
Other comprehensive income for the year, net of tax	**238,377**	396,056
Total comprehensive income attributable to equity holders of the Company	**572,895**	751,039

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**296**	421
Investment properties		**2,553,230**	2,269,120
Investments in joint ventures		**109,007**	109,283
Prepayment		**9,739**	15,407
Available-for-sale financial assets		**–**	1,434,081
Financial assets at fair value through other comprehensive income		**1,674,111**	–
Non-current financial assets at fair value through profit or loss		**4,300**	–
		4,350,683	3,828,312
Current assets			
Trade and other receivables	*8*	**9,352**	11,248
Financial assets at fair value through profit or loss		**294,607**	301,057
Current income tax recoverable		**441**	–
Cash and bank balances			
– Pledged bank deposits		**13,353**	24,989
– Cash and cash equivalents		**164,620**	172,148
		482,373	509,442
Total assets		**4,833,056**	4,337,754
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,448**	3,507
Other reserves		**1,471,922**	1,233,558
Retained profits		**3,272,585**	3,016,513
Total equity		**4,747,955**	4,253,578
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**25,213**	22,960
Current liabilities			
Trade and other payables	*9*	**50,846**	50,712
Current income tax liabilities		**–**	1,101
Short-term borrowing		**9,042**	9,403
		59,888	61,216
Total liabilities		**85,101**	84,176
Total equity and liabilities		**4,833,056**	4,337,754

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 (2017: available-for-sale financial assets), 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) New standards, interpretation and amendments to standards that are effective in 2018 and are relevant to the Group's operations

During the year ended 31 December 2018, the Group has adopted the following new standards, 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 Transaction 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(c) 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 *(cont'd)*

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

		Effective for accounting periods beginning on or after
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements	Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, 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$455,000. The change in accounting for the Group's operating lease will result in the recognition of right-of-use assets and lease liabilities on the consolidated balance sheet. Based on the preliminary assessment, it is estimated that the impact to the Group's profit attributable to equity holders of the Company and total equity upon the adoption of HKFRS 16 is insignificant.

The new standard is mandatory for financial years commencing on or after 1 January 2019. 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 in the current or future reporting periods and on foreseeable future transactions.

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

(c) Changes in accounting policy

As explained in Note 1(a) above, the Group has adopted HKFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. 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.

Consolidated Balance Sheet (extract)

	As at 31 December 2017		**As at 1 January 2018**
	As Previously reported	**Effects of the adoption of HKFRS 9**	**As restated**
	HK$'000	HK$'000	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 adoption of the new impairment model as at 1 January 2018 had not resulted in material impact on the carrying amount of the Group's financial assets.

2 REVENUE AND OTHER (LOSSES)/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 (2017: available-for-sale financial assets). Other (losses)/income represents net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss. Revenue and other (losses)/income recognised during the year comprises the following:

	2018	2017
	HK$'000	HK$'000
Revenue		
Gross rental income from investment properties	**72,406**	71,204
Investment income from financial assets at fair value through profit or loss	**4,898**	4,067
Dividend income from financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets)	**75,276**	70,142
Management fee income from investment properties	**10,843**	10,914
Other	**329**	354
	163,752	156,681
Other (losses)/income		
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	**(41,787)**	47,676
Revenue and other (losses)/income	**121,965**	204,357

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 2018 amounted to HK$128,000 (2017: HK$144,000) respectively.

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 (LOSSES)/INCOME AND SEGMENT INFORMATION *(cont'd)*

The segment results for the year ended 31 December 2018 are as follows:

	Real estate HK$'000	**Financial investments HK$'000**	**Total HK$'000**
Revenue and other (losses)/income	**83,249**	**38,716**	**121,965**
Segment results	**311,690**	**32,612**	**344,302**
Finance income			**1,231**
Finance expense			**(71)**
Share of profits of joint ventures	**11,140**	**–**	**11,140**
Profit before income tax			**356,602**
Income tax expense			**(22,084)**
Profit attributable to equity holders of the Company			**334,518**
Other items			
Depreciation	**(103)**	**(24)**	**(127)**
Fair value gain on investment properties	**276,001**	**–**	**276,001**

The segment results for the year ended 31 December 2017 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Revenue and other (losses)/income	82,118	122,239	204,357
Segment results	213,986	122,927	336,913
Finance income			201
Finance expense			(976)
Share of profits of joint ventures	6,089	–	6,089
Share of profit of an associate	31,504	–	31,504
Profit before income tax			373,731
Income tax expense			(18,748)
Profit attributable to equity holders of the Company			354,983
Other items			
Depreciation	(111)	(24)	(135)
Fair value gain on investment properties	178,040	–	178,040

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 borrowing which are managed on a central basis.

2 **REVENUE AND OTHER (LOSSES)/INCOME AND SEGMENT INFORMATION** *(cont'd)*

The segment assets and liabilities as at 31 December 2018 are as follows:

	Real estate HK$'000	**Financial investments HK$'000**	**Total HK$'000**
Segment assets	**2,553,630**	**2,170,419**	**4,724,049**
Investments in joint ventures	**109,007**	**–**	**109,007**
			4,833,056
Segment liabilities	**47,808**	**3,038**	**50,846**
Unallocated liabilities			**34,255**
			85,101

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 (losses)/income from Hong Kong and from other countries for the year ended 31 December is analysed as follows:

	2018 HK$'000	2017 HK$'000
Hong Kong	**75,292**	104,278
United States of America	**(14,409)**	17,359
Europe	**(8,021)**	13,470
Taiwan	**75,275**	63,196
Other countries	**(6,172)**	6,054
	121,965	204,357

2 REVENUE AND OTHER (LOSSES)/INCOME AND SEGMENT INFORMATION *(cont'd)*

At 31 December 2018, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	2018	2017
	HK$'000	HK$'000
Hong Kong	**2,563,096**	2,284,755
Mainland China	**109,176**	109,476
	2,672,272	2,394,231

3 OPERATING PROFIT

Operating profit is stated after charging the following:

	2018	2017
	HK$'000	HK$'000
Depreciation	**127**	135
Employee benefit expense (including directors' emoluments)	**28,454**	28,768
Operating lease payments on land and buildings	**3,867**	3,835
Management fee expense in respect of investment properties	**11,114**	11,114

4 FINANCE INCOME/(EXPENSE)

	2018	2017
	HK$'000	HK$'000
Finance income		
Net exchange gain on financing activities	**446**	–
Bank interest income	**785**	201
	1,231	201
Finance expense		
Interest expense on short-term borrowing and bank loans	**(71)**	(162)
Net exchange loss on financing activities	**–**	(814)
	(71)	(976)

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. 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 investees operate.

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

	2018	2017
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**3,491**	4,624
– Withholding tax	**16,431**	13,056
– Over-provision in prior years	**(91)**	(187)
	19,831	17,493
Deferred income tax	**2,253**	1,255
	22,084	18,748

The Group's share of income tax expense of joint ventures for the year amounted to HK$3,677,000 (2017: joint ventures and an associate of HK$27,434,000) and is included in the consolidated income statement as share of results of joint ventures and an associate.

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.

	2018	2017
Earnings (HK$'000)		
Profit attributable to equity holders of the Company	**334,518**	354,983
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	**33,709**	35,127
Earnings per share (HK$)		
Basic and diluted *(Note)*	**9.92**	10.11

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

7 DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
2018 proposed final dividend of HK$0.70 (2017: HK$0.70) per share	**24,133**	24,546
2018 proposed special dividend of HK$0.70 (2017: HK$0.65) per share	**24,134**	22,793
	48,267	47,339

8 TRADE AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**206**	862
Other receivables, prepayments and deposits	**7,627**	8,421
Amounts due from joint ventures	**1,519**	1,965
	9,352	11,248

The Group does not grant any credit term to customers. At 31 December 2018, the aging analysis of the trade receivables is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**206**	862

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

9 TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**3,304**	3,656
Rental and management fee deposits	**18,973**	18,139
Other payables and accruals	**28,569**	28,917
	50,846	50,712

At 31 December 2018, the aging analysis of the trade payables is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**3,304**	3,110
31–60 days	**–**	546
	3,304	3,656

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$48.3 million (2017: final dividend of HK$0.70 per share and a special dividend of HK$0.65 per share, representing a total dividend distribution of approximately HK$47.3 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 14 June 2019. These proposed dividends are not reflected as dividends payable in the financial statements for the year ended 31 December 2018, but will be reflected as appropriations of retained profits for the year ending 31 December 2019.

The register of members of the Company will be closed from 31 May 2019 to 4 June 2019, 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 Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 30 May 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased an aggregate of 589,500 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 per share Highest	Price per share Lowest	Aggregate cost
		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
August	3,000	55.50	55.50	166,500
September	58,000	55.50	55.00	3,215,250
October	128,500	55.00	52.00	6,895,500
December	232,500	52.00	52.00	12,090,000
	589,500			31,396,500

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

Leasing activities at Nanyang Plaza, the industrial/office building which the Group holds in Kwun Tong, continued to be satisfactory. Of the 290,000 sq.ft. of industrial/office space, presently 98.4% is leased. Valuation of the building continued to rise in the current low interest rate environment.

Shanghai

The Group's 65% investment in Shanghai Sung Nan Textile Co. Ltd., reported steady results. It has a total leasable area of 28,142 sq.m. and is fully leased to third parties. Business of the anchor tenant, a Taiwan listed wedding banquet company who leased approximately 21,202 sq.m. or 75.3% of the total space, continued to be stable. Upon expiration of the term of the existing joint venture, in less than 4 years, it will dissolve. As the land is zoned for greenery and education, we are in discussion with our Chinese partner for investment in a new joint venture which complies with the zoning requirement.

Shenzhen

Earnings at the joint venture, Southern Textile Company Limited, of which the Group owns 45%, continued to be favourable. The total leasable floor area of approximately 18,400 sq.m. is presently fully leased to third parties.

Financial Investments

In the latter half of 2018, the external environment became very challenging and world equity markets declined. For the year ended 31 December 2018, financial assets at fair value through profit or loss, classified as current assets, totalled HK$294.6 million which represented approximately 6.1% of the total assets of the Group. This comprises over 400 individual holdings. The Group recorded net realised and unrealised fair value losses of HK$41.8 million and investment income of HK$4.9 million. The investment portfolios, including cash held in the portfolios, decreased by 10.16% year on year. As at 31 December 2018, equities comprised approximately 65.4% (of which U.S. 40.3%; European 18.2%; Japanese 7.8%; Asia ex-Japan 22.5% and Emerging Markets 11.2%), bonds 16.4% (of which U.S. 69.5%; European 9.8%; Emerging Markets 18.3% and others 2.4%), commodities 1.1% and cash 17.1%.

BUSINESS REVIEW AND PROSPECTS *(Cont'd)*

Financial Investments *(Cont'd)*

Since the beginning of 2019, markets rebounded and have continued to rise. The prospect of no further rise in U.S. interest rates carried positive implications. However, the uncertainty of trade negotiations between the U.S. and China and the UK's exit from the European Union created volatility in the markets and dampened investors sentiment. During this period, we increased global equities and emerging market bonds cautiously. As at 22 March 2019, the latest practicable date, the portfolios increased year-to-date by approximately 7.9% and the value, including cash held in the portfolios, stood at approximately US$49.5 million or HK$388.6 million.

Going forward, we expect growth in Asia and China to slow due to domestic and external pressures. The final outcome of U.S. and China trade negotiations will have an impact on the global economy. Despite the turbulent environment, we remain cautiously optimistic and will look for new investment opportunities.

The Group's investment in a licensed bank in Taiwan, The Shanghai Commercial & Savings Bank, Ltd. ("SCSB"), represents approximately 4% of the total issued share capital of SCSB. It has been reclassified under non-current assets as financial assets at fair value through other comprehensive income and there is no intention to dispose the investment within 12 months of this report date. SCSB continued to perform well. In the second half of 2018, SCSB completed the deal to acquire 80.1% of Cambodia's AMK Microfinance Institution PLC, which is one of the largest deposit taking financial institution in the country. The Group received a net cash dividend of approximately HK$59.5 million for SCSB's 2017 earnings. On 19 October 2018, SCSB shares were successfully listed on the Taiwan Stock Exchange at NT$32.28 per share. Then, on 21 December 2018, SCSB became one of the Taiwan 50 Index constituent shares and, subsequently, in early March 2019, it was included as a constituent stock in the MSCI Taiwan Index (EWT). SCSB's share price increased approximately 19.9% during 2018, (from NT$33.52 per share to NT$40.2 per share), and the change in fair value of approximately HK$241 million was recorded in the other comprehensive income.

Towards the end of the 2018, on 3 December, SCSB received the 16th Global Views: Five-Star Service Award in Taiwan, for its professional service to its bank clients. Presently SCSB has 69 branches in Taiwan, one each in Hong Kong, Vietnam and Singapore. They also have three representative offices, in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. 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 2018 was approximately NT$10,218.0 million (2017 same period: unreviewed net profit of approximately NT$9,329.9 million), representing an increase of 9.5%. Total reviewed equity attributable to owners of SCSB at 30 September 2018 was approximately NT$127,472.9 million (31/12/2017: approximately NT$122,409.8 million audited), an increase of 4.1%. (These figures were extracted from SCSB's website at http://www.scsb.com.tw.) The Board continues to view this as a sound and long term investment.

FINANCIAL POSITION

The Group's investment properties with an aggregate value of HK$2,387 million (31/12/2017: HK$2,107 million) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2018, no bank facilities (31/12/2017: Nil) were utilized. At the end of the year, the Group had net current assets of HK$422.5 million (31/12/2017: HK$448.2 million). The Group borrowed Euro 1.0 million (approximately HK$9 million as at 31 December 2018) collatorized by a portion of the investment portfolio, to hedge its Euro exposure.

EMPLOYEES

The Group employed 13 employees as at 31 December 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 year ended 31 December 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 year ended 31 December 2018.

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 2018 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 and the Company's website at www.nanyangholdingslimited.com. The 2018 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, 27 March 2019

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)*

Non-Executive Director:
John Con-sing Yung

Independent Non-Executive Directors:
Rudolf Bischof *(Chairman)*
Robert T. T. Sze
Wong Chi Kwong Patrick