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NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

2019 INTERIM RESULTS ANNOUNCEMENT

GROUP FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2019	2018	**Variance**
	HK$'000	HK$'000	
Revenue and other income/(losses)	**162,052**	108,359	50%
Profit attributable to equity holders of the Company	**138,139**	287,395	(52%)
Profit attributable to equity holders of the Company after deducting: – changes in fair value of investment properties and related tax effects	**(16,497)**	(217,284)	(92%)
	121,642	70,111	73%
Earnings per share	**HK$4.01**	HK$8.22	(51%)
Earnings per share – after deducting the changes in fair value of investment properties and related tax effects	**HK$3.53**	HK$2.01	76%

The Board of Directors of Nanyang Holdings Limited ("the Company") announces that the unaudited Group results for the six months ended 30 June 2019 showed a profit after taxation of HK$138.1 million (2018: profit of HK$287.4 million). The decline is mainly due to a much smaller increase in the fair value gain of the investment properties. The current period's profit comprises mainly the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2018 earnings, of approximately HK$64.6 million (after netting 21% withholding tax), fair value gain from investment portfolios of approximately HK$34.1 million and the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net gain of HK$16.5 million (2018: HK$217.3 million). However, if excluding the net effect of revaluing the investment properties at fair value, the half year would have shown an increase in profit after taxation to HK$121.6 million (2018: profit of HK$70.1 million), mainly due to gain in the investment portfolios in the first half. Total earnings per share were HK$4.01 (2018: HK$8.22). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK$3.53 (2018: HK$2.01).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		Six months ended 30 June	
	Note	**2019**	2018
		HK$'000	HK$'000
Revenue	2	**127,982**	119,016
Other income/(losses)	2	**34,070**	(10,657)
Revenue and other income/(losses)	2	**162,052**	108,359
Direct costs		**(8,096)**	(8,074)
Gross profit		**153,956**	100,285
Administrative expenses		**(21,447)**	(19,370)
Other operating expenses, net		**(463)**	(167)
Changes in fair value of investment properties		**18,571**	220,391
Operating profit	3	**150,617**	301,139
Finance income	4	**605**	661
Finance expense	4	**(129)**	(36)
Share of profits of joint ventures		**5,545**	4,098
Profit before income tax		**156,638**	305,862
Income tax expense	5	**(18,499)**	(18,467)
Profit attributable to equity holders of the Company		**138,139**	287,395
Earnings per share (basic and diluted)	6	**HK$4.01**	HK$8.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit for the period	**138,139**	287,395
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of joint ventures accounted for under equity method	**(129)**	(1,452)
Currency translation differences	**(4,597)**	7,673
Items that may not be reclassified subsequently to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**631,691**	83,408
Other comprehensive income for the period, net of tax	**626,965**	89,629
Total comprehensive income for the period attributable to equity holders of the Company	**765,104**	377,024

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	**30 June 2019 HK$'000**	31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**251**	296
Right-of-use assets		**12,984**	–
Investment properties		**2,580,830**	2,553,230
Investments in joint ventures		**114,426**	109,007
Prepayment	8	**710**	9,739
Financial assets at fair value through other comprehensive income		**2,301,951**	1,674,111
Non-current financial assets at fair value through profit or loss		**4,395**	4,300
		5,015,547	4,350,683
Current assets			
Trade and other receivables	8	**92,296**	9,352
Financial assets at fair value through profit or loss		**348,873**	294,607
Current income tax recoverable		**–**	441
Cash and bank balances			
– Pledged bank deposits		**10,553**	13,353
– Cash and cash equivalents		**112,676**	164,620
		564,398	482,373
Total assets		**5,579,945**	4,833,056
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,448**	3,448
Other reserves		**2,098,887**	1,471,922
Retained profits		**3,362,457**	3,272,585
Total equity		**5,464,792**	4,747,955
LIABILITIES			
Non-current liabilities			
Lease liabilities		**7,843**	–
Deferred income tax liabilities		**24,404**	25,213
Other non-current liability		**1,153**	–
		33,400	25,213
Current liabilities			
Trade and other payables	9	**49,217**	50,846
Current income tax liabilities		**18,834**	–
Short-term borrowing		**8,987**	9,042
Lease liabilities		**4,715**	–
		81,753	59,888
Total liabilities		**115,153**	85,101
Total equity and liabilities		**5,579,945**	4,833,056

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 2019 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 2018 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 2018 annual financial statements, except for the adoption of the new standard, interpretation and amendments to standards effective for the year ending 31 December 2019.

(i) New standard, interpretation and amendments to standards effective in current accounting period

During the period ended 30 June 2019, the Group has adopted the following new standard, interpretation and amendments to standards which are mandatory for accounting periods beginning on 1 January 2019:

HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Annual Improvements	Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 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 standard, interpretation and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new standard, interpretation and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods but have not been early adopted by the Group:

HKAS 1 and 8 (Amendments)	Definition of Material [1]
HKFRS 17	Insurance Contracts [2]
HKFRS 3 (Amendments)	Definition of a Business [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]

(1) Effective for accounting periods beginning on or after 1 January 2020
(2) Effective for accounting periods beginning on or after 1 January 2021
(3) Effective date is to be determined

The Group has already commenced an assessment of the impact of the above new standard, interpretation and amendments to standards but is not yet in a position to state whether they would have a significant impact to its results of operations and financial position.

(iii) Changes in accounting policy

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. In applying HKFRS 16 for the first time, the Group has applied the practical expedient permitted by the standard to account for operating leases of properties with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and therefore no adjustment was made to the opening balance sheet on 1 January 2019.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is set out below.

	2019 **HK$'000**
Operating lease commitments disclosed as at 31 December 2018	455
Less: short-term leases recognised on a straight-line basis as expense	**(455)**
Lease liability recognised as at 1 January 2019	**–**

From 1 January 2019, property leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the lease commencement date.

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

b. Significant accounting policies *(Continued)*

(iii) Changes in accounting policy (Continued)

Lease payments include fixed payments less any lease incentive receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The associated right-of-use assets were measured at the amount equal to the lease liability plus any initial direct costs and restoration costs, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated income statement.

In the condensed consolidated statement of cash flows, cash payment for the principal portion of the lease liabilities are classified as financing activities and cash payments for the interest portion of the lease liabilities are classified as required for interest paid.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue		
Gross rental income from investment properties	**37,752**	35,969
Investment income from financial assets at fair value through profit or loss	**2,287**	2,394
Dividend income from financial assets at fair value through other comprehensive income	**81,718**	75,054
Management fee income from investment properties	**5,968**	5,419
Other	**257**	180
	127,982	119,016
Other income/(losses)		
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	**34,070**	(10,657)
Revenue and other income/(losses)	**162,052**	108,359

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 INCOME/(LOSSES) AND SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2019 are as follows:

	Real estate HK$'000	**Financial investments HK$'000**	**Total HK$'000**
Revenue and other income/(losses)	**43,720**	**118,332**	**162,052**
Segment result	**35,174**	**115,443**	**150,617**
Finance income			**605**
Finance expense			**(129)**
Share of profits of joint ventures	**5,545**	**–**	**5,545**
Profit before income tax			**156,638**
Income tax expense			**(18,499)**
Profit attributable to equity holders of the Company			**138,139**
Other items			
Depreciation of property, plant and equipment	**(33)**	**(12)**	**(45)**
Fair value gain on investment properties	**18,571**	**–**	**18,571**

Note: Right-of-use assets are managed on a central basis and depreciation of right-of-use assets of HK$1,855,000 was recognised for the six months ended 30 June 2019.

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 income/(losses)	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 of property, plant and equipment	(55)	(12)	(67)
Fair value gain on investment properties	220,391	–	220,391

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.

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

The segment assets and liabilities as at 30 June 2019 are as follows:

	Real estate HK$'000	**Financial investments HK$'000**	**Total HK$'000**
Segment assets	**2,567,941**	**2,884,594**	**5,452,535**
Right-of-use assets			**12,984**
Investments in joint ventures	**114,426**	**–**	**114,426**
			5,579,945
Segment liabilities	**46,844**	**21,207**	**68,051**
Unallocated liabilities			**47,102**
			115,153

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**51,095**	39,228
United States of America	**10,700**	(1,042)
Europe	**16,095**	(3,095)
Taiwan	**81,718**	75,054
Other countries	**2,444**	(1,786)
	162,052	108,359

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

At 30 June 2019, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Hong Kong	**2,594,619**	2,563,096
Mainland China	**114,582**	109,176
	2,709,201	2,672,272

3 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
Depreciation of property, plant and equipment	**45**	67
Depreciation of right-of-use assets	**1,855**	–
Short-term lease expenses (2018: Operating leases payments on land and buildings)	**403**	1,936
Employee benefit expense (including directors' emoluments)	**14,499**	13,862
Management fee expense in respect of investment properties	**5,583**	5,395

4 FINANCE INCOME/(EXPENSE)

	Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
Finance income		
Net exchange gain on financing activities	**63**	272
Bank interest income	**542**	389
	605	661
Finance expense		
Interest expense on short-term borrowing	**(34)**	(36)
Interest expense on lease liabilities	**(95)**	–
	(129)	(36)

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% (2018: 16.5%) of the estimated assessable profits for the period. Withholding tax on dividends receivable from overseas investments including joint ventures has been calculated at the rates of taxation prevailing in the countries in which the investees operate.

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**2,148**	2,245
– Withholding tax	**17,160**	15,763
Deferred income tax	**(809)**	459
	18,499	18,467

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	
	2019	2018
Earnings (HK$'000)		
Profit attributable to equity holders of the Company	**138,139**	287,395
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	**34,477**	34,945
Earnings per share (HK$)		
Basic and diluted *(Note)*	**4.01**	8.22

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

7 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
2018 final dividend paid of HK$0.70 (2018: 2017 final dividend paid of HK$0.70) per share	**24,133**	24,434
2018 special dividend paid of HK$0.70 (2018: 2017 special dividend paid of HK$0.65) per share	**24,134**	22,688
	48,267	47,122

The Directors have not declared an interim dividend for the six months ended 30 June 2019 (2018: Nil).

8 PREPAYMENT, TRADE AND OTHER RECEIVABLES

	30 June 2019 HK$'000	31 December 2018 HK$'000
Non-current asset		
Prepayment	**710**	9,739
Current assets		
Trade receivables	**688**	206
Other receivables, prepayments and deposits	**8,389**	7,627
Dividend receivables	**81,718**	–
Amounts due from joint ventures	**1,501**	1,519
	92,296	9,352
Total prepayment, trade and other receivables	**93,006**	19,091

The Group does not grant any credit period to its customers. At 30 June 2019, the aging analysis of the trade receivables were as follows:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Within 30 days	**688**	206

9 TRADE AND OTHER PAYABLES

	30 June 2019 HK$'000	31 December 2018 HK$'000
Trade payables	**3,594**	3,304
Rental and management fee deposits	**19,007**	18,973
Other payables and accruals	**26,616**	28,569
	49,217	50,846

At 30 June 2019, the aging analysis of trade payables were as follows:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Within 30 days	**3,594**	3,304

10 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 20 August 2019, The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”) announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT$36 each (equivalent to approximately HK$9). 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 81.2478402 new SCSB Shares for every 1,000 SCSB Shares held. The Group, currently holding 164,225,246 SCSB Shares, intends to participate and take up its full entitlement of 13,342,945 new SCSB Shares. Based on the subscription price of NT$36 per new SCSB Share (equivalent to approximately HK$9), the aggregate consideration payable by the Group will be approximately NT$480 million (equivalent to approximately HK$120 million). This transaction will be funded by the Group’s existing funds and working capital and is subjected to independent shareholders’ approval at a Special General Meeting. Details of the Proposed SCSB Share Subscription is set out in the Company’s announcement dated 21 August 2019.

INTERIM DIVIDEND

The Directors have not declared an interim dividend for the six months ended 30 June 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

Rental rates at the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, in Kwun Tong, continued to improve. Presently, it is 96.7% leased. The slowing economy, trade issues between the U.S. and China and recent social turmoil in the city may affect future leasing activities and rentals.

Shanghai

The Group's 65% investment in Shanghai, Shanghai Sung Nan Textile Co. Ltd., continues to report satisfactory results. Its total leasable area of 28,142 sq.m. is fully rented to third parties. The sluggish economy affected business of the anchor tenant, a Taiwan listed wedding banquet company, who leased approximately 75.3% or approximately 21,202 sq.m. of the total space. The tenant asked for a rental reduction which would affect earnings.

Shenzhen

Earnings at the joint venture, Southern Textile Company Limited, of which the Group owns 45%, is steady. The total leasable floor area of approximately 18,400 sq.m. is fully leased to third parties. However, the current slowing economy has a dampening effect on occupancy and rental rates.

Financial Investments

Since the beginning of 2019, equity markets rebounded. However, the continued trade tension between the U.S. and China and the uncertainty created by U.K.'s exit from the European Union created volatility. The prospect of lower U.S. interest rates helped and stabilized the markets somewhat.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Investments *(Continued)*

For the six months ended 30 June 2019, financial assets at fair value through profit or loss, classified as current assets, was HK$348.9 million, which represented approximately 6.3% of the total assets of the Group. The investment accounts, including cash held by the portfolios, increased by 9.45%. These are well diversified and comprise over 400 individual holdings. The Group recorded net realised and unrealised fair value gains of HK$34.1 million and investment income of HK$2.3 million. As at 30 June 2019, equities comprised approximately 71% (of which U.S. 42.2%; European 16.9%; Japanese 6.9%; Asia ex-Japan 22.3% and Emerging Markets 11.7%), bonds 16.4% (of which U.S. 69.5%; European 9.1%; Emerging Markets 16.5% and others 4.9%); commodities 1.1% and cash 11.5%. The investment portfolios increased by 7.21% up to 22 August 2019, a decline from the 30 June 2019 results due to the market turmoil in August.

The outlook for the rest of the year is expected to be challenging. Interest rates in the U.S. and in many other countries are expected to fall but geopolitical issues could have a serious impact on many major markets. Global trade tensions especially between the U.S. and China as the U.S. could impose further tariffs on US$300 billion of goods imported to the U.S. from China, the nature and impact of the U.K.'s departure from the European Union and continued social unrest here in Hong Kong since July 2019 have caused tremendous volatility in the markets.

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 classified 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. SCSB acquired 84.89% of Cambodia's AMK Microfinance Institution PLC, which is one of the largest deposit taking financial institution in the country. 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 39.8% during the first half of 2019, (from NT$40.2 per share as at the beginning of 1 January 2019 to NT$56.2 per share as at 30 June 2019). The change in fair value of approximately HK$631.7 million was recorded in the other comprehensive income.

Presently SCSB has 72 branches in Taiwan, one each in Hong Kong, Vietnam and Singapore. They also have three representative offices, one each 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 audited net profit attributable to owners of SCSB for the six months ended 30 June 2019 was approximately NT$7,584.3 million (2018 same period: audited net profit of approximately NT$6,649.7 million), representing an increase of 14%. Total audited equity attributable to owners of SCSB at 30 June 2019 was approximately NT$133,777.9 million (31/12/2018: approximately NT$131,155.9 million audited), an increase of 2%. (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.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Investments *(Continued)*

On 20 August 2019, SCSB announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT$36 each (equivalent to approximately HK$9). 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 81.2478402 new SCSB Shares for every 1,000 SCSB Shares held. The Group, currently holding 164,225,246 SCSB Shares, intends to participate and take up its full entitlement of 13,342,945 new SCSB Shares. Based on the subscription price of NT$36 per new SCSB Share (equivalent to approximately HK$9), the aggregate consideration payable by the Group will be approximately NT$480 million (equivalent to approximately HK$120 million). This transaction will be funded by the Group's existing funds and working capital and is subjected to independent shareholders' approval at a Special General Meeting. The SCSB share price as at 27 August 2019 was NT$49.65.

FINANCIAL POSITION

The Group's investment properties with an aggregate value of HK$2,411 million (31/12/2018: HK$2,387 million) have been mortgaged to a bank to secure general banking facilities. As at 30 June 2019 and 31 December 2018, no bank facilities were utilized. The Group borrowed approximately Euro 1.0 million (approximately HK$9 million as at 30 June 2019) collatorized by a portion of the investment portfolio, to hedge its Euro exposure.

EMPLOYEES

The Group employed 13 employees as at 30 June 2019 (2018: 13). 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 2019, 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 2019.

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 2019 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2019 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 2019 Interim Results Announcement.

By Order of the Board
Lee Sheung Yee
Company Secretary

Hong Kong, 28 August 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)*

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

Non-Executive Director:
John Con-sing Yung