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NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

2016 INTERIM RESULTS ANNOUNCEMENT

GROUP FINANCIAL HIGHLIGHTS			
	Unaudited		Variance
	Six months ended 30 June		
	2016	2015	
	HK\$'000	HK\$'000	
Revenue and income	<u>91,854</u>	<u>105,539</u>	(13%)
Profit attributable to equity holders of the Company	63,600	118,292	(46%)
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	<u>(5,020)</u>	<u>(54,347)</u>	(91%)
	<u>58,580</u>	<u>63,945</u>	(8%)
Earnings per share	HK\$1.80	HK\$3.35	(46%)
Earnings per share			
– after deducting the changes in fair value of investment properties and related tax effects	HK\$1.66	HK\$1.81	(8%)

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30 June 2016 showed a profit after taxation of HK\$63.6 million (2015: profit of HK\$118.3 million). The current period's profit comprises the dividend receivable from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2015 earnings, of approximately HK\$44.3 million (after the 20% withholding tax), and the change in fair value of investment properties (including those owned by the joint ventures and an associate) which resulted in a net gain of HK\$5.0 million (2015: HK\$54.3 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\$58.6 million (2015: profit of HK\$63.9 million). Earnings per share were HK\$1.80 (2015: HK\$3.35). Excluding the net effect of revaluing the investment properties at fair value, earnings per share would have been HK\$1.66 (2015: HK\$1.81).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue and income	2	91,854	105,539
Direct costs		<u>(7,739)</u>	<u>(7,696)</u>
Gross profit		84,115	97,843
Administrative expenses		(17,896)	(17,712)
Other operating income		1,202	700
Other operating expenses		(1,531)	(1,092)
Changes in fair value of investment properties		<u>7,946</u>	<u>51,014</u>
Operating profit	3	73,836	130,753
Finance expense	4	(197)	(385)
Share of profits of joint ventures		4,401	5,778
Share of profit/(loss) of an associate		<u>1,033</u>	<u>(12)</u>
Profit before income tax		79,073	136,134
Income tax expense	5	<u>(15,473)</u>	<u>(17,842)</u>
Profit attributable to equity holders of the Company		<u>63,600</u>	<u>118,292</u>
Earnings per share (basic and diluted)	6	<u>HK\$1.80</u>	<u>HK\$3.35</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	63,600	118,292
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets	(84,553)	91,073
Share of other comprehensive (loss)/income of joint ventures and an associate accounted for under equity method	(3,641)	1,157
Currency translation differences	1,280	(701)
Other comprehensive (loss)/income for the period, net of tax	(86,914)	91,529
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	(23,314)	209,821

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	<i>Note</i>	30 June 2016 HK\$'000	31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		667	798
Investment properties		2,039,380	2,031,370
Investments in joint ventures		108,344	104,919
Investment in an associate		73,629	75,261
Available-for-sale financial assets		1,085,838	1,169,115
Deferred income tax assets		363	442
		<u>3,308,221</u>	<u>3,381,905</u>
Current assets			
Trade and other receivables	8	67,013	9,797
Financial assets at fair value through profit or loss		236,274	243,447
Tax recoverable		–	2
Cash and bank balances			
– Pledged bank deposits		28,244	38,416
– Cash and cash equivalents		42,880	44,696
		<u>374,411</u>	<u>336,358</u>
Total assets		<u>3,682,632</u>	<u>3,718,263</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		3,525	3,526
Other reserves		887,960	974,873
Retained profits		2,633,639	2,605,730
Total equity		<u>3,525,124</u>	<u>3,584,129</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		21,849	20,973
Current liabilities			
Trade and other payables	9	53,353	54,453
Current income tax liabilities		15,937	1,415
Short term bank loans – secured		65,843	57,000
Derivative financial liability		526	293
		<u>135,659</u>	<u>113,161</u>
Total liabilities		<u>157,508</u>	<u>134,134</u>
Total equity and liabilities		<u>3,682,632</u>	<u>3,718,263</u>

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 2016 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 2015 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 2015 annual financial statements, except for the adoption of the amendments to HKFRS effective for the year ending 31 December 2016.

(i) Amendments to standards effective in current accounting period and are relevant to the Group’s operations

During the period ended 30 June 2016, the Group has adopted the following amendments to standards which are relevant to the Group’s operations and are mandatory for accounting periods beginning on 1 January 2016:

HKAS 1 (Amendments)	Disclosure Initiative
HKFRS 10, HKFRS12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2014

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

The following new standards and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods but have not been early adopted by the Group:

HKAS 12 (Amendments)	Income Taxes ⁽¹⁾
HKAS 7 (Amendments)	Statement of Cash Flows ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 9	Financial Instruments ⁽²⁾
HKFRS 16	Leases ⁽³⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

(1) Effective for annual periods beginning on or after 1 January 2017

(2) Effective for annual periods beginning on or after 1 January 2018

(3) Effective for annual periods beginning on or after 1 January 2019

(4) Effective date is to be determined

The Group has already commenced an assessment of the impact of the above new standards 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.

2 REVENUE AND INCOME AND SEGMENT INFORMATION

Revenue mainly comprises rental and related income from investment properties. Income represents dividend income from listed investments and available-for-sale financial assets, interest income and net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss. Revenue and income recognised during the period comprises the following:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Gross rental income from investment properties	31,885	30,719
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(4,571)	10,352
Dividend income from financial assets at fair value through profit or loss	1,786	1,756
Dividend income from available-for-sale financial assets	57,333	56,881
Interest income	241	690
Management fee income from investment properties	5,180	5,141
	<u>91,854</u>	<u>105,539</u>

2 REVENUE AND INCOME AND SEGMENT INFORMATION (Continued)

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

- Real estate – investment in and leasing of industrial/office premises
- Financial investments – holding and trading of investment securities

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

The segment results for the six months ended 30 June 2016 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	<u>37,064</u>	<u>54,790</u>	<u>91,854</u>
Segment result	21,535	52,301	73,836
Finance expense			(197)
Share of profits of joint ventures	4,401	–	4,401
Share of profit of an associate	1,033	–	<u>1,033</u>
Profit before income tax			79,073
Income tax expense			<u>(15,473)</u>
Profit attributable to equity holders of the Company			<u>63,600</u>
Other items			
Depreciation	(56)	(79)	(135)
Fair value gain on investment properties	<u>7,946</u>	<u>–</u>	<u>7,946</u>

2 REVENUE AND INCOME AND SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	36,856	68,683	105,539
Segment result	64,412	66,341	130,753
Finance expense			(385)
Share of profits of joint ventures	5,778	–	5,778
Share of loss of an associate	(12)	–	(12)
Profit before income tax			136,134
Income tax expense			(17,842)
Profit attributable to equity holders of the Company			118,292
Other items			
Depreciation	(58)	(78)	(136)
Fair value gain on investment properties	51,014	–	51,014

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

The segment assets and liabilities as at 30 June 2016 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,040,918	1,459,378	3,500,296
Investments in joint ventures	108,344	–	108,344
Investment in an associate	73,629	–	73,629
Unallocated assets			363
			3,682,632
Segment liabilities	47,078	22,738	69,816
Unallocated liabilities			87,692
			157,508

2 REVENUE AND INCOME AND SEGMENT INFORMATION (Continued)

The segment assets and liabilities as at 31 December 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,032,654	1,504,987	3,537,641
Investments in joint ventures	104,919	–	104,919
Investment in an associate	75,261	–	75,261
Unallocated assets			442
			<u>3,718,263</u>
Segment liabilities	47,526	8,635	56,161
Unallocated liabilities			77,973
			<u>134,134</u>

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	34,459	40,525
United States of America	2,377	2,182
Europe	(2,248)	5,127
Taiwan	57,333	56,880
Other countries	(67)	825
	<u>91,854</u>	<u>105,539</u>

At 30 June 2016, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in other places are as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Hong Kong	2,039,767	2,031,809
Mainland China	182,253	180,539
	<u>2,222,020</u>	<u>2,212,348</u>

3 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Depreciation	135	136
Employee benefit expense (including directors' emoluments)	12,322	12,331
Operating leases payments on land and buildings	1,890	1,900
Management fee expense in respect of investment properties	5,396	5,322
	<u>19,743</u>	<u>19,789</u>

4 FINANCE EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest expenses on bank loans	197	385
	<u>197</u>	<u>385</u>

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,523	1,570
– Withholding tax	12,995	15,168
Deferred income tax	955	1,104
	<u>15,473</u>	<u>17,842</u>

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	
	2016	2015
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	<u>63,600</u>	<u>118,292</u>
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	<u>35,252</u>	<u>35,262</u>
Earnings per share (HK\$)		
Basic and diluted (<i>Note</i>)	<u>1.80</u>	<u>3.35</u>

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	
	2016 HK\$'000	2015 HK\$'000
2015 final dividend paid of HK\$0.60 (2015: 2014 final dividend paid of HK\$0.60) per share	21,150	21,157
2015 special dividend paid of HK\$0.40 (2015: 2014 special dividend paid of HK\$0.60) per share	<u>14,100</u>	<u>21,157</u>
	<u>35,250</u>	<u>42,314</u>

The Directors have not declared an interim dividend for the six months ended 30 June 2016 (2015: Nil).

8 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2016 HK\$'000	2015 HK\$'000
Trade receivables	52	89
Prepayments and deposits	6,814	7,585
Other receivables	2,174	2,123
Dividend receivables	<u>57,973</u>	<u>–</u>
	<u>67,013</u>	<u>9,797</u>

The Group does not grant any credit period to its customers.

8 TRADE AND OTHER RECEIVABLES (Continued)

At 30 June 2016, the aging analysis of the trade receivables were as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	52	48
31-60 days	—	41
	<u>52</u>	<u>89</u>

9 TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade payables	3,224	2,977
Other payables	50,129	51,476
	<u>53,353</u>	<u>54,453</u>

At 30 June 2016, the aging analysis of trade payables were as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	2,883	2,637
31-60 days	341	340
	<u>3,224</u>	<u>2,977</u>

INTERIM DIVIDEND

The Directors have not declared an interim dividend for the six months ended 30 June 2016 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, the Company repurchased 11,500 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		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
2016				
January	11,500	39.00	38.00	441,000

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

Uncertainty in the global economy continued to affect business sentiments. Leasing activities at the Kwun Tong area have slowed. In order to attract new tenants, we have fitted out a vacant unit with standard landlord provision and false ceiling. Of the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, 91.4% is leased.

Shanghai

Earnings at Shanghai Sung Nan Textile Co. Ltd., the joint venture of which the Group owns 65%, continued to be steady. The total leasable area of 28,142 sq.m. is fully leased to third parties. Business of the anchor tenant, a Taiwan listed company in the restaurant and wedding banquet business, who leased the main factory building totalling 21,202 sq.m., was satisfactory.

The Group's investment, a 16.7% interest in HSL China Metropolitan Fund which holds a service apartment complex in Shanghai, has been classified as an associate. The residential market in Shanghai is good. Since the sales of the units by strata-title, it was positively received by buyers and approximately 88% were sold. The building has a total of 196 units and a retail podium.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Real Estate *(Continued)*

Shenzhen

Southern Textile Company Limited, the joint venture of which the Group owns 45% in Shenzhen, continued to perform well. The upgrading of the corridors of two floors of the building should enhance occupancy and achieve higher rentals. Of the total leasable area of 18,400 sq.m., presently 100% is leased.

Financial Investments

In the first half of 2016, business and market sentiments was affected by concerns regarding the slowing economic growth in the PRC and the referendum on the United Kingdom's membership in the European Union, which increased uncertainty and volatility in the equity markets. During this period we reduced European equities and bonds as well as commodities, and increased U.S. equities and U.S. and Japanese bonds. For the six months ended 30 June 2016, the portfolios declined by 1.16%. The value of the portfolios, at the end of the period, stood at US\$36.5 million or approximately HK\$283.2 million.

Following the outcome of the referendum vote whereby the United Kingdom voted to exit the European Union, the equity markets will continue to experience volatility and uncertainty. Funds that invested in Europe began to flow back to the U.S. and emerging markets. As at 22 August 2016, the latest practicable date, the portfolios improved to a positive of approximately 2.7% year to date and their value stood at approximately US\$38.0 million or approximately HK\$294.6 million. Equities comprised approximately 59.8% (of which approximately 38.7% was in U.S. equities), bonds 23.3%, commodities 0.9% and cash 16.0%.

Outlook for the rest of the year, we expect markets to remain volatile as affected by geopolitical events and the upcoming U.S. election at the later part of this year. However, the continued low interest rates and concerted efforts by governments in the United Kingdom, Europe, Japan and the PRC to adopt stimulus measures should cushion any significant downturn. We look forward to the remainder of this year with guarded expectations in a low yield environment.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB") in Taiwan, has been classified under non-current assets as an available-for-sale financial asset and is stated at fair value. The holding represents approximately 4% of the total issued share capital of SCSB. The Group will receive a cash dividend of approximately HK\$44.3 million, after deducting 20% withholding tax, at the end of August, and a stock dividend of 3,220,102 shares some time in September.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Investments *(Continued)*

SCSB continues to expand in the Asia Pacific region. On 18 July 2016, the Singapore branch officially opened. In August 2016, SCSB received the Best Customer Satisfaction Award. Presently SCSB has 69 branches in Taiwan, one in Hong Kong, one in Vietnam and one in Singapore. Besides Jakarta, Indonesia, SCSB has a representative office in Bangkok, Thailand and one in Cambodia. SCSB also holds a 57% interest in Shanghai Commercial Bank Limited (“SCB”) in Hong Kong. SCB has 43 branches in Hong Kong, three in China and four branches overseas. The unaudited net income of SCSB for the three months ended 31 March 2016 was approximately NT\$2,620.1 million (2015 same period: net income of approximately NT\$2,771.7 million). Total shareholders equity at 31 March 2016 was approximately NT\$117,223.0 million (31/3/2015: approximately NT\$110,218.6 million). (These figures were extracted from the SCSB’s website <http://www.scsb.com.tw>).

FINANCIAL POSITION

The Group’s investment properties with a value of HK\$1,892 million (31/12/2015: HK\$1,892 million) have been mortgaged to a bank to secure general banking facilities of which HK\$57 million has been drawn down as at 30 June 2016 (31/12/2015: HK\$40 million). The Group also borrowed Euro 1.0 million (approximately HK\$8.8 million as at 30 June 2016) collateralized by a portion of the investment portfolio, to hedge its Euro exposure.

EMPLOYEES

The Group employed 14 employees as at 30 June 2016. 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 funds.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2016, 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 2016.

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 and financial reporting matters including a review of the unaudited consolidated financial statements for the period ended 30 June 2016 with the management. The unaudited interim financial statements of the Group for the six months ended 30 June 2016 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 2016 Interim Results Announcement.

By Order of the Board
Lee Sheung Yee
Company Secretary

Hong Kong, 26 August 2016

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
Kwan Wing Kwong Zachary

Non-Executive Director:

John Con-sing Yung