

NAM TAI PROPERTY INC.
Form 6-K
July 30, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the Month of July 2018

Commission File Number 001-31583

NAM TAI PROPERTY INC.

(Translation of registrant's name into English)

Namtai Industrial Estate

No. 2 Namtai Road, Gushu Community, Xixiang Township

Baoan District, Shenzhen City, Guangdong Province

People's Republic of China

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Edgar Filing: NAM TAI PROPERTY INC. - Form 6-K

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b); 82- .

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAM TAI
PROPERTY INC.

Date: July 30, 2018 By: /s/ Julian Lin
Name: Julian Lin
Title: President

SECOND QUARTER NEWS RELEASE

Investor relations contact: Please refer to the Nam Tai website (www.namtai.com)
 Mr. Kevin McGrath or the SEC website (www.sec.gov) for Nam Tai press releases
 Managing Partner of Cameron Associates and financial statements.
 Tel.:212.245.4577
 E-mail: kevin@cameronassoc.com

NAM TAI PROPERTY INC.

Reports Q2 2018 Results

SHENZHEN, PRC – July 30, 2018 – Nam Tai Property Inc. (“Nam Tai” or the “Company”) (NYSE Symbol: NTP) today announced its unaudited results for the second quarter ended June 30, 2018.

KEY HIGHLIGHTS

(In thousands of US dollars, except per share data, percentages and as otherwise stated)

	Quarterly Results			Half year Results		
	Q2 2018	Q2 2017	YoY(%) ^(c)	1H 2018	1H 2017	YoY(%) ^(c)
Operation income	\$—	\$541	(100)	\$—	\$1,135	(100)
Net operation income	\$—	\$541	(100)	\$—	\$1,135	(100)
% of operation income	—	100 %		—	100 %	
Operating loss	\$(4,155)	\$(2,337)	—	\$(13,271)	\$(3,727)	—
% of operation income	—	(432.0)%		—	(328.4)%	
per share (diluted)	\$(0.11)	\$(0.06)	—	\$(0.35)	\$(0.10)	—
Net (loss) income ^{(a) (b)}	\$(5,845)	\$2,085	—	\$(3,277)	\$3,899	—
% of operation income	—	385.4 %		—	343.5 %	
Basic (loss) income per share	\$(0.15)	\$0.06	—	\$(0.09)	\$0.11	—
Diluted (loss) income per share	\$(0.15)	\$0.06	—	\$(0.09)	\$0.10	—
Weighted average number of shares ('000)						
Basic	37,907	36,575		37,730	36,518	
Diluted	37,907	37,210		37,730	37,138	

Notes:

- (a) Net loss for the three months ended June 30, 2018 mainly included general and administrative expenses of \$4.2 million and exchange loss of \$3.3 million as a result of the depreciation of Renminbi against the US dollar during the three months ended June 30, 2018; offset in part by interest income of \$1.6 million earned from time deposits.
- (b) Net loss for the six months ended June 30, 2018 mainly included general and administrative expenses of \$13.3 million, which mainly included accrual of compensation for loss of office of \$3.7 million for the anticipated retirement of a senior manager, salary & benefits of \$3.3 million, option expenses of \$2.0 million for certain new directors, officers and employees, depreciation of \$2.0 million, audit and legal & professional fees of \$1.0 million; offset in part by a gain of \$6.8 million on disposal of property located in Hong Kong and interest income of \$3.1 million earned from time deposits.
- (c) Percentage change is not applicable if either of the two periods contains a loss.
- (d) Capitalization on project investment was \$3.6 million for second quarter of 2018, totaling \$5.6 million for the first half of 2018 and our accumulated project investment was \$57.1 million up to June 30, 2018, which was recorded under the account of “real estate properties under development” in the balance sheet as of June 30, 2018.
- (e) This information has been published on the Company’s website http://www.namtai.com/investors#investors/quarterly_earnings under the quarterly earnings report of the second quarter of 2018 on page 7, Condensed Consolidated Statements of Comprehensive Income.

SUPPLEMENTARY INFORMATION (UNAUDITED) IN THE SECOND QUARTER OF 2018

Key Highlights of Financial Position

	As of June 30, 2018	As of December 31, 2017	As of June 30, 2017
Cash, cash equivalents and short term investments	\$160.0 million ^(a) ^(b)	\$165.2 million	\$170.7 million
Ratio of cash ^(c) to current liabilities	10.05	9.32	16.34
Current ratio	10.40	9.61	18.56
Ratio of total assets to total liabilities	16.16	14.79	24.39
Return on equity	(2.7) %	1.6 %	3.2 %
Ratio of total liabilities to total equity	0.07	0.07	0.04

Notes:

- (a) Compared to December 31, 2017, the decrease of \$5.2 million in cash, cash equivalents and short-term investments was mainly due to a decrease of \$5.5 million used for land development projects that was recorded under the item “real estate properties under development” in the balance sheet as of June 30, 2018, decrease of \$5.3 million for dividends, exchange loss of \$2.3 million as a result of the depreciation of Renminbi against the US dollar during the six months ended June 30, 2018; offset in part by the proceeds of \$9.7 million from the sale of an office property in Hong Kong.
- (b) Compared to June 30, 2017, the decrease of \$10.7 million in cash, cash equivalents and short-term investments was mainly due to \$14.5 million used for land development projects that was recorded under the item “real estate properties under development” in the balance sheet as of June 30, 2018, payments of \$10.4 million for dividends, and increase in long term investment of \$2.3 million; offset in part by the proceeds of \$9.7 million from the sale of an office property in Hong Kong, proceeds of \$7.6 million from shares issued upon the exercise of certain share options, and exchange gain of \$3.3 million as a result of the appreciation of Renminbi against the US dollar from June 30, 2017 to June 30, 2018.
- (c) Cash in the financial ratio included cash, cash equivalents and short-term investments in the amount of \$160.0 million, \$165.2 million and \$170.7 million as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

OPERATING RESULTS

Operating loss for the second quarter of 2018 was \$4.2 million, an increase of \$1.9 million, compared to operating loss of \$2.3 million in the second quarter of 2017, when there was rental income derived from our land and buildings located in Gushu, Shenzhen, prior to the expiration of its lease agreement in October 2017, to offset the operating loss.

Net loss for the second quarter of 2018 was \$5.8 million compared to a net income of \$2.1 million in the second quarter of 2017. Net loss for the second quarter of 2018 mainly consisted of general and administrative expenses of \$4.2 million and exchange loss of \$3.3 million as a result of the depreciation of Renminbi against the US dollar in the second quarter of 2018; offset in part by interest income of \$1.6 million earned from time deposits. Net income for the second quarter of 2017 mainly consisted of exchange gain of \$2.7 million as a result of the appreciation of Renminbi

against the US dollar in the second quarter of 2017, interest income of \$1.8 million earned from time deposits and net operation income of \$0.5 million; offset in part by general and administrative expenses of \$2.9 million. Net loss per diluted share for the second quarter of 2018 was \$0.15 compared to net income per diluted share of \$0.06 for the second quarter of 2017.

Net loss for the first half of 2018 was \$3.3 million compared to a net income of \$3.9 million for the first half of 2017. Net loss for the six months ended June 30, 2018 mainly consisted of general and administrative expenses of \$13.3 million; offset in part by a gain of \$6.8 million from sale of an office property in Hong Kong and interest income of \$3.1 million earned from time deposits. Net income for the six months ended June 30, 2017 mainly consisted of interest income of \$4.3 million earned from time deposits, exchange gain of \$3.5 million as a result of the appreciation of Renminbi against the US dollar during the six months ended June 30, 2017 and net operation income of \$1.1 million; offset in part by general and administrative expenses of \$4.9 million. Net loss per diluted share for the six months ended June 30, 2018 was \$0.09 compared to net income per diluted share of \$0.10 for the six months ended June 30, 2017.

As the majority of our assets are denominated in Renminbi, the translation of Renminbi denominated assets to US dollars for reporting purposes has resulted in a foreign exchange loss for the second quarter of 2018. Due to the fluctuation of the exchange rate for Renminbi against the US dollar, the foreign exchange loss for the second quarter of 2018 was \$3.3 million, or approximately 57% of the amount of our net loss for this period. However, since the majority of our payment obligations are also denominated in Renminbi, we do not expect the movement of US dollar against Renminbi to materially and adversely impact our business.

Capitalization on project investment was \$3.6 million for second quarter of 2018, totaling \$5.6 million for the first half of 2018 and our accumulated project investment was \$57.1 million up to June 30, 2018, which was recorded under the account of "real estate properties under development" in the balance sheet as at June 30, 2018.

Our business of land development is currently in the early stage where it takes time to apply for the relevant licenses and permits from the PRC government. During this early stage of the land development, our only sources of income are from limited deposit interest and rental income; therefore, we expect to continue to incur losses during this stage.

Please see page 7 of the Company's Condensed Consolidated Statements of Comprehensive Income for further details. This information has also been published on the Company's website at http://www.namtai.com/investors#investors/quarterly_earnings in the quarterly earnings report of the second quarter of 2018 on page 7, Condensed Consolidated Statements of Comprehensive Income.

COMPANY OUTLOOK

The development of Nam Tai Inno Park in Guangming, Shenzhen, and Nam Tai Inno City in Gushu, Shenzhen, continues to proceed smoothly.

For Nam Tai Inno Park, as we announced on April 10, 2018, we received a RMB1.2 billion (\$184 million) credit facility from China Construction Bank to support its development and construction. On May 23, 2018, we also announced our selection, through an auction process, of two main constructors, China Construction First Building (Group) Corporation Ltd., or CCFBC, and China Construction Second Engineering Bureau Ltd., or CCSEB, respectively, for the western and eastern sections of Nam Tai Inno Park. On May 18 and May 28, 2018, we also received two construction permits for the western and eastern sections of Nam Tai Inno Park, respectively. We have begun the main construction phase of Nam Tai Inno Park starting June 1, 2018.

For Phase I of Nam Tai Inno City, we completed the demolition of our old factory buildings in the second quarter of 2018. On May 24, 2018 we received the Land Use Permit for the development of the Nam Tai Inno City on the Phase I site ahead of the schedule. We currently focus our development efforts on designing this future complex in a way that would maximize its value based on the latest market outlook. We will continue to follow our plan of development and expect to receive the relevant Land Use Right Certificate in August 2018 for Phase I of Nam Tai Inno City.

For Phase II of Nam Tai Inno City, we are in the process of subdividing and renovating the existing buildings on site for short-term leases for start-up tech companies. We made this decision based on our current demolition and construction schedule, which is planned to occur in a few years, making the existing buildings less attractive to industrial tenants with scaled operations and longer time horizons. Our primary focus is not to generate significant revenue but maintaining the active operation of the facilities ahead of its redevelopment, which is currently expected to start in March 2023.

As for our Wuxi facilities, we continue to search for both potential buyers or renters, with the primary focus on rental.

Following below are summaries of our Nam Tai Inno Park and Nam Tai Inno City projects:

Part I: Gross Floor Areas for the Two Projects:

Inno Park	Inno City – Phase I	Inno City – Phase II
-----------	---------------------	----------------------

Edgar Filing: NAM TAI PROPERTY INC. - Form 6-K

		(In square meters, except plot ratios)			
Land area		103,739	22,364		22,367
Plot ratios		2.59	6.00		6.00
	Office	175,406	28,930	Office + Soho	93,950
			+		
			Soho		
Gross floor area (GFA)	Apartment	61,000	24,150	Apartment	24,150
	Commercial	28,594	12,500	Commercial	12,500
	Other	4,159	3,600	Other	3,600
		269,159	134,180		134,200
Underground floor area (GFA)		62,673	54,000		36,000
Total construction floor area (CFA)		331,832	188,180		170,200

Note:

The plot ratio for Inno City – Phase II has not been approved yet. The figures only represent the current plan. All figures above are also subject to adjustment upon the final approval of the relevant authorities in China.

Part II: Timetable for the Two Projects:

Main Certificates	Estimated Completion Time			
	Inno Park	Inno City Phase I	Inno City Phase II	2017 2018 2019 2020 2021 2022 2023 2024 2025
A Land Use Permit	Jun 2015 Obtained	May 2018	Nov 2021	
B Land Use Right Certificate	Sep 2015 Obtained	Aug 2018	Feb 2022	
C Construction Planning Permit	Aug 2017 Obtained	May 2019	Feb 2023	
D1 Early Construction Permit for Pile Foundation	May 2017 Obtained	N/A	N/A	
D2 Construction Permit for the Main Structure	May 2018	Jul 2019	Mar 2023	
D3 Construction Acceptance Certificate for the Main Structure Construction	Dec 2019	May 2021	Jan 2025	
D4 Completion	Dec 2020	Feb 2022	Nov 2025	
E Property Ownership Certificate	Jun 2020	Nov 2021	Jul 2025	

Notes:

1. represent “Inno Park”, while represent “Inno City – Phase I” and represent “Inno City – Phase II”.

Part III: Budgetary Estimate for the Two Projects:

	Inno Park	Inno City – Phase I	Inno City – Phase II
	(US\$ in million)		
1. Planned Development Costs ⁽¹⁾	312	203	212
2. Planned Operating Costs ⁽²⁾	34	37	41

Notes: 1. Our planned development costs of \$727 million is based on our schematic design estimation. This estimate is used by us for cost control purposes to monitor the costs of design and construction. This estimation does not include the costs of interior furnishing for the apartments and makes no adjustment for inflation or financing costs. If the developed properties are offered for sale, the

costs would also have to include payment for land appreciation tax.

2. Our planned operating costs of \$112 million include project related overhead from the start of each project until its scheduled construction completion and do not include other non-project related operating expenses of our Company. This estimate does not include the costs of marketing and interior furnishing for the apartments and makes no adjustment for inflation or financing costs.

Potential Risks in Our Business

We currently derive a majority of our income from interest income. Since 2016, we have seen a stabilizing trend on the benchmark interest rates in China. However, due to the current economic conditions in China, we expect the People's Bank of China ("PBOC") to keep Renminbi-denominated official time deposit interest rates in China at a low level throughout 2018. We expect to continue to incur operating losses in the third quarter of 2018 and beyond. With this lower interest rate environment and continued decrease in our level of deposit, we expect our income offset against these operating losses will materially decrease in future periods, which will accelerate the current decline of our cash and cash equivalents and other short-term investments.

We only became a real estate developer after our electronic manufacturing businesses ceased in 2014. To ensure our successful transformation, we have engaged external advisors and sought potential strategic partners and investors, including with Kaisa Group Holdings Ltd., to support our projects. We cannot assure you our efforts will be sufficient enough to carry out a transformation of this magnitude. Prior to our annual general meeting of the shareholders on June 1, 2018, our former chairman, Mr. M.K. Koo, announced his intention to retire no later than the end of 2018. At our annual general meeting, our shareholders elected a slate of directors that included certain new members and our current CEO, Mr. Ying Chi Kwok, in anticipation of the retirement of Mr. Koo. Subsequent to the annual general meeting, our board of directors elected Mr. Ying Chi Kwok, as our new chairman on June 4, 2018. At our board meeting on July 27, 2018, Mr. Koo officially vacated his seat as a director and following the recommendation of our nominating committee, our board elected Mr. Hao Xu as a director in place of Mr. Koo

starting from August 1, 2018. Mr. Koo will remain as a consultant of our Company for the remainder of 2018. We cannot assure you that our full restructuring plan can be carried out smoothly, or that any successor will be able to manage our Company as effectively.

As the majority of our assets are denominated in Renminbi, the translation of Renminbi-denominated assets to US dollars for our reporting purposes has resulted in a foreign exchange loss in this quarter. As such, we do expect to see fluctuations in the reporting of foreign exchange loss/gain in the financial statements due to the movement of the US dollar against Renminbi. However, as a majority of our payments are in Renminbi, we also do not expect the movement of the US dollar against Renminbi to adversely impact our business. Nevertheless, investors should consider that the purchasing power of US dollar figures for cash and cash equivalents and other short-term investments is not identical from period to period.

In order for the projects to proceed smoothly and the transformation of our business to succeed, we will need to access additional funding. To do so, we will negotiate loans and credit lines with financial banks to source funds needed to assist in future development of our projects. These loan agreements and debt instruments often contain covenants limiting our flexibility in operating our business and can contain requirements that we meet certain milestones in our project development. While we have obtained a credit facility from China Construction Bank to support our financing of Nam Tai Inno Park in part, there can be no assurance that changes in the macroeconomic environment or government policies in China would not restrict China Construction Bank's funding ability, or that we can continue to enter into agreements and instruments with other financial institutions successfully. Furthermore, failure to comply with any terms required by the funding agreements or instruments may delay our developments as we seek alternative sources of funding or prevent us from completing the developments entirely.

As of June 30, 2018, we had a total cash balance of \$160.0 million and no debt. With our current cash position and the credit line from China Construction Bank, we believe our finances remain sufficient to fund the initial stage of the Nam Tai Inno Park development as currently planned. All of our land development related applications are subject to government policies and regulations in the real estate market. As this is our first venture into the land development projects, we may encounter industry-specific difficulties that result in losses as we progress with our projects in Shenzhen. The recent trade disputes between the U.S. and China may also negatively impact the speed of Shenzhen city's development. As we are currently in the early stage of our property projects and can only generate limited interest income from cash deposits, we will continue to record operating losses. Cash on hand is expected to drop continuously, but most of the incurred expenditures related to construction will be for project development, which will be capitalized as "real estate properties under development" (non-current asset) on our balance sheet. For more information on risks in our business, please refer to the Risk Factors section of our 2017 Annual Report on Form 20-F as filed with the SEC and on our website.

According to our project development plan, project investment for the third quarter of 2018 is estimated to be \$24.5 million, and project investment for the year of 2018 is estimated to be \$58.0 million.

The information contained in or that can be accessed through the website mentioned in this announcement does not form part of this announcement

PAYMENT OF QUARTERLY DIVIDENDS FOR 2018

As announced on October 30, 2017, the Company set the payment schedule of quarterly dividends for 2018. The dividend for the second quarter of 2018 was paid on July 20, 2018.

The following table updates the previously announced schedule for declaration and payment of quarterly dividends in 2018.

			Dividend	
Payment	Record Date	Payment Date	(per	Status
			share)	
Q1 2018	December 31, 2017	January 19, 2018	\$ 0.07	Paid
Q2 2018	March 31, 2018	April 20, 2018	\$ 0.07	Paid
Q3 2018	June 30, 2018	July 20, 2018	\$ 0.07	Paid
Q4 2018	September 30, 2018	October 19, 2018	\$ 0.07	
Full Year 2018			\$ 0.28	

Our decision to continue making dividend payments in 2018 as set out and confirmed in the above table does not necessarily mean that cash dividend payments will continue thereafter or at the same amount. Whether future dividends after 2018 are to be declared will depend upon our future growth and earnings at each relevant period, of which there can be no assurance, and our cash flow needs for business operations and transformation. Accordingly, there can be no assurance that cash dividends on our common shares will be declared beyond those declared for 2018, and we also cannot assure you what the amounts of such dividends will be or whether such dividends, once declared for a specific period, will continue for any future period, or at all

SCHEDULE FOR RELEASE OF QUARTERLY FINANCIAL RESULTS FOR 2018

To maintain the efficiency of delivering the Company's quarterly financial results to the market, the Company's management has decided to follow approximately the same schedule of 2017 to release the quarterly financial results for 2018. Details of the expected quarterly release dates are as follows:

Announcements of Financial Results

Quarter	Date of Release
Q1 2018	April 30, 2018 (Monday)
Q2 2018	July 30, 2018 (Monday)
Q3 2018	November 5, 2018 (Monday)
Q4 2018	January 28, 2019 (Monday)

FORWARD-LOOKING STATEMENTS AND FACTORS THAT COULD CAUSE OUR SHARE PRICE TO DECLINE

Certain statements included in this press release, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "seek", "would", "believe" or "timetable". These forward-looking statements, which are subject to risks, uncertainties, and assumptions, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activities, performance, or achievements expressed or implied by the forward-looking statements, including, but not limited to, delay in the Company's ability to obtain all requisite permits and approvals from relevant government authorities in relation to the redevelopment of two parcels of properties in Guangming, Shenzhen, and Gushu, Shenzhen, respectively, and the successful redevelopment of the two parcels of properties into Nam Tai Inno Park and Nam Tai Inno City; the sufficiency of the Company's cash position and other sources of liquidity to fund its property developments; continued inflation and appreciation of the Renminbi against the US dollar; rising labor costs in China and changes in the labor supply and labor relations. In particular, you should consider the risks outlined under the heading "Risk Factors" in our most recent Annual Report on Form 20-F and in our Current Reports filed on Form 6-K from time to time. The Company's decision to continue dividend payments in 2018 does not necessarily mean that dividend payments will continue thereafter. Whether future dividends will be declared depends upon the Company's future growth and earnings, of which there can be no assurance, as well as the Company's cash flow needs for further expansion. Accordingly, there can be no assurance that cash dividends on the Company's common shares will be

declared beyond those declared for 2018, what amount those dividends may be or whether such dividends, once declared for a specific period, will continue for any future period, or at all; and whether we will purchase any of our shares in the open markets or otherwise. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. You should not rely upon forward-looking statements as predictions of future events. These forward-looking statements apply only as of the date of this press release; as such, they should not be unduly relied upon as circumstances change. Except as required by law, we are not obligated, and we undertake no obligation, to release publicly any revisions to these forward-looking statements that might reflect events or circumstance occurring after the date of this release or those that might reflect the occurrence of unanticipated events.

ABOUT NAM TAI PROPERTY INC.

We are a real estate developer. We hold two parcels of land located in Guangming and Gushu, Shenzhen, China. We are converting these two parcels of land that formerly housed the manufacturing facilities of our prior businesses into high-tech research and development centers, Nam Tai Inno Park and Nam Tai Inno City. We expect our principal income in the future will be derived from rental income from these research and development centers. Nam Tai Property Inc. is a corporation registered in the British Virgin Islands and listed on the New York Stock Exchange (Symbol: "NTP"). Please refer to the Nam Tai website (www.namtai.com) or the SEC website (www.sec.gov) for Nam Tai press releases and financial statements.

NAM TAI PROPERTY INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

(In Thousands of US dollars except share and per share data)

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Operation income ⁽¹⁾	\$—	\$541	\$—	\$1,135
Net operation income	—	541	—	1,135
Costs and expenses				
General and administrative expenses	4,155	2,878	13,271	4,862
	4,155	2,878	13,271	4,862
Operating loss	(4,155)	(2,337)	(13,271)	(3,727)
Other (expenses) income, net ⁽²⁾	(3,256)	2,574	193	3,302
Interest income	1,566	1,848	3,073	4,324
Gain on disposal of property	—	—	6,763	—
Write off of demolished building	—	—	(35)	—
(Loss) income before income tax	(5,845)	2,085	(3,277)	3,899
Consolidated net (loss) income	(5,845)	2,085	(3,277)	3,899
Functional currency translation adjustment	(9,537)	1,811	(3,499)	2,351
Other comprehensive (loss) income ⁽³⁾	(9,537)	1,811	(3,499)	2,351
Consolidated comprehensive (loss) income ⁽⁴⁾	\$(15,382)	\$3,896	\$(6,776)	\$6,250
(Loss) income earnings per share				
Basic	\$(0.15)	\$0.06	\$(0.09)	\$0.11
Diluted	\$(0.15)	\$0.06	\$(0.09)	\$0.10
Weighted average number of shares ('000)				
Basic	37,907	36,575	37,730	36,518
Diluted	37,907	37,210	37,730	37,138

Notes:

- (1) The property at the site of Inno City - Phase II in Gushu had been rented to a third party lessee with a term of three and a half years ending in October 2017.
- (2) Other (expenses) income, net, include an exchange loss of \$3.3 million for the three months ended June 30, 2018.
- (3) An increase in other comprehensive loss due to foreign exchange translation.
- (4) Consolidated net loss for the three months ended June 30, 2018 mainly include general and administrative expenses of \$4.2 million and exchange loss of \$3.3 million as a result of the depreciation of Renminbi against the US dollar in the second quarter of 2018; offset in part by interest income of \$1.6 million earned from time deposits.

NAM TAI PROPERTY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2018 AND DECEMBER 31, 2017

(In Thousands of US dollars)

	Unaudited June 30, 2018	Audited December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 158,091	\$ 165,173
Short term investments ⁽¹⁾	1,911	—
Prepaid expenses and other receivables	5,471	5,100
Total current assets	165,473	170,273
Long term investments	2,284	2,319
Real estate properties under development, net ⁽²⁾	57,128	52,460
Property, plant and equipment, net	32,483	36,976
Other assets	—	49
Total assets	\$ 257,368	\$ 262,077
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,303	\$ 5,705
Accrued expenses and other payables	5,321	1,500
Dividend payable	5,293	10,514
Total current liabilities	15,917	17,719
Financial lease payable	\$ 10	—
Total liabilities	15,927	17,719
EQUITY		
Shareholders' equity:		
Common shares	378	376
Additional paid-in capital	253,764	249,856
Retained earnings	(3,352)	(24)
Accumulated other comprehensive loss ⁽³⁾	(9,349)	(5,850)
Total shareholders' equity	241,441	244,358
Total liabilities and shareholders' equity	\$ 257,368	\$ 262,077

Note:

(1)

According to the definition of “Balance Sheet” under the Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) 210-10-20, cash equivalents are short-term, highly liquid investments that are readily convertible to cash. Only investments with original maturities of three months or less when purchased qualify under that definition. Therefore, the fixed deposits maturing over three months in amount of \$1.9 million and nil as at June 30, 2018 and December 31, 2017, respectively, are not classified as cash and cash equivalents but are separately disclosed as short-term investments in the balance sheet.

- (2) Capitalization on project investment \$3.6 million for second quarter of 2018, totaling \$5.6 million for the first half of 2018 and our accumulated project investment was \$57.1 million up to June 30, 2018.
- (3) Accumulated other comprehensive loss represented foreign currency translation adjustment.

NAM TAI PROPERTY INC.

CONSENSUED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

(In Thousands of US dollars)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net (loss) income	\$(5,845)	\$2,085	\$(3,277)	\$3,899
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, plant and equipment,				
land use rights and other assets	960	83	1,975	159
Gain on disposal of property, plant and equipment	—	(22)	(6,956)	(41)
Write off demolished building	—	—	35	—
Share-based compensation expenses	635	363	2,001	603
Unrealized exchange loss(gain)	4,413	(2,029)	1,289	(2,250)
Changes in current assets and liabilities:				
(Increase) decrease in prepaid expenses and other receivables	(100)	515	(402)	273
Increase in accrued expenses and other payables	79	1,159	3,664	1,435
Total adjustments	5,987	69	1,606	179
Net cash provided by (used in) operating activities	\$142	\$2,154	\$(1,671)	\$4,078
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for real estate properties under development	\$(1,195)	\$(1,566)	\$(5,524)	\$(2,971)
Purchase of property, plant & equipment	(95)	(13)	(596)	(129)
Decrease (increase) in deposits for real estate properties under				
development	97	(186)	116	(166)
Increase in deposits for purchase of property, plant and equipment	(87)	(13,166)	(148)	(13,383)
Proceeds from disposal of property, plant and equipment	—	48	9,706	67
Proceeds from disposal of demolished building	—	—	197	—
Proceeds from disposal of other asset	—	—	50	—
Decrease (increase) in short term investments	1,433	54,835	(1,911)	34,944
Net cash provided by investing activities	\$153	\$39,952	\$1,890	\$18,362
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	\$(2,644)	\$(2,557)	\$(5,273)	\$(5,108)
Proceeds from shares issued for option exercise	160	471	1,544	874
Net cash used in financing activities	\$(2,484)	\$(2,086)	\$(3,729)	\$(4,234)
Net (decrease) increase in cash and cash equivalents	\$(2,189)	\$40,020	\$(3,510)	\$18,206
Cash and cash equivalents at beginning of period	169,892	73,184	165,173	94,558

Effect of exchange rate changes on cash and cash equivalents and short

term investments	(9,612)	2,781	(3,572)	3,221
Cash and cash equivalents at end of period	\$158,091	\$115,985	\$158,091	\$115,985

9

NAM TAI PROPERTY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

(In Thousands of US dollars)

1. These financial statements, including the consolidated balance sheet as of December 31, 2017, which was derived from audited financial statements, do not include all of the information and notes required by U.S. Generally Accepted Accounting Principles for complete financial statements and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 20-F for the fiscal year ended December 31, 2017.
2. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year ended December 31, 2018.
3. Accumulated other comprehensive (loss) income represents foreign currency translation adjustments. The consolidated comprehensive (loss) income was \$(15,382) and \$3,896 for the three months ended June 30, 2018 and 2017, respectively, and was \$(6,776) and \$6,250 for the six months ended June 30, 2018 and 2017, respectively.
4. A summary of the operation income, other (expenses) income, net, net (loss) income and long-lived assets by geographical areas is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
OPERATION INCOME WITHIN:				
-PRC, excluding Hong Kong	\$—	\$541	\$—	\$1,135
OTHER (EXPENSES) INCOME, NET:				
- (Loss) gain on exchange difference	\$(3,312)	\$2,692	\$(58)	\$3,539
- Loss from Wuxi operations	—	(130)	—	(296)
- Others	56	12	251	59
Total other (expenses) income, net	\$(3,256)	\$2,574	\$193	\$3,302
NET (LOSS) INCOME FROM OPERATIONS WITHIN:				
- PRC, excluding Hong Kong	\$(5,532)	\$(504)	\$(7,413)	\$(832)
- Hong Kong	(313)	2,589	4,136	4,731
Total net (loss) income	\$(5,845)	\$2,085	\$(3,277)	\$3,899

	June 30,	
	2018	December 31, 2017
LONG-LIVED ASSETS WITHIN:		
- Real estate properties under development in PRC, excluding		
Hong Kong	\$57,128	\$ 52,460
- Property, plant and equipment in PRC, excluding Hong Kong	32,413	33,894
- Hong Kong	70	3,082

Total long-lived assets	\$89,611	\$ 89,436
-------------------------	----------	-----------