

T H E C H A I R M A N ' S S T A T E M E N T

The Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2000 the Group reported a loss after taxation of HK\$19.9 million (1999: profit of HK\$106.3 million). Current year's loss was due mainly to a decline in the market value of financial investments. The change in accounting policy for investment in securities which came into effect on 1st January 1999 increased volatility to the Group's results as the unrealised losses as well as gains from changes in market value of securities are now recognised in the profit and loss account. Loss per share is HK\$0.42 (1999: earnings per share is HK\$2.25).

The Directors recommend the payment of a final dividend of HK\$0.10 per share, representing a dividend distribution of approximately HK\$4.7 million (1999: final dividend of HK\$0.55 per share representing a dividend distribution of HK\$25.8 million).

Textile Operations

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited (Sung Nan), declined due to slowing demand in the U.S. and competition from other low cost denim producing countries. Sung Nan exports 90% of its denim production. In 2001, earnings are unlikely to improve if Sung Nan is not able to obtain import permits from the Central Government for cotton purchases. Domestically grown cotton is selling at prices higher than imported cotton.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, continued to report good earnings and contributed to the Group's results. Its main asset, a factory building, is leased to third parties.

Real Estate

As the local economy continues to recover, leasing activities of industrial/office (I/O) premises in the Kwun Tong area have become more active. Of the 290,000 sq.ft. of I/O space the Company holds at Nanyang Plaza, 98.5% is currently occupied. However, due to the current supply situation, rental rates which showed signs of improvement in 2000 are expected to consolidate. The building should provide the Company with steady rental income.

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Repurchase of the Company's Shares

Pursuant to the mandate given by shareholders at the Annual General Meeting held on 27th June 2000, authorizing the Directors to repurchase shares up to 10% of the issued share capital of the Company, during the year ended 31st December 2000 the Company repurchased 150,000 of its own shares representing 0.32% of the issued share capital of the Company for a total consideration of approximately HK\$937,000. Since the beginning of 2001, we have repurchased a further 62,000 shares, for a total consideration of approximately HK\$400,000. The Directors believe that the repurchases will be beneficial to the shareholders as the shares are traded at a substantial discount to its net asset value per share.

Business Review and Prospects

In recent years, the Company's funds were invested mainly in the United States. In spite of the severe correction in equity markets worldwide, the investment portfolios declined less than the broader market. At the time of writing, the prospects for global equity markets are uncertain. Accordingly, some of the funds have been diverted to Alternative Investments and the cash component of the portfolios has been increased.

At present, the Company maintains a healthy financial position and for the time being has no bank debt.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their contribution to the Company.

Sir Sidney Gordon
Chairman

Hong Kong, 2nd April 2001