

**T**he Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2001 showed a loss of HK\$5.8 million (2000: profit of HK\$3.6 million). The current period's loss was due mainly to the decline in market value of portfolio investments. Loss per share is HK\$0.12 (2000: earnings per share was HK\$0.08).

## **Business Review**

### **Textile Operations**

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, are unlikely to improve significantly due to the slowing of the United States economy and keen competition from other denim producing countries.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, continued to perform satisfactorily. However, rental rates of its main asset, a factory building which is leased to third parties, has declined due to sluggish demand and competition from other buildings in the vicinity.

### **Real Estate**

Currently, the occupancy rate at Nanyang Plaza is approximately 95%. Due to the slowdown in the economy, rental rates have softened. In order to maintain a high occupancy rate, we have to offer competitive rental packages to retain and attract both the existing and prospective tenants. This will reduce current year's rental income.

### **Trading Investments**

In recent years, the Company's earnings depended largely on the performance of the investment portfolios. In the first half of 2001, in spite of the severe correction experienced by equity markets worldwide, the Company's investment portfolios declined by 2.5%, which is less than the broader markets. However, for the past two months, world equity markets continued to drift much lower, and this had an adverse impact on our portfolios. Presently, approximately two-third of the Company's funds are invested in equities with over 70% in the U.S. market. Since the beginning of 2001, funds diverted to Alternative Investments have almost doubled, and together with the cash component, total over 20% of the total portfolios. The balance is mainly held in U.S. Dollar bonds.

Recent statements from Government officials and economists are cautioning that the Hong Kong economy will slow down further. With several reductions in interest rates in the United States, we hope that the global economy will recover in 2002.

### **Financial Position**

As at 30th June 2001, the Company had net current assets of HK\$396 million (31.12.2000: HK\$413 million) and maintains a healthy financial position.

## Purchase, Sale or Redemption of Shares

During the period, the Company has purchased a total of 167,500 shares of the Company on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The directors consider that the repurchase of shares will benefit the shareholders by enhancing the net assets per share. Such repurchases were as follows:

<i>Trading month/year</i>	<i>Number of shares purchased</i>	<i>Price paid per share</i>		<i>Amount paid before expenses HK\$</i>
		<i>Highest HK\$</i>	<i>Lowest HK\$</i>	
January 2001	6,000	6.25	–	37,500
February 2001	20,000	6.50	6.15	126,500
March 2001	36,000	6.60	6.50	236,600
April 2001	44,500	5.90	5.70	259,250
May 2001	26,000	5.80	5.75	149,650
June 2001	35,000	5.80	5.70	201,500
	167,500			1,011,000

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the period.

## Directors' Interests

As at 30th June 2001, the interests of the directors and chief executive in the share capital of the Company as recorded in the Register of Directors' Interests maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:-

<i>Name</i>	<i>Ordinary shares of HK\$0.10 each of the Company</i>				<i>Total</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Other interests</i>	
Y. C. Wang	3,625,446	–	–	–	3,625,446
H. C. Yung	5,201,944	30,000	11,000,000 (Note)	–	16,231,944
Lincoln C. K. Yung	2,240,000	10,000	–	–	2,250,000
Sir Sidney Gordon	11,000	–	–	–	11,000
Rudolf Bischof	50,000	–	–	–	50,000

*Note:* As stated below, Mr. H. C. Yung is taken to be interested in the same 11,000,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc. pursuant to Section 8(2), (3) & (4) of the Securities (Disclosures of Interests) Ordinance.

During the period, the Company has not granted to any directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company.

At no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders

As at 30th June 2001, the Register of Substantial Shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the following party, other than those of the directors disclosed above, was interested in ten per cent or more of the issued share capital of the Company:

	<i>Number of shares</i>
Tankard Shipping Co. Inc.	11,000,000 ( <i>Note</i> )

*Note:* Mr. H. C. Yung is taken to be interested in the same 11,000,000 shares owned by Tankard Shipping Co. Inc. pursuant to Section 8(2), (3) & (4) of the Securities (Disclosure of Interests) Ordinance.

## 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 30th June 2001, in compliance with the Code of Best Practice 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”), except that the non-executive directors have not been appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

## Audit Committee

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 interim accounts for the six months ended 30th June 2001 with the directors.