

**T**he Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2002 showed a loss of HK\$12.2 million (2001 : loss of HK\$5.8 million). The current period's loss was mainly due to a decrease in the market value of portfolio investments which were affected by the decline of worldwide equity markets since June. Loss per share was HK\$0.26 (2001 : loss per share HK\$0.12).

## **Business Review and Prospects**

### **Textile Operations**

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, improved substantially in the first six months of 2002 due to lower raw material prices while at the same time maintaining sales by increasing the product range.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, also reported satisfactory results. The company's main asset, a factory building, is situated in an area which has become a popular shopping location. This should enhance its attraction.

### **Real Estate**

The occupancy rate at Nanyang Plaza is currently at 90.6%. Due to the weak local economy, demand for space continued to decline. Rental rates at the building were affected by downward pressure and competition from other buildings in the vicinity. The occupancy rate is expected to fall further and this will have an adverse effect on the current year's rental income.

### **Trading Investments**

A substantial part of the portfolios are managed on a discretionary basis by leading international investment managers. As part of this process, the management of the Company performed the appropriate due diligence in choosing the relevant managers, the type of investments and the allocation of funds. In the first quarter of 2002, the performance of the portfolios was within expectations. However, during the second quarter, as the accounting problems of some major U.S. companies unfolded, it affected the confidence of investors and increased volatility in equity markets. As at the end of June 2002, the Company's investment portfolios declined year to date by 7.4% and further measures were taken to reduce the equity weighting. In July, the portfolios suffered further losses due to the sharp drop in the markets. As at end of August, 35.1% of the funds were invested in equities of which 72.1% were in the U.S. market. Funds diverted to Alternative Investments increased to 21.6%. Bonds held in the portfolio, which were mainly denominated in U.S. Dollars, increased to over 30.6%. The balance of 12.7% is in cash.

Recent economic data from the United States pointed to continued weakness in the economy. The prospect of war in the Middle East also undermined investors confidence. It is difficult to assess the market at this time. We hope that the earnings of companies will recover which should help to stabilize the financial markets.

### **Financial Position**

As at 30th June 2002, the Company had net current assets of HK\$361 million (31.12.2001: HK\$387 million).

## Purchase, Sale or Redemption of Shares

During the period, the Company has purchased a total of 160,000 shares of the Company on The Stock Exchange of Hong Kong Limited, all of which have been subsequently 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>Month of repurchase</i>	<i>Number of shares purchased</i>	<i>Price paid per share</i>		<i>Amount paid before expenses</i> HK\$
		<i>Highest</i> HK\$	<i>Lowest</i> HK\$	
2002				
January	3,500	4.90	–	17,150
February	4,000	4.90	–	19,600
March	7,000	4.90	–	34,300
April	51,000	5.30	5.05	265,400
May	50,000	5.70	5.60	282,000
June	44,500	5.50	5.00	235,700
	<u>160,000</u>			<u>854,150</u>

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 2002, 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	100,000	–	–	–	100,000

*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 2002, 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 2002, 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 condensed interim accounts for the six months ended 30th June 2002 with the directors.