

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

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**T**he Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2004 the Group reported a profit after taxation of HK\$37.1 million (2003: HK\$56.4 million). Earnings per share are HK\$0.82 (2003: HK\$1.22).

The Directors recommend the payment of a final dividend of HK\$0.30 per share, representing a dividend distribution of approximately HK\$13.5 million (2003: final dividend of HK\$0.35 per share, representing a dividend distribution of HK\$15.9 million).

## **Textile Operations**

Shanghai Sung Nan Textile Company Limited, the Company's 64.7% joint venture in Shanghai was able to increase its sales of denim substantially because of the installation of the new looms. Due to higher raw material and other costs, profits however remained largely unchanged. This year, sales of denim continue to be strong and profits are expected to remain good.

The Company's 45% joint venture in Shenzhen, Southern Textile Company Limited, continued to contribute positively to the Company's overall results. Its main asset, a factory building, which is leased to third parties, presently has an occupancy rate of 94%.

## **Real Estate**

The recovery in economic activity benefited the Hong Kong property market. During the year, demand for space at Nanyang Plaza picked up and new leases were secured at higher rental rates. Of the 290,000 sq.ft. of industrial/office (I/O) space which the Company holds, presently 98% is leased. Although there is still a supply of new commercial and I/O space coming on stream in the Kwun Tong area, we are hopeful that we can look forward to a period of rental growth.

During the year, the Group recorded a valuation surplus of HK\$157 million in respect of its investment properties. This has been accounted for as a reserve movement.

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### **Repurchase of the Company's Shares**

Pursuant to the mandate given by shareholders at the Annual General Meeting held on 21st May 2004, from then to 31st December 2004, the Company purchased 316,000 of its own shares representing 0.7% of the issued share capital of the Company, for a total consideration of approximately HK\$2.4 million. Since the beginning of 2005, we bought a further 66,000 shares, for a total consideration of HK\$594,000. The Directors believe that share buy-backs will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share.

### **Business Review and Prospects**

Equity markets performed satisfactorily in the first quarter of 2004. In the second and third quarters, due to rising oil prices and the U. S. presidential election, markets became nervous and did not perform well. During this period, we reduced U. S. equities slightly and increased exposure to non-US Dollar equities and to liquidity especially denominated in Euro. In the fourth quarter, after the U. S. presidential election, markets began to recover. In 2004, the Company's investment portfolios appreciated by some 5%. The non-US Dollar portion of the portfolios contributed to the overall performance. The return of our hedge funds did not live up to our expectations. We are currently reviewing our exposure to this asset class. As at 31st December 2004, 43% was invested in equities of which 37% was in the U.S. market, 12% in bonds of short term maturities, 25% in alternative strategies and the balance of 20% in cash and money market instruments.

The investment portfolios in 2004 did not perform as well as in 2003. However, this year is expected to remain difficult with interest rates still on an upward trend. Furthermore, we are concerned that a high crude oil price will have an adverse effect on the growth of the global economy and could dampen the performance of equity markets.

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**Financial Position**

The Group's investment properties with a carrying value of HK\$431 million (2003: HK\$277 million) have been mortgaged to a bank to secure general banking facilities. As at 31st December 2004 , HK\$11 million of the facilities was utilized (2003: none), which was subsequently repaid in January 2005. At the end of the year, the Company had net current assets of HK\$431 million (2003: HK\$413 million).

**Employees**

The Group employed 26 employees as at 31st December 2004. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover and provident fund.

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

**Rudolf Bischof**

Chairman

Hong Kong, 6th April 2005