

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 2005 the Group reported a profit after taxation of HK\$344.5 million (2004: profit of HK\$167.4 million restated). The new accounting standard for investment property HKAS40, which came into effect on 1st January 2005, requires that the Company revalue its investment properties on a fair value basis and any gain or loss be recognised in the income statement. If the net effect resulting from the revaluation of the investment properties of HK\$304.9 million (2004: HK\$130.3 million) is deducted, the net profit for the year would be HK\$39.6 million (2004: HK\$37.1 million). Earnings per share were HK\$7.67 (2004: earnings per share HK\$3.69 restated), but if the net effect of the accounting change of HK\$6.79 (2004: HK\$2.87) is deducted, earnings per share would be HK\$0.88 (2004: HK\$0.82).

The Directors recommend the payment of a final dividend of HK\$0.35 per share, representing a dividend distribution of approximately HK\$15.47 million (2004: final dividend of HK\$0.30 per share, representing a dividend distribution of HK\$13.51 million).

Textile Operations

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, improved slightly. The company had cotton inventory which was bought earlier at favourable prices and this helped to reduce production cost. The outlook for the first half of 2006 is anticipated to be about the same as the first half of 2005.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, continued to perform satisfactorily. The land use right of the factory building has been extended for four years to 2013. The building is located in a popular shopping area which enhanced its occupancy rate but the rental rates did not increase due to competition from neighbouring buildings. Presently the building has an occupancy rate of 95%.

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S T A T E M E N T (*con't*)

Real Estate

The continued improvement of the Hong Kong economy benefited the local property market. Rental rates of prime office buildings in general have gone up by more than 50%, therefore we were able to achieve substantially higher rental levels for renewals and new leases. Presently, of the 290,000 sq.ft. of industrial/office (I/O) space the Company holds at Nanyang Plaza, 93% was leased. The declining vacancy rate in the office sector should have a positive spillover effect on the I/O market. We expect the occupancy and rental rates of the building to continue to improve. This building provides the Company with steady rental income.

With the adoption of the new accounting standard HKAS40 "Investment Property", the revaluation of the properties resulted in a substantial increase of HK\$304.9 million in net profit for the year. Future earnings are expected to be volatile as any unrealized gains or losses from revaluation will be recognized in the income statement.

Business Review and Prospects

In the second half of 2005, the US equity markets increased moderately however elsewhere the markets performed well, especially in Asia. During this time, we reduced our exposure to the US market in favour of non-US Dollar denominated equities. We also reduced exposure to hedge funds as this asset class continued to underperform. For the year, the Company's investment portfolios appreciated by 5.9%. As at 31st December 2005, 46% was invested in equities of which 34% was in the US market, 11% in bonds of short term maturities, 17% in alternative strategies and the balance in cash and money market instruments.

In the first few months of 2006, the markets continued to perform well. As U.S. interest rates are expected to peak some time later this year and with inflation under control, this should be favourable for global equity markets. Barring unforeseen circumstances, we are optimistic for the outlook for financial investments this year.

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Repurchase of the Company's Shares

Pursuant to the mandate given by shareholders at the Annual General Meeting held on 25th May 2005, from then to 31st December 2005, the Company purchased 290,500 of its own shares for a total consideration of approximately HK\$2.7 million. Since the beginning of 2006, the Company bought a further 500,000 shares for a total consideration of HK\$4.8 million. The Directors believe that share buy-back will continue to be beneficial to shareholders as the shares are traded at a discount to the net asset value per share.

Financial Position

The Group's investment properties with a value of HK\$791.7million (31/12/2004: HK\$431 million) have been mortgaged to a bank to secure general banking facilities. As at 31st December 2005 , the Company has no borrowings (31/12/2004: HK\$11 million). At the end of the year, the Company had net current assets of HK\$446.1 million (31/12/2004: HK\$426 million restated).

Employees

The Group employed 26 employees as at 31st December 2005. Remuneration of the Directors and senior management is reviewed by the Remuneration Committee. The Group also provides other benefits including medical cover and provident funds.

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, 4th April 2006