

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

---

**T**he Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2001 the Group reported a loss after taxation of HK\$15.6 million (2000: loss of HK\$19.9 million). The current year's loss was due mainly to a decline in the market value of financial investments. The loss per share amounted to HK\$0.33 (2000: loss per share was HK\$0.42).

The Directors recommend the payment of a final dividend of HK\$0.10 per share, representing a dividend distribution of approximately HK\$4.65 million (2000: final dividend of HK\$0.10 per share representing a dividend distribution of HK\$4.7 million).

## **Textile Operations**

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited (Sung Nan) improved partly due to an increase in the quantity of denim sold. 90% of the denim production was for export. During the year, Sung Nan obtained an import permit from the Central Government for importing only a very small amount of cotton which was cheaper than the local variety. The management sourced locally to fill its production requirement. Towards the end of the year, the price of domestically grown cotton declined which should have a favourable effect on earnings.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, continued to report satisfactory results. The rental rates at the main asset, a factory building, have declined due to competition from other buildings in the area.

## **Real Estate**

The business environment in the local economy deteriorated during the year and had an adverse impact on rental levels. Of the 290,000 sq.ft. of industrial/office (I/O) space the Company holds at Nanyang Plaza, presently 94.8% is occupied. In order to maintain a high occupancy rate, it was necessary to offer competitive leasing packages. This building provides the Company with a steady rental income.

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

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

---

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

Pursuant to the mandate given by shareholders at the Annual General Meeting held on 28th May 2001, authorizing the Directors to repurchase shares up to 10% of the issued share capital of the Company, during the year ended 31st December 2001 the Company repurchased 254,000 of its own shares representing 0.54% of the issued share capital of the Company for a total consideration of approximately HK\$1.47 million. Since the beginning of 2002, we have repurchased a further 14,500 shares, for a total consideration of HK\$71,050. The number of shares repurchased declined due to the decrease in the trading volume and the restriction to repurchase up to 25% of the total shares traded in the preceding month. The Directors believe that the repurchases will be beneficial to the shareholders as the shares are traded at a substantial discount to the net asset value per share.

### **Business Review and Prospects**

2001 was a very difficult year. The unexpectedly severe downturn in the global economy, especially after the September 11 event, had a significant negative impact on equity markets worldwide. Fortunately for the Company, we started taking precautions some time ago to divert some of the funds to Alternative Investments and to increase the cash component. For the year, the Company's investment portfolios declined by approximately 7.8% which was less than the broader markets. 56% of the funds were invested in equities with around 78% of that in the US market. Funds diverted to Alternative Investments doubled to 17%, and at the year end, cash in the portfolios totalled 9%. The balance was held mainly in US Dollar bonds.

We are cautious about the outlook for 2002 as much depends on the pace of recovery in the U.S. Recent economic data indicated that the economy is bottoming out and interest rates could head up in the second half. But there are still many uncertainties ahead, and the world economy may not grow as strongly as previously expected.

T H E C H A I R M A N ' S  
S T A T E M E N T ( *con't* )

---

**Financial Position**

The Company's financial position remains strong. As at 31st December 2001, there was no bank debt and the net current assets was HK\$387 million (31/12/2000: HK\$413 million).

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, 8th April 2002