

# 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 2002 the Group reported a loss after taxation of HK\$16.5 million (2001: loss of HK\$15.6 million). The current year's loss was due mainly to poor world financial market conditions which affected the investment portfolios. The loss per share amounted to HK\$0.36 (2001: loss per share was HK\$0.33).

The Directors recommend the payment of a final dividend of HK\$0.10 per share, representing a dividend distribution of approximately HK\$4.6 million (2001: final dividend of HK\$0.10 per share representing a dividend distribution of HK\$4.6 million).

## **Textile Operations**

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited (Sung Nan) improved substantially due to lower raw material prices and a wider product range. Sung Nan is well regarded as one of the best and most successful textile mills in Shanghai in respect to its management and operating results. 90% to 95% of its products are exported which contributes foreign exchange to the benefit of PRC. Since the end of the year, the price of cotton in the international market has increased and this may affect earnings in 2003.

Southern Textile Company Limited, the Company's 45% joint venture in Shenzhen, continued to perform satisfactorily. The area where its main asset, a factory building, is situated has become a popular shopping location. This should enhance occupancy despite declining rental rates.

## **Real Estate**

Of the 290,000 sq.ft. of industrial/office (I/O) space the Company holds at Nanyang Plaza, currently, it is 92.5% leased. Rental levels at the building continued to suffer due to very sluggish demand as affected by the weak local economy and new supply coming on stream in the area.

# 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 24th May 2002, authorizing the Directors to repurchase shares up to 10% of the issued share capital of the Company, during the year ended 31st December 2002, the Company purchased 215,000 of its own shares representing 0.46% of the issued share capital of the Company, for a total consideration of approximately HK\$1.12 million. Since the beginning of 2003, we bought a further 50,000 shares, for a total consideration of HK\$234,000. The number of shares repurchased declined due to very thin trading volume and the restriction to buy up to 25% of the total shares traded in the preceding month. The Directors believe that share buy-back will be beneficial to the shareholders as they are traded at a deep discount to the net asset value per share.

### **Business Review and Prospects**

2002 was another very difficult year for the financial markets, and all of the major equity markets declined. During the year, accounting scandals, the prospect of war, and the soft economy continued to dampen investor appetite for risk. Highly rated government bonds were the main beneficiaries of the market uncertainty. Amidst this backdrop, in the second half of 2002, measures were taken to reduce equity exposure in favour of bond and cash holdings within the Company's investment portfolio. The portfolios suffered a decrease in value of 11.9% which was better than most major equity market indices. At the end of 2002, the Company's investment portfolio was relatively conservatively postured with 27% in equities (70% in the U.S.), 29% in alternative strategies, 25% in bonds, and 19% in cash.

Going forward, market uncertainty continues to dominate the investment landscape. The war in Iraq and the rebuilding aftermath may take time to resolve and a nuclear stand-off in North Korea is further exacerbating market volatility. To make matters worse, developed market economies do not seem poised for a sustained recovery even if war jitters dissipate. Accordingly, we will patiently look for opportunities as they arise, and will continue to maintain a conservative approach towards our investment portfolio for the near future.

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

---

Leasing at Nanyang Plaza is affected by the outbreak of the atypical pneumonia which is slowing all economic activities in Hong Kong. Extra precautionary measures in addition to routine cleaning have been taken in order to prevent the spread of the disease to our building.

**Financial Position**

The Group's investment properties with an aggregate carrying value of HK\$277 million (2001: HK\$334 million) have been mortgaged to a bank to secure general banking facilities. HK\$20 million (2001: none) of the facilities was utilised as at 31st December 2002 which was repayable within one year. At year-end, the net current assets was HK\$353 million (31/12/2001: HK\$387 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, 9th April 2003