



NANYANG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Interim Report 2005

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RESULTS HIGHLIGHT

	Unaudited	
	Six months ended 30th June 2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover	27,614	25,396
Profit attributable to equity holders of the Company – after adoption of new HKFRS	263,066	8,810
Profit attributable to equity holders of the Company – before adoption of new HKFRS	7,911*	8,810
Earnings per share – after adoption of new HKFRS	HK\$5.84	HK\$0.19
Earnings per share – before adoption of new HKFRS	HK\$0.18	HK\$0.19
	Unaudited	
	as at 30th June 2005 HK\$'000	as at 31st December 2004 HK\$'000 (Restated)
Total equity – after adoption of new HKFRS	1,240,622	983,121
Total equity – before adoption of new HKFRS	1,019,607	1,017,261

HKFRS – Hong Kong Financial Reporting Standards

- * This is stated before the adoption of the new accounting standards HKAS40 “Investment Property” and HKAS – Int 21 “Income Taxes – Recovery of Revalued Non-Depreciated Assets”, excluding the fair value gain on investment properties of HK\$308.18 million and the related deferred tax expense of HK\$53.025 million for the six months ended 30th June 2005.

The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2005 showed a profit of HK\$263.1 million (2004 : profit of HK\$8.8 million). The new accounting standard for investment property HKAS40, which came into effect on 1st January 2005, requires that the Company revalue its investment property 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 property of HK\$255.2 million is deducted, the net profit for the period would be HK\$7.9 million. Earnings per share were HK\$5.84 (2004 : earnings per share HK\$0.19), but if the net effect of the accounting change of HK\$5.66 is deducted, earnings per share would be HK\$0.18.

Business Review and Prospects

Textile Operations

Earnings at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, declined in the first half of 2005 due to higher manufacturing and transportation costs. We expect performance in the second half to be better than the same period last year. The WTO dispute between China and the United States and the European Union should not have a negative effect on Sung Nan's sales because most of our denim are exported to countries which enjoy free access of textile trade.

The Company's 45% joint venture in Shenzhen, Southern Textile Company Limited, continued to have satisfactory results. The land use right of the factory building has been extended for four years to 2013. Presently, it is leased to third parties and has an occupancy rate of 95%.

Real Estate

The Hong Kong property market benefited from the strong recovery in the local economy and the flow of hot money which came into the territory speculating on the revaluation of the RMB. During this period, we were able to achieve higher rental rates for new leases and renewals. Of the 290,000 sq.ft. of industrial/office space the Company holds at Nanyang Plaza, presently, 90% is leased.

There has been a substantial increase in the valuation of the properties. However, the upward trend in local interest rates could have a dampening effect on the valuation of our investment properties at year end. Future earnings are expected to be volatile as any unrealized gains or losses from revaluation of the properties will be recognised in the income statement as required under the new accounting standard HKAS40 "Investment Property".

Trading Investments

Concerns about the outlook for oil prices and rising interest rates affected equity markets. For the six months ended 30th June 2005, the performance of the Company's investment portfolios was flat. During this period, we increased equities, especially in Asia, and cash holdings. Deposit rates have gone up to over 3%. As some hedge funds continued to underperform, we reduced our exposure to this asset class. Since July, world equity markets rebounded and the performance of our portfolios improved. At the end of August 2005, 44% of the Company's investment portfolios was invested in equities (of which 36% was in US equities), 10% in bonds of short term maturities, 17% in alternative strategies and the balance of 29% in cash and money market investments.

Business Review and Prospects (Continued)

Financial Position

The Group's investment properties with a value of HK\$734 million (31/12/2004 : HK\$431 million) have been mortgaged to a bank to secure general banking facilities. As at 30th June 2005, none (31/12/2004 : HK\$11 million) of the facilities was utilized. At the end of the period, the Company had net current assets of HK\$414 million (31/12/2004 : HK\$431 million).

Purchase, Sale or Redemption of Shares

During the period, the Company purchased a total of 109,500 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. The details of such repurchases were as follows:

Month of repurchase	Number of shares Purchased	Price paid per share		Amount paid before expenses HK\$
		Highest HK\$	Lowest HK\$	
2005				
March	66,000	9.00	–	594,000
April	6,000	9.00	–	54,000
May	37,500	9.00	–	337,500
	<u>109,500</u>			<u>985,500</u>

Saved 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 2005, the interests of the directors and chief executive in the share capital of the Company as recorded in the Register of Directors'/Chief Executives' Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Ordinary shares of HK\$0.10 each of the Company			Total	% of issued share capital
	Personal interests	Family interests	Corporate interests		
Yun Cheng Wang	3,625,446	–	–	3,625,446	8.059%
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	36.082%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	5.002%
Rudolf Bischof	100,000	–	–	100,000	0.222%

Note: As stated below, Mr Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc. pursuant to the SFO.

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 2005, the Register of Substantial Shareholders' Interest and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	<i>No. of shares</i>	<i>% of issued share capital</i>
Tankard Shipping Co. Inc.	5,500,000 (Note)	12.226%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Employees

The Group employed 26 employees as at 30th June 2005. 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 funds.

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 2005, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the required standard set out in the Model Code throughout the six months ended 30th June 2005.

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 interim accounts for the six months ended 30th June 2005 with the management.

**UNAUDITED CONDENSED CONSOLIDATED INCOME
STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

	Note	Six months ended 30th June 2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover	2	27,614	25,396
Direct costs		<u>(5,525)</u>	<u>(6,230)</u>
Gross profit		22,089	19,166
Administrative expenses		(16,644)	(14,984)
Other operating expenses		(1,774)	(485)
Changes in fair value of investment properties		<u>308,180</u>	<u>–</u>
Operating profit	3	311,851	3,697
Finance costs	4	(46)	(161)
Share of profits of jointly controlled entities		<u>5,103</u>	<u>6,426</u>
Profit before taxation		316,908	9,962
Taxation	5	<u>(53,842)</u>	<u>(1,152)</u>
Profit attributable to equity holders of the Company		<u>263,066</u>	<u>8,810</u>
Earnings per share	6	<u>HK\$5.84</u>	<u>HK\$0.19</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2005

	Note	30th June 2005 HK\$'000	31st December 2004 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,835	3,852
Investment properties	8	752,400	444,220
Jointly controlled entities		104,252	93,386
Deferred tax assets		274	317
Available-for-sale financial assets		61,389	–
Non-trading investments		–	52,639
		922,150	594,414
Current assets			
Trade and other receivables	9	6,371	6,809
Financial assets at fair value through profit or loss		364,944	–
Trading investments		–	376,991
Cash and cash equivalents		78,094	93,797
		449,409	477,597
Total assets		1,371,559	1,072,011
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	4,498	4,509
Reserves	11	1,236,124	965,083
Proposed final dividend		–	13,529
Total equity		1,240,622	983,121
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		95,981	42,551
Current liabilities			
Trade and other payables	12	34,063	34,815
Tax payable		893	524
Borrowings		–	11,000
		34,956	46,339
Total liabilities		130,937	88,890
Total equity and liabilities		1,371,559	1,072,011
Net current assets		414,453	431,258
Total assets less current liabilities		1,336,603	1,025,672

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Total equity at 1st January, as previously reported	1,017,261	830,364
Effect of adopting HKAS-Int 21	(34,140)	(7,190)
Total equity at 1st January, as restated	983,121	823,174
Investments revaluation surplus	9,140	3,895
Currency translation differences	(213)	1,175
Profit for the period	263,066	8,810
Dividends	(13,507)	(15,894)
Shares repurchased and cancelled	(985)	(2,459)
Total equity at 30th June	<u>1,240,622</u>	<u>818,701</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW
STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow from operating activities	5,877	10,208
Net cash inflow from investing activities	3,866	5,162
Net cash used in financing activities	(25,492)	(2,353)
Net (decrease)/increase in cash and cash equivalents	(15,749)	13,017
Cash and cash equivalents at 1st January	93,797	20,608
Effect of foreign exchange rate changes	46	(21)
Cash and cash equivalents at 30th June	<u>78,094</u>	<u>33,604</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>78,094</u>	<u>33,604</u>

NOTES TO THE INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

(a) Basis of preparation

These unaudited interim accounts (“interim accounts”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These interim accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2004 annual accounts except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

These interim accounts have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparation. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim accounts.

(b) Changes in accounting policies

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets

1 Basis of preparation and accounting policies (Continued)

(b) Changes in accounting policies (Continued)

The adoption of HKASs 1, 7, 8, 10, 16, 17, 21, 23, 24, 27, 31, 33, 36, HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies and had no material effect on the accounts except for certain changes in presentation and disclosures as required by HKASs 1 and 24.

The adoption of HKASs 32, 39 and 40 and HKAS-Int 21 has resulted in significant changes to the Group's accounting policies which were set out in note 1 to the 2004 annual accounts. The changes to the Group's principal accounting policies and the effect of adopting these new policies are set out below.

- (i) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

Prior to 1st January 2005, the Group classified its investments in securities, other than subsidiaries and jointly controlled entities, as non-trading investments and trading investments in accordance with the accounting policy set out in note 1(d) to the 2004 annual accounts.

From 1st January 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

- (a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of sale in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

- (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

1 Basis of preparation and accounting policies *(Continued)*

(b) Changes in accounting policies (Continued)

(i) (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of financial assets or liabilities not carried at fair value through profit or loss, transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables, which are included in trade and other receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1 Basis of preparation and accounting policies (Continued)

(b) Changes in accounting policies (Continued)

- (ii) The adoption of HKAS 40 has resulted in a change in the accounting policy by which changes in fair values are recorded in the income statement. The Group has adopted the following policy for investment properties with effect from 1st January 2005.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed at least annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the accounts.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

As a result of the adoption of HKAS 40, a valuation of the Group's investment properties was carried out as at 30th June 2005. No such valuation was carried out as at 30th June 2004.

1 Basis of preparation and accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) The adoption of HKAS-Int 21 has resulted in a change in the accounting policy related to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of the tax consequences that would follow from the recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

All changes in these accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require or permit retrospective application other than HKASs 32 and 39 which do not permit retrospective application. The Group has applied the previous Statement of Standard Accounting Practice (“SSAP”) 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information.

(c) Summary of effect of changes in accounting policies

(i) Consolidated income statement

Six months ended	Effect of adopting new HKFRSs			
	HKAS 1	HKAS 40	HKAS-Int 21	Total
30th June 2005:	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase/(decrease) in:				
Operating profit	-	308,180	-	308,180
Share of profits of jointly controlled entities	(731)	-	-	(731)
Profit before taxation	(731)	308,180	-	307,449
Taxation	(731)	-	53,025	52,294
Profit for the period	-	308,180	53,025	255,155
Earnings per share (HK\$)	-	6.84	(1.18)	5.66
Six months ended				
30th June 2004:	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase/(decrease) in:				
Share of profits of jointly controlled entities	(910)	-	-	(910)
Profit before taxation	(910)	-	-	(910)
Taxation	(910)	-	-	(910)
Profit for the period	-	-	-	-
Earnings per share (HK\$)	-	-	-	-

1 Basis of preparation and accounting policies (Continued)

(c) Summary of effect of changes in accounting policies (Continued)

(ii) Consolidated balance sheet

As at 30th June 2005:	Effect of adopting new HKFRSs			Total HK\$'000
	HKAS 32 HK\$'000	HKAS 40 HK\$'000	HKAS-Int 21 HK\$'000	
Increase/(decrease) in:				
ASSETS				
Investment properties	-	308,180	-	308,180
Non-trading investments	(61,389)	-	-	(61,389)
Available-for-sale financial assets	61,389	-	-	61,389
Trading investments	(364,944)	-	-	(364,944)
Financial assets at fair value through profit or loss	364,944	-	-	364,944
Total assets	-	308,180	-	308,180
EQUITY				
Retained profits	-	491,130	(87,165)	403,965
Investment properties revaluation reserve	-	(182,950)	-	(182,950)
Total equity	-	308,180	(87,165)	221,015
LIABILITIES				
Deferred tax liabilities	-	-	87,165	87,165
Total liabilities	-	-	87,165	87,165
Total equity and liabilities	-	308,180	-	308,180
		Effect of adopting new HKFRSs		
As at 31st December 2004:		HKAS 40 HK\$'000	HKAS-Int 21 HK\$'000	Total HK\$'000
Increase/(decrease) in:				
EQUITY				
Retained profits		182,950	(34,140)	148,810
Investment properties revaluation reserve		(182,950)	-	(182,950)
Total equity		-	(34,140)	(34,140)
LIABILITIES				
Deferred tax liabilities		-	34,140	34,140
Total liabilities		-	34,140	34,140

2 Turnover and segment information

The Group is principally engaged in property investment, investment holding and trading, and textile trading. Turnover recognised during the period comprises the following:

	Six months ended 30th June	
	2005 HK\$'000	2004 HK\$'000
Gross rental income from investment properties	15,907	15,250
Net realised and unrealised losses on trading investments	(1,646)	(2,380)
Dividend income from listed investments	1,086	1,141
Dividend income from unlisted investments	1,866	1,784
Interest income	1,796	1,006
Management fee income from investment properties	4,191	4,087
Commission income (Note)	4,414	4,508
	<u>27,614</u>	<u>25,396</u>

Note: The commission income was received by a subsidiary from a jointly controlled entity for handling sales of textile products for the jointly controlled entity. These transactions were entered into in the normal course of business of the Group and the commission income has been calculated at certain fixed percentages of the value of sales handled by the subsidiary.

(a) Primary reporting format – business segments

The Group is organised on a worldwide basis into three main business segments:

- Textile – manufacture and distribution of textile products
- Property – investment in and leasing of industrial/office premises
- Investment – holding and trading of investment securities

The segment results for the six months ended 30th June 2005 are as follows:

	Textile HK\$'000	Property HK\$'000	Investment HK\$'000	Group HK\$'000
Turnover	<u>4,414</u>	<u>20,098</u>	<u>3,102</u>	<u>27,614</u>
Segment results	1,800	309,720	331	311,851
Finance costs				(46)
Share of profits of jointly controlled entities	5,103	–	–	<u>5,103</u>
Profit before taxation				<u>316,908</u>
Taxation				<u>(53,842)</u>
Profit for the period				<u>263,066</u>
Capital expenditure incurred	–	196	–	196
Depreciation	<u>164</u>	<u>37</u>	<u>12</u>	<u>213</u>

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

The segment results for the six months ended 30th June 2004 are as follows:

	Textile HK\$'000	Property HK\$'000	Investment HK\$'000	Group HK\$'000
Turnover	4,508	19,337	1,551	25,396
Segment results	1,780	1,862	55	3,697
Finance costs				(161)
Share of profits of jointly controlled entities	6,426	–	–	6,426
Profit before taxation				9,962
Taxation				(1,152)
Profit for the period				8,810
Capital expenditure incurred	34	10	–	44
Depreciation	160	59	11	230

The segment assets and liabilities at 30th June 2005 are as follows:

	Textile HK\$'000	Property HK\$'000	Investment HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	4,250	783,734	479,049	274	1,267,307
Jointly controlled entities	104,252	–	–	–	104,252
Total assets	108,502	783,734	479,049	274	1,371,559
Liabilities	781	84,528	1,779	43,849	130,937

The segment assets and liabilities at 31st December 2004 are as follows:

	Textile HK\$'000	Property HK\$'000	Investment HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	5,339	475,499	497,470	317	978,625
Jointly controlled entities	93,386	–	–	–	93,386
Total assets	98,725	475,499	497,470	317	1,072,011
Liabilities	751	43,339	1,725	43,075	88,890

2 Turnover and segment information (Continued)

(b) Secondary reporting format – geographical segments

The Group's three main business segments operate in the following main geographical areas:

People's Republic of China (including Hong Kong) – textile, property and investment

United States of America, Europe and Southeast Asia – investment

There are no sales or other transactions between the geographical segments.

	Turnover		Operating results		Capital expenditure	
	Six months ended		Six months ended		Six months ended	
	30th June		30th June		30th June	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China (including Hong Kong)	25,228	22,888	310,362	2,173	196	44
United States of America	1,982	3,021	(2,832)	1,962	-	-
Europe	(1,199)	(713)	1,443	(423)	-	-
Southeast Asia	24	(159)	2,922	79	-	-
Other countries	1,579	359	(44)	(94)	-	-
	<u>27,614</u>	<u>25,396</u>	<u>311,851</u>	<u>3,697</u>	<u>196</u>	<u>44</u>

Total assets are allocated based on where the assets are located.

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
People's Republic of China (including Hong Kong)	808,340	491,511
United States of America	279,438	337,205
Europe	63,622	54,556
Southeast Asia	41,472	32,231
Other countries	74,161	62,805
	<u>1,267,033</u>	<u>978,308</u>
Jointly controlled entities	104,252	93,386
Unallocated assets	274	317
	<u>1,371,559</u>	<u>1,072,011</u>

3 Operating profit

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Operating profit is stated after charging the following:		
Depreciation	213	230
Key management compensation		
– Salaries and other short-term employee benefits	9,211	9,144
– Other long-term benefits	390	390
	<u>390</u>	<u>390</u>

4 Finance costs

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Interest expenses on short-term bank loans	46	161
	<u>46</u>	<u>161</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	370	283
Deferred taxation	53,472	869
	<u>53,842</u>	<u>1,152</u>

The share of profits of jointly controlled entities in the income statement includes the share of overseas taxation attributable to jointly controlled entities for the six months ended 30th June 2005 of HK\$731,000 (2004: HK\$910,000).

6 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2005	2004
Profit attributable to equity holders of the Company (HK\$'000)	<u>263,066</u>	<u>8,810</u>
Weighted average number of ordinary shares in issue (thousands)	<u>45,042</u>	<u>45,530</u>
Basic earnings per share (HK\$)	<u>5.84</u>	<u>0.19</u>

7 Dividends

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
2004 final dividend paid of HK\$0.30 (2003 final dividend paid of HK\$0.35) per share	<u>13,507</u>	<u>15,894</u>

The directors have decided not to declare an interim dividend for the six months ended 30th June 2005 (2004: Nil).

8 Capital expenditure

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book amount at 1st January 2005	444,220	3,852	448,072
Additions	–	196	196
Depreciation	–	(213)	(213)
Revaluation surplus	308,180	–	308,180
Net book amount at 30th June 2005	<u>752,400</u>	<u>3,835</u>	<u>756,235</u>
Net book amount at 1st January 2004	287,000	4,204	291,204
Additions	–	44	44
Disposals	–	(2)	(2)
Depreciation	–	(230)	(230)
Net book amount at 30th June 2004	287,000	4,016	291,016
Additions	–	53	53
Depreciation	–	(217)	(217)
Revaluation surplus	157,220	–	157,220
Net book amount at 31st December 2004	<u>444,220</u>	<u>3,852</u>	<u>448,072</u>

9 Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$170,000 (2004: HK\$524,000). The Group does not grant any credit to its customers. At 30 June 2005, the aging analysis of the trade receivables is as follows:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within 30 days	170	475
31 – 60 days	–	40
61 – 90 days	–	9
	<u>170</u>	<u>524</u>

10 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 1st January 2005 and 30th June 2005	60,000,000	6,000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1st January 2004	45,650,799	4,565
Repurchase of own shares	(322,500)	(32)
At 30th June 2004	45,328,299	4,533
Repurchase of own shares	(233,000)	(24)
At 31st December 2004	45,095,299	4,509
Repurchase of own shares	(109,500)	(11)
At 30th June 2005	44,985,799	4,498

During the period, the Company repurchased a total of 109,500 (31st December 2004: 555,500) of its own shares through purchases on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$985,000 (31st December 2004: HK\$4,228,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$11,000 (31st December 2004: HK\$56,000) was transferred to the capital redemption reserve.

11 Reserves

	Contributed surplus	Investments revaluation reserve	Investment properties revaluation reserve	Capital reserve on consolidation	General reserve	Statutory reserves	Translation	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2005, as previously reported	20,000	26,632	182,950	1,000	76,000	10,538	7,068	491	688,073	1,012,752
Adjustment for the adoption of HKAS 40	-	-	(182,950)	-	-	-	-	-	182,950	-
Adjustment for the adoption of HKAS-Int 21	-	-	-	-	-	-	-	-	(34,140)	(34,140)
At 1st January 2005, as restated	20,000	26,632	-	1,000	76,000	10,538	7,068	491	836,883	978,612
Investments revaluation	-	9,140	-	-	-	-	-	-	-	9,140
Currency translation differences	-	-	-	-	-	-	(213)	-	-	(213)
Profit for the period	-	-	-	-	-	-	-	-	263,066	263,066
Shares repurchased and cancelled	-	-	-	-	-	-	-	11	(985)	(974)
Dividend relating to 2004	-	-	-	-	-	-	-	-	(13,507)	(13,507)
At 30th June 2005	20,000	35,772	-	1,000	76,000	10,538	6,855	502	1,085,457	1,236,124

11 Reserves (Continued)

	Contributed surplus	Investments revaluation reserve	Investment properties revaluation reserve	Capital reserve on consolidation	General reserve	Statutory reserves	Translation	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004, as previously reported	20,000	14,380	25,730	1,000	76,000	9,488	6,641	435	672,125	825,799
Adjustment for the adoption of HKAS 40	-	-	(25,730)	-	-	-	-	-	25,730	-
Adjustment for the adoption of HKAS-Int 21	-	-	-	-	-	-	-	-	(7,190)	(7,190)
At 1st January 2004, as restated	20,000	14,380	-	1,000	76,000	9,488	6,641	435	690,665	818,609
Investments revaluation	-	3,895	-	-	-	-	-	-	-	3,895
Currency translation differences	-	-	-	-	-	-	1,175	-	-	1,175
Profit for the period	-	-	-	-	-	-	-	-	8,810	8,810
Shares repurchased and cancelled	-	-	-	-	-	-	-	32	(2,459)	(2,427)
Dividend relating to 2003	-	-	-	-	-	-	-	-	(15,894)	(15,894)
Balance at 30th June 2004	20,000	18,275	-	1,000	76,000	9,488	7,816	467	681,122	814,168
Investments revaluation	-	8,357	-	-	-	-	-	-	-	8,357
Currency translation differences	-	-	-	-	-	-	(748)	-	-	(748)
Profit for the period	-	-	-	-	-	-	-	-	158,580	158,580
Shares repurchased and cancelled	-	-	-	-	-	-	-	24	(1,769)	(1,745)
Transfer to statutory reserves of jointly controlled entities	-	-	-	-	-	1,050	-	-	(1,050)	-
At 31st December 2004	<u>20,000</u>	<u>26,632</u>	<u>-</u>	<u>1,000</u>	<u>76,000</u>	<u>10,538</u>	<u>7,068</u>	<u>491</u>	<u>836,883</u>	<u>978,612</u>
Representing:										
Reserves at 31st December 2004										965,083
2004 final dividend proposed										13,529
										<u>978,612</u>

12 Trade and other payables

Included in trade and other payables are trade payables of HK\$1,784,000 (2004: HK\$1,623,000) and the aging analysis is as follows:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Within 30 days	1,444	1,283
31 – 60 days	<u>340</u>	<u>340</u>
	<u>1,784</u>	<u>1,623</u>

13 Capital commitments

At 30th June 2005, the Group had no material capital commitment (31st December 2004: HK\$Nil).

The Group's share of capital commitments of a jointly controlled entity is as follows:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Authorised but not contracted for	45,759	53,661
Contracted but not provided for	<u>7,902</u>	<u>–</u>
	<u>53,661</u>	<u>53,661</u>

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 7th September 2005