Nanyang Holdings Limited

(incorporated in Bermuda with limited liability) Stock Code: 212

2008 annual report

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Corporate Information

Directors

\# Rudolf Bischof (Chairman)
Yun Cheng Wang (Senior Managing Director)
Hung Ching Yung, JP (Managing Director and General Manager)
Lincoln C. K. Yung, JP (Deputy Managing Director)
\# James Julius Bertram
\# Robert Tsai To Sze
Jennie Chen

 # Independent non-executive directors

Company Secretary
John Barr

Registrars and Transfer Agent
The Bank of Bermuda Limited
6 Front Street, Hamilton HM 11
P.O. Box HM 1020
Hamilton, HM DX
Bermuda

Branch Registrars and Registration Office
Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East
Hong Kong

Auditors
PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Bankers
The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors
JSM

Group Financial Highlights

	2008 HK$'000	2007 HK$'000	Variance
Revenue/turnover	(29,805)	113,755	-126%
(Loss)/profit attributable to equity holders of the Company before taking into account changes in fair value of investment properties and related tax effects	(122,132)	49,914	-345%
Add: Changes in fair value of investment properties and related tax effects	7,049	109,278	-94%
(Loss)/profit attributable to equity holders of the Company	(115,083)	159,192	-172%
Total equity	1,593,307	1,861,504	-14%

	2008 HK$	2007 HK$	
(Loss)/earnings per share before taking into account changes in fair value of investment properties and related tax effects	(2.83)	1.14	-348%
Add: Changes in fair value of investment properties and related tax effects per share	0.16	2.48	-94%
(Loss)/earnings per share	(2.67)	3.62	-173%
Final dividend per share	0.20	0.40	-50%
Special dividend per share	–	0.10	-100%
Dividend per share	0.20	0.50	-60%
Net asset value per share	37.91	42.83	-11%

Five Year Summary

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Consolidated Income Statement					
Revenue/turnover	(29,805)	113,755	120,892	78,121	71,745
Operating (loss)/profit	(100,074)	176,833	145,780	400,422	187,014
Finance costs	(1,483)	(4,685)	(1,609)	(46)	(89)
Share of (losses)/profits of jointly controlled entities	(21,982)	10,387	8,714	8,940	8,815
(Loss)/profit before income tax	(123,539)	182,535	152,885	409,316	195,740
Income tax credit/(expense)	8,456	(23,343)	(15,496)	(64,771)	(28,350)
(Loss)/profit attributable to equity holders of the Company	(115,083)	159,192	137,389	344,545	167,390
Dividends paid	21,668	30,817	15,468	13,507	15,894
Consolidated Balance Sheet					
Property, plant and equipment	2,394	2,809	3,207	3,624	3,852
Investment properties	978,700	998,400	885,600	812,200	444,220
Jointly controlled entities	179,774	197,833	109,038	102,151	98,643
Available-for-sale financial assets	367,471	472,173	416,780	64,006	–
Non-trading investments	–	–	–	–	52,639
Deferred income tax assets	106	115	117	142	317
Net current assets	195,818	331,402	393,618	446,141	426,001
Deferred income tax liabilities	(130,956)	(141,228)	(120,553)	(106,581)	(42,551)
Net assets	1,593,307	1,861,504	1,687,807	1,321,683	983,121
Share capital	4,202	4,346	4,419	4,469	4,509
Reserves	1,589,105	1,857,158	1,683,388	1,317,214	978,612
Total equity	1,593,307	1,861,504	1,687,807	1,321,683	983,121

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Nanyang Holdings Limited will be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 22nd May 2009 at 12:00 noon for the following purposes:–

1. To receive and consider the reports of the Directors and the Auditors together with the Statement of Accounts for the year ended 31st December 2008;

2. To approve the payment of a final dividend;

3. To re-elect Directors;

4. To re-appoint Auditors and fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions:

As Ordinary Resolutions:–

5. THAT:

   (a) subject to paragraph (b) below the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;

   (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

(c) for the purposes of this Resolution "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

6. THAT:

(a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed the aggregate of (aa) 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

7. THAT the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 6 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

By Order of the Board

John Barr
Company Secretary

15th April 2009

Notes:

1. The transfer books of the Company will be closed from 15th May 2009 to 22nd May 2009, both days inclusive. To qualify for the final dividend, transfers should be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 14th May 2009.

2. A Member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a Member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

   Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

   If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. In relation to the general mandate referred to in Resolution 6 above, the Directors have no specific proposal in mind but wish to be in a position to take advantage of any opportunities which may arise.

5. The Chairman will demand that each of the resolutions set out in the notice of this meeting be voted on by poll.

Rudolf Bischof

Chairman, Independent Non-Executive Director, Member of Remuneration Committee and Member of Audit Committee

Mr. Bischof, aged 67, was appointed a Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York. He is also a Non-Executive Director of CLP Holdings Limited.

Yun Cheng Wang

Senior Managing Director and Member of Remuneration Committee

Mr. Yun Cheng Wang, aged 98, has been the Managing Director of Nanyang Cotton Mill Ltd. since he founded the Company in 1947. He was educated in the U.S. and graduated with the degree of Bachelor of Textile Engineering. He started his career in 1931 by managing two cotton mills in Shanghai. During and immediately after the Japanese occupation, he built two more modern cotton and woollen mills and also garment factories. His venture extended out to several overseas countries. For Nanyang Cotton Mill, he, with approval of the Board, formed a joint-venture with Japanese to start a complete plant for synthetic filament texturizing for the production of warpknit suiting material which was then a fashionable and hot item in the U.S. market. Later, he also initiated and, with the enthusiastic support of the then Chairman of Nanyang, (the late) Sir Lawrence Kadoorie (subsequently Lord Kadoorie), established jointly with Japanese a dyeing and printing factory which greatly benefited the garment industry and was well known in Hong Kong. In 1978, he developed Hong Kong's first production of denim fabric which became the mainstay of Nanyang's textile manufacturing operation. It was later transferred to Shanghai Sung Nan Textile Co. Ltd., a Nanyang controlled and managed joint-venture. In Hong Kong, he served as a member of The Textile Advisory Board for 6 years. He was a Director of China Light & Power Co., Ltd. (now known as CLP Power Hong Kong Ltd.) for 32 years, from 1960 to 1992, and also one of the founding Directors of Tai Ping Carpets International Limited from its inception until the restructuring of the company. He is the brother-in-law of Mr. Hung Ching Yung.

Hung Ching Yung, JP

Managing Director and General Manager, and Member of Remuneration Committee

Mr. Hung Ching Yung, aged 86, has been the Managing Director and General Manager of the Company for 62 years since it was founded in 1947. He studied in St. John's University and graduated from the University of Shanghai. He is now the Chairman of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan. He is also a Director of Shanghai Sung Nan Textile Co. Ltd., Shanghai Commercial Bank Ltd. in Hong Kong, Paofoong Insurance Company (Hong Kong) Ltd., and The Wing On Enterprises, Ltd. He was the Founder of the Hong Kong Cotton Spinners Prevocational School and has been an Advisor of the Tung Wah Group of Hospitals since 1956 until now. He is the father of Mr. Lincoln C. K. Yung.

Lincoln C. K. Yung, JP

Deputy Managing Director

Mr. Yung, aged 63, has been a Director of the Company for 32 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from the University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. On 19th December 2007, Mr. Yung was appointed as Non-Executive Chairman of Shanghai Commercial Bank Limited. He is currently an Independent Director of Tai Ping Carpets International Limited, a Director of The Shanghai Commercial & Savings Bank, Ltd., Paofoong Insurance Company (Hong Kong) Limited and Non-Executive Vice-Chairman of Shanghai Sung Nan Textile Co. Ltd. and Southern Textile Co. Ltd. He is the son of Mr. Hung Ching Yung.

James Julius Bertram

Independent Non-Executive Director, Chairman of Remuneration Committee and Member of Audit Committee

Mr. Bertram, aged 64, was appointed a Director of the Company in August 2003. He was educated in the United Kingdom where he was admitted as a solicitor in 1970. In 1971 he was admitted as a solicitor in Hong Kong since when he has practised as a solicitor with Deacons where he was Senior Partner from 1988 to 2000. He is currently employed by Deacons as a consultant.

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee and Member of Remuneration Committee

Mr. Sze, aged 68, was appointed a Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is an Independent Non-Executive Director ("INED") of a number of Hong Kong listed companies, Asia Satellite Telecommunications Holdings Limited, China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited, QPL International Holdings Limited and SW Kingsway Capital Holdings Limited. He has also been an INED of Television Broadcasts Limited (resigned on 22nd January, 2008) and Tommy Hilfiger Corporation (resigned on 10th May, 2006) during the past three years.

Jennie Chen

Director and Financial Controller

Ms. Chen, aged 53, was appointed a Director of the Company in September 2003. She was initially hired as the Financial Controller and has been with the Company for 23 years. She has experience in accountancy, finance and investment, and the textile industry. Ms. Chen graduated from the University of Toronto.

Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2008.

Principal Activities and Segment Analysis of Operations
The principal activity of the Company is investment holding. The activities of its jointly controlled entities and subsidiaries are shown in notes 16 and 31 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Results and Appropriations
The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement on page 26.

The Directors recommend the payment of a final dividend of HK$0.20 per share, representing a total dividend distribution of approximately HK$8.4 million. Subject to the approval at the Annual General Meeting, the final dividend will be paid on 22nd May 2009.

Reserves
Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

Distributable Reserves
Distributable reserves of the Company at 31st December 2008, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$360,264,000 (2007: HK$372,088,000).

Fixed Assets
Details of the movements in property, plant and equipment, and investment properties of the Group are set out in notes 13 and 14 to the financial statements respectively.

Principal Properties
Details of the principal properties of the Group are set out on page 76.

Share Capital
Details of the movements in share capital of the Company are set out in note 21 to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 9 to 11.

Ms. Jennie Chen retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers herself for re-election.

Mr. Lincoln C. K. Yung retires voluntarily in accordance with the Company's Code on Corporate Governance Practices and, being eligible, offers himself for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests

As at 31st December 2008, the interests of the Directors and Chief Executive in the share capital of the Company as recorded in the Register of Directors'/ Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

	Shares of HK$0.10 each of the Company				
Name	Personal interests	Family interests	Corporate interests	Total	% of issued share capital
Yun Cheng Wang	1,691,294	1,956,152	–	3,647,446	8.68%
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	38.62%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	5.35%
Rudolf Bischof	100,000	–	–	100,000	0.24%

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.

Directors' Interests *(cont'd)*
During the year, 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.

No contracts of significance in relation to the business of the Group to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiaries a party to any arrangement 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 31st December 2008, the Register of Substantial Shareholders' Interests 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:

	No. of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	13.09%

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.

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased 1,439,000 of its shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares purchased	Price per share Highest HK$	Lowest HK$	Aggregate price HK$
2008				
January	100,000	18.60	17.80	1,816,000
April	27,500	17.70	–	486,750
October	830,500	12.20	8.50	8,301,950
November	436,000	8.50	8.00	3,581,250
December	45,000	8.00	7.99	359,950
	1,439,000			14,545,900

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	69%
– five largest suppliers combined	93%

Major Suppliers and Customers *(cont'd)*

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 16% and 31% of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Details of related party transactions are set out in note 30 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 15th April 2009.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 15th April 2009

Corporate Governance Report

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year, the Company was in compliance with the code provisions of 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 (the "Listing Rules").

Directors' securities transactions

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 standard set out in the Model Code throughout the year ended 31st December 2008.

Board of Directors

The Board of Directors ("the Board") of the Company provides leadership and supervises the overall direction of the Group's businesses. The day-to-day management however has been delegated to the Executive Directors.

The Board comprises of seven Directors; four Executive Directors and three Independent Non-Executive Directors. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided on a timely manner. The Company Secretary keeps the minutes of Board meetings.

Board of Directors *(cont'd)*

The attendance of individual Directors to Board meetings in 2008 is summarised below:

Executive Directors		Attendance
Mr. Yun Cheng Wang	Senior Managing Director	4/4
Mr. Hung Ching Yung, JP	Managing Director	4/4
Mr. Lincoln C. K. Yung, JP	Deputy Managing Director	4/4
Ms. Jennie Chen	Director	4/4
Independent Non-Executive Directors		
Mr. Rudolf Bischof	Chairman of the Board	4/4
Mr. James Julius Bertram	Director	2/4
Mr. Robert Tsai To Sze	Director	4/4

Mr. Rudolf Bischof is the Chairman of the Board and an Independent Non-Executive Director. Mr. Hung Ching Yung is the Chief Executive Officer of the Group.

Mr. Yun Cheng Wang is the brother-in-law of Mr. Hung Ching Yung and Mr. Hung Ching Yung is the father of Mr. Lincoln C. K. Yung.

The Independent Non-Executive Directors are appointed for a specific term and are subject to retirement by rotation.

Remuneration Committee

The Remuneration Committee was established by the Board on 25th May, 2005. The Committee consists of the three Independent Non-Executive Directors, the Senior Managing Director and the Managing Director.

The Committee met once in 2008. Attendance of individual Directors is listed below:

	Attendance
Mr. James Julius Bertram – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Yun Cheng Wang	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Robert Tsai To Sze	1/1

Remuneration Committee *(cont'd)*

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Directors or any of his/her associates is involved in deciding his/her own remuneration.

Auditor's Remuneration

For the year ended 31st December 2008, fees payable to the auditors of the Group for audit and non-audit services amounted to HK$1,046,000 and HK$672,000 respectively.

Audit Committee

The Audit Committee was established by the Board on 25th September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze FCA, FCPA, Mr. Rudolf Bischof and Mr. James Julius Bertram.

The Committee met twice in 2008. Attendance of individual Directors is listed below:

	Attendance
Mr. Robert Tsai To Sze FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. James Julius Bertram	0/2

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the "Code Provision") of the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, written terms of reference (the "Terms") which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30th June, 2005. The amendments to the Code Provision which became effective on 1st January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15th April 2009. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures.

During 2008, the Audit Committee met to review the 2007 annual report and accounts and the 2008 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence and reported to the Board.

Audit Committee *(cont'd)*

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Directors.

During the year, independent consultants were hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner.

The Auditors' Report to the shareholders states the auditors' reporting responsibilities.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 15th April 2009

The Chairman's Statement

The Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2008 the Group reported a loss after taxation of HK$115.1 million (2007 : profit of HK$159.2 million). This is mainly due to losses in financial investments and the cessation of the textile operation. The Group valued its investment properties at fair value and the gain was recognised in the income statement. The change in fair value of investment properties (including that owned by a jointly controlled entity) resulted in a net gain of HK$7.0 million (2007 : HK$109.3 million) to the Group. Excluding the net effect from revaluing the investment properties at fair value, the net loss of the year would be HK$122.1 million (2007 : profit of HK$49.9 million). Loss per share was HK$2.67 (2007 : earnings per share of HK$3.62). Due to the setback in financial markets, the Group's net asset value per share declined from HK$42.83 (at 31/12/2007) to HK$37.91 (at 31/12/2008), representing a decrease of 11%.

The Directors recommend the payment of a final dividend of HK$0.20 per share representing a total dividend distribution of approximately HK$8.4 million (2007 : final dividend of HK$0.40 per share, special dividend of HK$0.10 per share, representing a total dividend distribution of HK$21.7 million).

Textile Operations

The performance of the Group's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited ("Sung Nan"), was affected by slow denim sales and drastic increases in raw material cotton prices and rising energy costs. Under these circumstances, in the third quarter, production at the factory ceased and the staff and workers were laid off. Construction at the industrial site in Taicang, Jiangsu Province, was also suspended. Including the operating loss, severance payments, impairment of fixed assets costs and provision for inventory on hand, our share of the loss was HK$45.5 million. In these circumstances, the Group is seeking discussions with the PRC partner with a view to liquidating Sung Nan.

The Group's 45% joint venture in Shenzhen, Southern Textile Company Limited, continued to report satisfactory results. Its main asset, a factory building which is leased to third parties, is almost fully occupied. The global financial turmoil might have a dampening effect on its occupancy.

Real Estate

In the last quarter of 2008, leasing activities of the entire spectrum of office space in Hong Kong were affected by poor business sentiment. Of the 290,000 sq.ft. of industrial/office space which the Group holds at Nanyang Plaza, presently 90.8% is occupied. Due to the uncertain economic outlook, it is anticipated that the property market would continue to be weak in 2009. Also, the large quantity of new office space coming on stream in the Kwun Tong area is likely to affect the occupancy and rental levels at our building.

Leasing activities of the Group's 33% joint venture, a commercial property in the Jingan District in Shanghai, are satisfactory. The building has a total floor area of 22,300 sq.m. and is presently 90.5% leased. Among the tenants are several US multinational corporations. The economic slowdown brought about by the global financial crisis increased competition as prime office buildings are lowering their rent to attract tenants.

Business Review and Prospects

In the second half of 2008, global equities suffered a severe downturn. The US Dollar strengthened significantly against most currencies due to the flight to safety. We continued to reduce equities and alternative investments further. Part of the cash generated in 2007 was used for the Shanghai property project, whose value has remained relatively stable and the RMB currency has strengthened. Cash raised in 2008 was used to repurchase the Company's shares, for dividend payment and repayment of the Company's bank loan. At present, the Company is debt free. For the year 2008, the portfolios showed a negative return of 25.8%. This compared with a decline of 42.08% in the MSCI Global Equity Index. At the year end, the market value of the portfolios stood at US$28 million or approximately HK$216.2 million.

As at 3rd April 2009, the value of the portfolios had been reduced to US$25.3 million or approximately HK$195.5 million due to further withdrawals of cash and declining market values. As at that date, the investment portfolios were made up of 31.1% equities (of which 29.8% is US equities), 15.7% bonds, 12.1% alternative investments and 41.1% in cash.

The Group still holds its investment in The Shanghai Commercial and Savings Bank Ltd. in Taiwan, which continues to operate satisfactorily. The Bank achieved respectable earnings, in spite of the financial turmoil, and declared a dividend comparable to 2007.

2009 continues to be a challenging year. We are in the midst of a global crisis and expect financial markets to remain volatile.

Financial Position

The Group's investment properties with a value of HK$954.0 million (31/12/2007 : HK$973.0 million) have been mortgaged to a bank to secure general banking facilities. As at 31st December 2008, HK$Nil (31/12/2007 : HK$55 million) of these facilities had been utilised. At the end of the year, the Group had net current assets of HK$195.8 million (31/12/2007 : HK$331.4 million).

Employees

The Group employed 23 employees as at 31st December 2008. 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.

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, 15th April 2009

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Nanyang Holdings Limited (the "Company") set out on pages 26 to 75, which comprise the consolidated and Company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditor's responsibility *(cont'd)*
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th April 2009

Consolidated Income Statement

For the Year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue/turnover	5	(29,805)	113,755
Direct costs		(12,005)	(12,307)
Gross (loss)/profit		(41,810)	101,448
Administrative expenses		(37,609)	(36,947)
Other operating income		3,088	2,739
Other operating expenses		(4,043)	(3,207)
Changes in fair value of investment properties		(19,700)	112,800
Operating (loss)/profit	6	(100,074)	176,833
Finance costs	8	(1,483)	(4,685)
Share of (losses)/profits of jointly controlled entities	16	(21,982)	10,387
(Loss)/profit before income tax		(123,539)	182,535
Income tax credit/(expense)	9	8,456	(23,343)
(Loss)/profit attributable to equity holders of the Company	10	(115,083)	159,192
(Loss)/earnings per share (basic and diluted)	11	(HK$2.67)	HK$3.62

Consolidated Balance Sheet

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,394	2,809
Investment properties	14	978,700	998,400
Jointly controlled entities	16	179,774	197,833
Available-for-sale financial assets	17	367,471	472,173
Deferred income tax assets	25	106	115
		1,528,445	1,671,330
Current assets			
Trade and other receivables	18	7,147	8,430
Financial assets at fair value through profit or loss	19	155,218	384,288
Tax recoverable		1,336	–
Cash and cash equivalents	20	77,666	40,683
		241,367	433,401
Total assets		1,769,812	2,104,731
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	4,202	4,346
Reserves	22	1,589,105	1,857,158
Total equity		1,593,307	1,861,504

Consolidated Balance Sheet *(cont'd)*

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	25	130,956	141,228
Current liabilities			
Trade and other payables	23	45,549	45,772
Tax payable		–	1,227
Short-term bank loans	24	–	55,000
		45,549	101,999
Total liabilities		176,505	243,227
Total equity and liabilities		1,769,812	2,104,731
Net current assets		195,818	331,402
Total assets less current liabilities		1,724,263	2,002,732

Yun Cheng Wang
Director

Hung Ching Yung
Director

Balance Sheet

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	15	378,782	378,782
Current assets			
Trade and other receivables	18	16,165	11,130
Cash and cash equivalents	20	1,690	1,185
		17,855	12,315
Total assets		396,637	391,097
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	4,202	4,346
Reserves	22	360,264	372,088
Total equity		364,466	376,434
LIABILITIES			
Current liabilities			
Trade and other payables	23	32,171	14,663
Total equity and liabilities		396,637	391,097
Net current liabilities		(14,316)	(2,348)
Total assets less current liabilities		364,466	376,434

Yun Cheng Wang
Director

Hung Ching Yung
Director

Consolidated Statement of Changes in Equity

For the Year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Total equity at 1st January		1,861,504	1,687,807
Fair value (losses)/gains on available-for-sale financial assets	22	(120,310)	55,180
Currency translation differences	22	3,410	3,523
Net (losses)/gains recognised directly in equity		(116,900)	58,703
(Loss)/profit for the year		(115,083)	159,192
Reserve realised on disposal of available-for-sale financial assets		–	(79)
Total recognised (expense)/income for the year		(231,983)	217,816
Dividends	12	(21,668)	(30,817)
Shares repurchased and cancelled	21	(14,546)	(13,302)
Total equity at 31st December		1,593,307	1,861,504

Consolidated Cash Flow Statement

For the Year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash generated from operations	26	135,280	53,097
Interest paid		(1,483)	(4,685)
Hong Kong profits tax paid		(4,370)	(2,283)
Net cash generated from operating activities		129,427	46,129
Cash flows from investing activities			
Purchase of available-for-sale financial assets		(16,659)	–
Purchase of plant and equipment		(40)	(51)
Investments in jointly controlled entities		–	(67,777)
Loan to a jointly controlled entity		–	(10,328)
Distribution of capital from available-for-sale financial assets		–	406
Dividend received from a jointly controlled entity		2,417	2,023
Dividends received from available-for-sale financial assets		13,522	11,868
Net cash used in investing activities		(760)	(63,859)
Cash flows from financing activities			
Repurchase of own shares		(14,546)	(13,302)
Dividends paid		(21,668)	(30,817)
Repayment of bank loans		(55,000)	(35,000)
Net cash used in financing activities		(91,214)	(79,119)
Net increase/(decrease) in cash and cash equivalents		37,453	(96,849)
Cash and cash equivalents at 1st January		40,683	137,320
Effect of foreign exchange rate changes		(470)	212
Cash and cash equivalents at 31st December		77,666	40,683

1 General information

Nanyang Holdings Limited is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George's Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the "Group") engage in property investment, investment holding and trading and textile trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15th April 2009.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) **Standards, interpretations and amendments to standards that are effective in 2008**

The Group has adopted the following amendment which is relevant to the Group's operations, and mandatory for the financial year ended 31st December 2008:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Amendment on Reclassification of Financial Assets

This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

(b) **Standards, interpretations and amendments to standards that are not yet effective**

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31st December 2008. Those which are relevant to the Group's operations are as follows:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 1 (Amendment)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 23 (Amendment)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial Instruments: Presentation, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1st January 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1st January 2009
HKAS 40 (Amendment)	Investment Property	1st January 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) **Standards, interpretations and amendments to standards that are not yet effective** *(cont'd)*

The Group has not early adopted the above new standards and amendments in the financial statements for the year ended 31st December 2008. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

2.2 Group accounting

(a) **Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2 Significant accounting policies *(cont'd)*

2.2 Group accounting *(cont'd)*

(a) **Consolidation** *(cont'd)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) **Jointly controlled entities**

A jointly controlled entity is an entity which through contractual arrangements is subject to joint control by the Group and other parties, and none of the participating parties has unilateral control over the entity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year. The consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

2 Significant accounting policies *(cont'd)*

2.3 Segment reporting *(cont'd)*

Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables and operating cash and exclude items such as deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax and deferred income tax liabilities and borrowings. Capital expenditure represents additions to fixed assets.

In respect of geographical segment reporting, results from textile and property are presented based on the country of operations and the country in which these properties are located respectively. Results from investments are presented based on the country in which these investments are listed or funded. Total assets and capital expenditure are presented based on where the assets are located.

2.4 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/expenses'.

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(b) **Transactions and balances** *(cont'd)*

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the available-for-sale investments revaluation reserve in equity.

(c) **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(c) **Group companies** *(cont'd)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less residual values over their estimated useful lives, as follows:

Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2 Significant accounting policies *(cont'd)*

2.6 Investment properties

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 outflow 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 financial statements.

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 repairs 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.

2 Significant accounting policies *(cont'd)*

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets 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 financial assets were acquired. Management determines the classification of financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.9).

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.1 Classification *(cont'd)*

(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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. All other financial assets are initially recognised at fair value plus transaction costs. Financial assets 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.

Gains or 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 as 'gains and losses on financial assets through profit or loss' in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. 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 recognised in equity are included in the income statement as 'gains and losses from available-for-sale financial assets'.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.2 Recognition and measurement *(cont'd)*

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, making maximum use of market inputs and relying as little as possible on entity specific inputs.

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 an indicator that 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. Impairment testing of receivables is described in Note 2.9.

2.9 Trade and other receivables

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

2 Significant accounting policies *(cont'd)*

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Significant accounting policies *(cont'd)*

2.12 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.13 Revenue recognition

(a) **Realised and unrealised gains and losses on investments**
Realised gains and losses on investments are recognised on conclusion of sales contracts. Unrealised gains and losses on investments are recognised on the basis set out in Note 2.8.

(b) **Rental and management fee income**
Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

(c) **Dividend income**
Dividend income is recognised when the right to receive payment is established.

(d) **Interest income**
Interest income is recognised on a time proportion basis using the effective interest rate method.

(e) **Commission income**
Commission income is recognised when services are rendered.

2.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight line basis over the period of the lease.

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) **Market risk**

(i) **Price risk**

The Group's equity securities are exposed to price risk as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax loss for the year ended 31st December 2008 would have been HK$6,235,000 lower/higher whereas the post-tax profit for the year ended 31st December 2007 would have been HK$16,861,000 higher/lower.

The Group's available-for-sale financial assets are mainly unlisted equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK$18,371,000 (2007: HK$23,606,000) higher/lower.

(ii) **Foreign currency risk**

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide, primarily with respect to Euro, Japanese Yen and New Taiwan dollars. The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

The Group has investments in jointly controlled entities in the People's Republic of China ("PRC"), whose net assets are exposed to foreign currency translation risk with respect to Renminbi. The Group's exposure to this currency risk is not significant.

3 Financial risk management *(cont'd)*
3.1 Financial risk factors *(cont'd)*
(a) **Market risk** *(cont'd)*

(ii) **Foreign currency risk** *(cont'd)*

At 31st December 2008, had HK dollar weakened/strengthened by 5% against the Euro with all other variables held constant, the post-tax loss for the year ended 31st December 2008 would have been HK$1,307,000 lower/higher whereas the post-tax profit for the year ended 31st December 2007 would have been HK$3,523,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss.

At 31st December 2008, had HK dollar weakened/strengthened by 5% against the Japanese yen with all other variables held constant, the post-tax loss for the year ended 31st December 2008 would have been HK$367,000 lower/higher whereas the post-tax profit for the year ended 31st December 2007 would have been HK$1,190,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

At 31st December 2008, had HK dollar weakened/strengthened by 5% against the New Taiwan dollars with all other variables held constant, the equity would have been HK$17,958,000 (2007: HK$22,991,000) higher/lower, arising mainly from foreign exchange gains/losses on translation of New Taiwan dollar-denominated equity securities classified as available-for-sale.

(iii) **Interest rate risk**

The Group's exposure to interest rate risk mainly arises from its borrowings.

The Group's borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2008 and 2007, the Group's borrowings were denominated in HK dollar.

The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, the post-tax loss for the year ended 31st December 2008 would have been HK$547,000 higher/lower whereas the post-tax profit for the year ended 31st December 2007 would have been HK$550,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial risk management *(cont'd)*
3.1 Financial risk factors *(cont'd)*

(b) **Credit risk**

The Group has no significant credit risk. Generally, the Group's cash is held with highly-rated financial institutions.

(c) **Liquidity risk**

In order to maintain flexibility in funding, the Group has credit facilities available from a major bank.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31st December 2008				
Trade payables	1,996	–	–	–
Rental and management fee deposits	5,674	5,583	1,037	–
Other payables and accruals	24,275	–	–	6,222
Amount due to a jointly controlled entity	762	–	–	–
At 31st December 2007				
Short-term bank loans and interest thereon	57,228	–	–	–
Trade payables	1,701	–	–	–
Rental and management fee deposits	5,686	4,680	1,605	–
Other payables and accruals	24,818	–	–	4,325
Amount due to a jointly controlled entity	2,957	–	–	–
Company				
At 31st December 2008				
Other payables and accruals	32,171	–	–	–
At 31st December 2007				
Other payables and accruals	14,663	–	–	–

3 Financial risk management *(cont'd)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

During 2008 and 2007, the Group's strategy was to maintain borrowings at a low level.

The capital structure of the Group at 31 December 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Total borrowings (Note 24)	–	55,000
Cash and cash equivalents	(77,666)	(40,683)
Net (cash)/debt maintained	(77,666)	14,317
Total equity	1,593,307	1,861,504

The change in net cash/debt maintained during 2008 resulted primarily from the disposal of financial assets and repayment of the bank loans.

3.3 Fair value estimation

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31st December 2008 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties.

5 Revenue/turnover and segment information

Revenue/turnover recognised during the year comprises the following:

	2008 HK$'000	2007 HK$'000
Gross rental income from investment properties	48,802	45,654
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(110,337)	33,281
Dividend income from listed investments	2,612	3,129
Dividend income from unlisted investments	13,522	11,868
Interest income	2,492	6,280
Management fee income from investment properties	8,192	8,413
Commission income (Note 30(a))	4,912	5,130
	(29,805)	113,755

(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
Investments – holding and trading of investment securities

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

5 Revenue/turnover and segment information *(cont'd)*

(a) Primary reporting format – business segments *(cont'd)*

The segment results for the year ended 31st December 2008 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Group HK$'000
Revenue/turnover	4,912	57,205	(91,922)	(29,805)
Segment results	4,955	(8,637)	(96,392)	(100,074)
Finance costs				(1,483)
Share of (losses)/profits of jointly controlled entities	(43,112)	21,130	–	(21,982)
Loss before income tax				(123,539)
Income tax credit				8,456
Loss attributable to equity holders of the Company				(115,083)
Capital expenditure	–	40	–	40
Depreciation	331	102	22	455

The segment results for the year ended 31st December 2007 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Group HK$'000
Revenue/turnover	5,130	54,067	54,558	113,755
Segment results	4,870	126,760	45,203	176,833
Finance costs				(4,685)
Share of (losses)/profits of jointly controlled entities	(2,366)	12,753	–	10,387
Profit before income tax				182,535
Income tax expense				(23,343)
Profit attributable to equity holders of the Company				159,192
Capital expenditure	19	32	–	51
Depreciation	329	116	–	445

5 Revenue/turnover and segment information *(cont'd)*

(a) **Primary reporting format – business segments** *(cont'd)*

The segment assets and liabilities at 31st December 2008 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Unallocated HK$'000	Group HK$'000
Assets	2,491	1,033,058	553,047	1,442	1,590,038
Jointly controlled entities	60,511	119,263	–	–	179,774
Total assets	63,002	1,152,321	553,047	1,442	1,769,812
Total liabilities	933	42,726	1,890	130,956	176,505

The segment assets and liabilities at 31st December 2007 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Unallocated HK$'000	Group HK$'000
Assets	2,764	1,022,386	881,633	115	1,906,898
Jointly controlled entities	105,345	92,488	–	–	197,833
Total assets	108,109	1,114,874	881,633	115	2,104,731
Total liabilities	3,525	40,075	2,172	197,455	243,227

5 Revenue/turnover and segment information *(cont'd)*

(b) Secondary reporting format – geographical segments

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

Hong Kong – textile, property and investments

United States of America, Europe, Taiwan and Southeast Asia – investments

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

	Revenue/turnover		Operating results		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	50,968	69,926	(17,763)	135,604	40	51
United States of America	(45,234)	10,525	(45,969)	9,737	–	–
Europe	(36,872)	18,983	(37,387)	17,421	–	–
Southeast Asia	(6,993)	4,209	(7,091)	3,929	–	–
Taiwan	12,044	11,561	11,986	11,544	–	–
Other countries	(3,718)	(1,449)	(3,850)	(1,402)	–	–
	(29,805)	113,755	(100,074)	176,833	40	51

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

	2008	2007
	HK$'000	HK$'000
Hong Kong	1,013,269	1,048,350
United States of America	143,699	232,248
Europe	45,543	107,787
Southeast Asia	15,758	29,213
Taiwan	359,157	459,810
Other countries	11,170	29,375
	1,588,596	1,906,783
Jointly controlled entities	179,774	197,833
Unallocated assets	1,442	115
	1,769,812	2,104,731

6 Operating loss/profit

	2008 HK$'000	2007 HK$'000
Operating loss/profit is stated after crediting and charging the following		
Crediting:		
Net exchange gain	710	420
Charging:		
Auditor's remuneration		
– Provision for current year	1,046	940
– Under-provision in prior year	106	–
Depreciation	455	445
Direct operating expenses arising from investment properties that		
– generated rental income	1,720	1,287
– did not generate rental income	81	44
Management fee expense in respect of investment properties	8,316	8,316
Operating leases – land and buildings	2,782	2,556
Employee benefit expense (including directors' emoluments) (Note 7)	29,177	27,453
Management fee expense in respect of investment portfolios	1,725	2,456
Legal and professional fees	2,192	2,756
Travelling expenses	1,236	1,245

7 Employee benefit expense

	2008 HK$'000	2007 HK$'000
Wages and salaries	28,716	27,006
Pension costs – defined contribution plans (Note a)	461	447
	29,177	27,453

7 Employee benefit expense *(cont'd)*

(a) Pension – defined contribution plans

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees ("Senior Staff Scheme"). With effect from 1st December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2007: Nil). Contributions totaling HK$50,000 (2007: HK$37,000) were payable to the schemes at the year end, which are included in trade and other payables.

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31st December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits# HK$'000	Employer's contributions to pension scheme HK$'000	Total HK$'000
Mr. Yun Cheng Wang	24	4,303	993	341	12	5,673
Mr. Hung Ching Yung	24	4,303	993	299	12	5,631
Mr. Lincoln C. K. Yung	24	4,303	993	249	12	5,581
Mr. Rudolf Bischof	240	–	–	–	–	240
Mr. Robert Tsai To Sze	240	–	–	–	–	240
Mr. James Julius Bertram	180	–	–	–	–	180
Ms. Jennie Chen	24	1,521	281	–	211	2,037
Total	756	14,430	3,260	889	247	19,582

7 Employee benefit expense *(cont'd)*

(b) **Directors' and senior management's emoluments** *(cont'd)*

The remuneration of every Director for the year ended 31st December 2007 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Other benefits#	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Yun Cheng Wang	24	4,208	993	369	12	5,606
Mr. Hung Ching Yung	24	4,208	993	310	12	5,547
Mr. Lincoln C. K. Yung	24	4,208	993	263	12	5,500
Mr. Rudolf Bischof	216	–	–	–	–	216
Mr. Robert Tsai To Sze	240	–	–	–	–	240
Mr. James Julius Bertram	180	–	–	–	–	180
Ms. Jennie Chen	24	1,493	281	–	206	2,004
Total	732	14,117	3,260	942	242	19,293

Other benefits include accommodation and motor vehicle expenses.

(c) **Five highest paid individuals**

The five highest paid individuals in the Group include 4 (2007: 4) Directors whose emoluments are reflected in the analysis presented in Note 7(b) above. The emoluments payable to the remaining individual during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries, housing and other allowances, benefits in kind	1,617	1,598
Contributions to retirement scheme	12	12
	1,629	1,610

8 Finance costs

	2008	2007
	HK$'000	HK$'000
Interest on bank loans and overdrafts	1,483	4,685

9 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

In 2008, the Hong Kong Government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year 2008/2009.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current income tax		
Hong Kong profits tax	1,807	2,666
Deferred income tax (Note 25)	(10,263)	20,677
	(8,456)	23,343

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax	(123,539)	182,535
Less: Share of losses/(profits) of jointly controlled entities	21,982	(10,387)
	(101,557)	172,148
Calculated at a tax rate of 16.5% (2007: 17.5%)	(16,757)	30,126
Income not subject to tax	(2,580)	(9,129)
Expenses not deductible for tax purposes	17,352	2,407
Over provision for current income tax in prior years	(72)	(77)
Effect of unrecognised temporary differences	1,665	16
Change in tax rate	(8,064)	–
Income tax (credit)/expense	(8,456)	23,343

10 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$24,246,000 (2007: HK$27,712,000).

11 (Loss)/earnings per share

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

	2008	2007
(Loss)/profit attributable to equity holders of the Company (HK$'000)	(115,083)	159,192
Weighted average number of ordinary shares in issue (thousands)	43,133	43,934
Basic (loss)/earnings per share (HK$)	(2.67)	3.62

The Company has no dilutive potential ordinary shares.

12 Dividends

	2008 HK$'000	2007 HK$'000
2007 final dividend paid of HK$0.40 (2007: 2006 final dividend paid of HK$0.40) per share	17,334	17,610
2007 special dividend paid of HK$0.10 (2007: 2006 special dividend paid of HK$0.30) per share	4,334	13,207
	21,668	30,817

At a meeting held on 15th April 2009 the Directors proposed a final dividend of HK$0.20 per share representing a dividend distribution of HK$8,405,000. This proposed final dividend is to be approved by the shareholders at the Annual General Meeting on 22nd May 2009 and is not reflected as a dividend payable in these financial statements.

13 Property, plant and equipment

Group	Properties HK$'000	Others HK$'000	Total HK$'000
At 1st January 2007			
Cost	12,189	4,026	16,215
Accumulated depreciation and Impairment losses	(9,209)	(3,799)	(13,008)
Net book amount	2,980	227	3,207
Year ended 31st December 2007			
Opening net book amount	2,980	227	3,207
Additions	–	51	51
Disposals	–	(4)	(4)
Depreciation	(371)	(74)	(445)
Closing net book amount	2,609	200	2,809
At 31st December 2007			
Cost	12,189	4,044	16,233
Accumulated depreciation and impairment losses	(9,580)	(3,844)	(13,424)
Net book amount	2,609	200	2,809
Year ended 31st December 2008			
Opening net book amount	2,609	200	2,809
Additions	–	40	40
Depreciation	(371)	(84)	(455)
Closing net book amount	2,238	156	2,394
At 31st December 2008			
Cost	12,189	4,084	16,273
Accumulated depreciation and impairment losses	(9,951)	(3,928)	(13,879)
Net book amount	2,238	156	2,394

13 Property, plant and equipment *(cont'd)*

The Group's properties at their net book value are analysed as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	790	1,006
Outside Hong Kong, held on:		
Leases of over 50 years	386	407
Leases of between 10 and 50 years	1,062	1,196
	2,238	2,609

As the aggregate net book value of the leasehold land is not material, it has not been separately accounted for and disclosed in accordance with HKAS 17.

14 Investment properties

	Group	
	2008 HK$'000	2007 HK$'000
At 1st January	998,400	885,600
Fair value (losses)/gains	(19,700)	112,800
At 31st December	978,700	998,400

The investment properties as at 31st December 2008 and 2007 were revalued on an open market basis by Prudential Surveyors International Limited, an independent professionally qualified property valuer.

The Group's investment properties with an aggregate carrying value of HK$954,000,000 (2007: HK$973,000,000) have been mortgaged to a bank to secure general banking facilities of which HK$Nil (2007: HK$55,000,000) was utilised as at 31st December 2008 (Note 24).

The Group's investment properties are held on leases of between 10 and 50 years in Hong Kong.

15 Subsidiaries

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	378,782	378,782

Particulars of the subsidiaries are included in Note 31.

16 Jointly controlled entities

	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets	169,446	187,505
Loan to a jointly controlled entity	10,328	10,328
	179,774	197,833

The following is a list of the jointly controlled entities as at 31st December 2008:

Name	Place of establishment and operation	Principal activities
China Able Limited (Note a)	British Virgin Islands	Investment holding
Changyu (Shanghai) Real Estate Management Co Ltd (Note a)	People's Republic of China	Property investment
Shanghai Sung Nan Textile Co Ltd (Note b)	People's Republic of China	Textile manufacturing
Southern Textile Company Limited (Note c)	People's Republic of China	Investment in textile business

(a) The Group has a 33.33% (2007: 33.33%) interest in ownership, profit sharing and voting power in these jointly controlled entities.

(b) The Group has a 64.68% (2007: 64.68%) interest in ownership and profit sharing and 57% (2007: 57%) voting power in Shanghai Sung Nan Textile Co Ltd.

16 Jointly controlled entities *(cont'd)*

(c) The Group has a 45% (2007: 45%) interest in ownership and profit sharing and 43% (2007: 43%) voting power in Southern Textile Company Limited.

The following amounts represent the Group's aggregate share of the assets and liabilities, and results of the jointly controlled entities:

	2008 HK$'000	2007 HK$'000
Assets		
Non-current assets	268,750	186,700
Current assets	40,157	73,635
	308,907	260,335
Liabilities		
Long term liabilities	104,714	57,854
Current liabilities	34,747	14,976
	139,461	72,830
Net assets	169,446	187,505
Income	114,032	97,219
Expenses	(136,014)	(86,832)
(Loss)/profit after income tax	(21,982)	10,387

17 Available-for-sale financial assets

	Group 2008 HK$'000	Group 2007 HK$'000
Listed securities, at fair value:		
– Equity securities – Hong Kong	5,621	8,030
Unlisted securities, at fair value:		
– Equity securities	359,207	459,810
– Venture capital funds	2,643	4,333
	361,850	464,143
	367,471	472,173

The available-for-sale financial assets are denominated in the following currencies:

	Group 2008 HK$'000	Group 2007 HK$'000
New Taiwan dollars	359,157	459,810
Others	8,314	12,363
	367,471	472,173

None of the financial assets is either past due or impaired.

At 31st December 2008, the carrying amount of interests in the following company exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Particulars of issued share capital	Group equity interest
The Shanghai Commercial & Savings Bank Ltd.	Taiwan	2,373,680,000 ordinary shares of NT$10 each	2.6%

18 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	481	179	–	–
Other receivables, prepayments and deposits	6,392	7,952	194	222
Amount due from				
– a subsidiary (Note a)	–	–	15,971	10,908
– jointly controlled entities (Note a)	274	299	–	–
	7.147	8,430	16,165	11,130

Note:

(a) The amounts due from a subsidiary/jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

(b) The carrying amounts of trade and other receivables approximate their fair values.

(c) The Group does not grant any credit to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31st December 2008, the aging analysis of the trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	481	179

There is no concentration of credit risk with respect to trade receivables.

19 Financial assets at fair value through profit or loss

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity securities:		
– Hong Kong	9,867	25,452
– outside Hong Kong	116,469	316,215
	126,336	341,667
Listed debt securities outside Hong Kong	28,882	42,621
Market value of listed securities	155,218	384,288

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement (Note 26).

Changes in fair values of financial assets at fair value through profit or loss are recorded in revenue/turnover in the consolidated income statement (Note 5).

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Euro	26,147	70,464
Japanese yen	7,339	23,792
Hong Kong dollars	9,867	11,819
Singapore dollars	852	2,580
United States dollars	109,826	269,304
Others	1,187	6,329
	155,218	384,288

20 Cash and cash equivalents

The Group held short-term bank deposits of HK$15,453,000 as at 31st December 2008 (2007: HK$Nil). The effective interest rate of the deposits at 31st December 2008 was 1.45% (2007: 4.1%). These deposits had an average maturity of 16 days (2007: 29 days).

Maximum exposure to credit risk is HK$77,666,000 (2007: HK$40,683,000).

21 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Shares of HK$0.10 each		
At 1st January 2007, 31st December 2007 and 31st December 2008	60,000,000	6,000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1st January 2007	44,195,299	4,419
Repurchase of own shares	(731,000)	(73)
At 31st December 2007	43,464,299	4,346
Repurchase of own shares	(1,439,000)	(144)
At 31st December 2008	42,025,299	4,202

During the year, the Company repurchased a total of 1,439,000 (2007: 731,000) 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$14,546,000 (2007: HK$13,302,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK$144,000 (2007: HK$73,000) was transferred to the capital redemption reserve.

22 Reserves

Group

	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Capital reserve on consolidation HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2008	6,793	341,243	1,000	76,000	12,636	11,328	654	1,407,504	1,857,158
Fair value losses on available-for-sale investments	–	(120,310)	–	–	–	–	–	–	(120,310)
Currency translation differences	–	–	–	–	–	3,410	–	–	3,410
Shares repurchased and cancelled (Note 21)	–	–	–	–	–	–	144	(14,546)	(14,402)
2007 final dividend	–	–	–	–	–	–	–	(17,334)	(17,334)
2007 special dividend	(4,334)	–	–	–	–	–	–	–	(4,334)
Loss for the year	–	–	–	–	–	–	–	(115,083)	(115,083)
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	288	–	–	(288)	–
At 31st December 2008	2,459	220,933	1,000	76,000	12,924	14,738	798	1,260,253	1,589,105
At 1st January 2007	20,000	286,142	1,000	76,000	12,363	7,805	581	1,279,497	1,683,388
Fair value gains on available-for-sale investments	–	55,180	–	–	–	–	–	–	55,180
Disposal of available-for-sale financial assets	–	(79)	–	–	–	–	–	–	(79)
Currency translation differences	–	–	–	–	–	3,523	–	–	3,523
Shares repurchased and cancelled (Note 21)	–	–	–	–	–	–	73	(13,302)	(13,229)
2006 final dividend	–	–	–	–	–	–	–	(17,610)	(17,610)
2006 special dividend	(13,207)	–	–	–	–	–	–	–	(13,207)
Profit for the year	–	–	–	–	–	–	–	159,192	159,192
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	273	–	–	(273)	–
At 31st December 2007	6,793	341,243	1,000	76,000	12,636	11,328	654	1,407,504	1,857,158

22 Reserves *(cont'd)*

Company

	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2008	360,575	654	10,859	372,088
Profit for the year	–	–	24,246	24,246
Shares repurchased and cancelled (Note 21)	–	144	(14,546)	(14,402)
2007 final dividend (Note 12)	–	–	(17,334)	(17,334)
2007 special dividend (Note 12)	(4,334)	–	–	(4,334)
At 31st December 2008	356,241	798	3,225	360,264
At 1st January 2007	373,782	581	14,059	388,422
Profit for the year	–	–	27,712	27,712
Shares repurchased and cancelled (Note 21)	–	73	(13,302)	(13,229)
2006 final dividend (Note 12)	–	–	(17,610)	(17,610)
2006 special dividend (Note 12)	(13,207)	–	–	(13,207)
At 31st December 2007	360,575	654	10,859	372,088

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited ("NCML") in exchange for the Company's new shares issued. The Group's contributed surplus represents the difference between the nominal value of NCML's shares and the nominal value of the Company's shares issued pursuant to the group reorganisation less subsequent distribution. The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

22 Reserves *(cont'd)*

Statutory reserves are created in accordance with the terms of the joint venture agreements of the jointly controlled entities established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31st December 2008 comprise statutory surplus reserve of HK$6,462,000 (2007: HK$6,318,000) and enterprise development reserve of HK$6,462,000 (2007: HK$6,318,000) which are appropriated from the profits of the jointly controlled entities.

General reserve arose from transfers from retained profits and has no specific purposes.

23 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables (Note a)	1,996	1,701	–	–
Rental and management fee deposits	12,294	11,971	–	–
Other payables and accruals	30,497	29,143	1,199	1,159
Amount due to a jointly controlled entity (Note b)	762	2,957	–	–
Amount due to a subsidiary (Note b)	–	–	30,972	13,504
	45,549	45,772	32,171	14,663

Note:

(a) At 31st December 2008, the aging analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	1,656	1,361
31 – 60 days	340	340
	1,996	1,701

23 Trade and other payables *(cont'd)*

Note: *(cont'd)*

(b) The amounts due to a jointly controlled entity and a subsidiary are unsecured, interest free and have no fixed terms of repayment.

(c) The carrying amounts of trade and other payables approximate their fair values.

24 Short-term bank loans

The short-term bank loans as at 31st December 2007 were secured by the Group's investment properties (Note 14) and bore interest at 0.75% per annum over 1, 2 or 3 months Hong Kong Interbank Offered Rate (HIBOR). The loans were denominated in Hong Kong dollars and had an effective interest rate of 4.05% at 31st December 2007. The carrying amounts of the loans approximated their fair values.

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2007: 17.5%).

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred income tax assets	106	115
Deferred income tax liabilities	(130,956)	(141,228)
	(130,850)	(141,113)

The gross movement on the deferred income tax account is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1st January	(141,113)	(120,436)
Tax credit/(charge) recognised in the consolidated income statement (Note 9)	10,263	(20,677)
At 31st December	(130,850)	(141,113)

25 Deferred income tax *(cont'd)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:	Group		
	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Total HK$'000
At 1st January 2007	(11,167)	(109,969)	(121,136)
Recognised in the consolidated income statement	(1,070)	(19,022)	(20,092)
At 31st December 2007	(12,237)	(128,991)	(141,228)
Recognised in the consolidated income statement	(234)	10,506	10,272
At 31st December 2008	(12,471)	(118,485)	(130,956)

Deferred income tax assets:	Group		
	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January 2007	117	583	700
Recognised in the consolidated income statement	(2)	(583)	(585)
At 31st December 2007	115	–	115
Recognised in the consolidated income statement	(9)	–	(9)
At 31st December 2008	106	–	106

25 Deferred income tax *(cont'd)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$3,905,000 (2007: HK$2,304,000) in respect of losses amounting to HK$23,666,000 (2007: HK$13,165,000) that can be carried forward against future taxable income. These tax losses have no expiry date.

26 Note to the consolidated cash flow statement

Reconciliation of operating loss/profit to net cash generated from operations:

	2008 HK$'000	2007 HK$'000
Operating (loss)/profit	(100,074)	176,833
Dividend income from available-for-sale financial assets	(13,522)	(11,868)
Depreciation	455	445
Loss on disposal of fixed assets	–	4
Changes in fair value of investment properties	19,700	(112,800)
Operating (loss)/profit before working capital changes	(93,441)	52,614
Decrease in trade and other receivables	1,283	465
Decrease/(increase) in financial assets at fair value through profit or loss	229,070	(3,526)
(Decrease)/increase in trade and other payables	(223)	3,257
Exchange translation differences	(1,409)	287
Net cash generated from operations	135,280	53,097

27 Capital commitments

At 31st December 2008, the Group and the Company had no material capital commitment (2007: HK$Nil).

	Group 2008 HK$'000	Group 2007 HK$'000
The Group's share of capital commitments of jointly controlled entities is as follows:		
Contracted but not provided for	21,716	67,961
Authorised but not contracted for	3,934	8,528
	25,650	76,489

28 Commitments under operating leases

At 31st December, the Group had future aggregate minimum lease payments under non-cancellable operating lease for office premises as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Not later than one year	2,356	2,356
Later than one year and not later than five years	491	2,846
	2,847	5,202

29 Future rental receivables

At 31st December, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases on its investment properties as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Not later than one year	38,452	37,558
Later than one year and not later than five years	28,605	37,960
	67,057	75,518

30 Related-party transactions

(a) **Sales of services**

During the year, agency commission income of HK$4,912,000 (2007: HK$5,130,000) 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 a certain fixed percentage of the value of sales handled by the subsidiary.

(b) **Key management compensation**

	2008	2007
	HK$'000	HK$'000
Salaries and other short-term employee benefits	20,952	20,649
Post-employment benefits	259	254
	21,211	20,903

31 Subsidiaries

Details of the subsidiaries as at 31st December 2008 are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2008	Group equity interest 2007
Bright Honest Investment Ltd	British Virgin Islands	Hong Kong	Investment holding	50,000 shares of US$1 each	100%	100%
Cottage Investments Co SA	Panama	Hong Kong	Investment holding	100 common shares without par value issued at US$10 each and 100 common shares of US$10 each	100%	100%
+Culvert Investments Ltd	British Virgin Islands	Hong Kong	Investment holding	100 shares of US$1 each	100%	100%
East Coast Investments Ltd	Hong Kong	Hong Kong	Investment trading	2 ordinary shares of US$1 each	100%	100%
Highriver Estates Ltd	Hong Kong	Hong Kong	Property holding	2 ordinary shares of HK$1 each	100%	100%
Homestead Investments Inc	Liberia	Hong Kong	Investment holding	1 share without par value issued at US$10,000	100%	100%
Infinity Peace Ltd	British Virgin Islands	Hong Kong	Investment holding	100 shares without par value issued at US$1 each	100%	–
Mepal International Ltd	Hong Kong	Hong Kong	Property investment	3 ordinary shares of HK$1 each	100%	100%
Merry Co Inc	Liberia	The People's Republic of China	Property and investment holding	1 share without par value issued at US$1,000	100%	100%

31 Subsidiaries *(cont'd)*

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2008	Group equity interest 2007
Nanyang Cotton Mill Ltd	Hong Kong	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK$1 each	100%	100%
Nanyang Industrial (China) Ltd	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	100%	100%
Nanyangetextile.com Ltd	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	100%	100%
Peninsular Inc	Liberia	Hong Kong	Investment holding	1 share without par value issued at HK$10,000	100%	100%
Peninsular Yarn & Fabric Merchandising Ltd	Hong Kong	Hong Kong	Textile sales agency	1,000 ordinary shares of HK$1 each	100%	100%
Velden Ltd	British Virgin Islands	Hong Kong	Investment holding and trading	10,000 ordinary shares of US$1 each	100%	100%

\+ Subsidiary held directly by the Company.

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31st December 2008 and 2007

(a) Investment properties

Description	Lot number	Type	Lease term	Group's interest
Units 2005-2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%

(b) Other properties

Description	Lot number	Type	Lease term	Group's interest
Units A-D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%