



NANYANG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Interim Report 2004

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The Board of Directors of Nanyang Holdings Limited announces that the unaudited Group results for the six months ended 30th June 2004 showed a profit of HK\$8.8 million (2003: profit of HK\$21.4 million). The decrease in the current period's profit was due to a decline in the contribution from trading investments. Earnings per share were HK\$0.19 (2003: earnings per share HK\$0.46).

Business Review and Prospects

Textile Operations

Sales of denim in the first six months of 2004, at the Company's 64.7% joint venture in Shanghai, Shanghai Sung Nan Textile Company Limited, increased substantially. Earnings also improved. However, the performance in the second half of the year may be modest because of the soft market outlook.

The Company's 45% joint venture in Shenzhen, Southern Textile Company Limited, continued to perform satisfactorily. Its main asset, a factory building, is leased to third parties. It presently has an occupancy rate of 97%.

Real Estate

In the first six months of 2004, with the steady recovery of local business sentiment, the office rental market continued to improve. The 290,000 sq.ft. of industrial/office space the Company holds at Nanyang Plaza is 96% leased. Rental rates are expected to show improvement.

Trading Investments

World equity markets performed satisfactorily in the first quarter of 2004. However in the second quarter, due to concerns over inflation and anticipated interest rate increases in the United States, the markets retreated. For the six months ended 30th June 2004, the performance of the Company's investment portfolios was overall flat. In July and August, because of further increases in oil prices and uncertainties in the Middle East, we took measures to reduce equity exposure and increase cash holding. As at the end of August 2004, approximately 39% of the Company's investment portfolio was invested in equities (of which 38% was in the U.S. market), 11% in bonds, 25% in alternative strategies and the balance in cash and money market instruments.

Financial Position

The Group's investment properties with a carrying value of HK\$277 million (2003: HK\$277 million) have been mortgaged to a bank to secure general banking facilities. As at 30th June 2004, HK\$16 million (2003: none) of the facilities was utilised. It is the intention that this loan be repaid from the Group's cash resources. At the end of the period, the Company had net current assets of HK\$398 million (31/12/2003: HK\$413 million).

Purchase, Sale or Redemption of Shares

During the period, the Company purchased a total of 322,500 shares of the Company on The Stock Exchange of Hong Kong Limited, all of which have been subsequently cancelled. The directors consider that the repurchase of shares will benefit the shareholders by enhancing the net assets per share. The details of such repurchases were as follows:

<i>Month of repurchase</i>	<i>Number of shares purchased</i>	<i>Price paid per share</i>		<i>Amount paid before expenses</i> HK\$
		<i>Highest</i> HK\$	<i>Lowest</i> HK\$	
2004				
February	32,000	7.60	–	243,200
March	44,000	7.60	–	334,400
April	113,000	7.80	–	881,400
May	100,500	7.80	7.30	758,900
June	33,000	7.30	–	240,900
	<u>322,500</u>			<u>2,458,800</u>

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the period.

Directors' Interests

As at 30th June 2004, the interests of the directors and chief executive in the share capital of the Company as recorded in the Register of Directors'/Chief Executives' Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:–

<i>Name</i>	<i>Ordinary shares of HK\$0.10 each of the Company</i>				<i>% of issued share capital</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total</i>	
Y. C. Wang	3,625,446	–	–	3,625,446	7.998%
H. C. Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	35.810%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	4.964%
Rudolf Bischof	100,000	–	–	100,000	0.221%

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

During the period, the Company has not granted to any directors, chief executive or their respective spouses or children under 18 years of age any rights to subscribe for shares of the Company.

At no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30th June 2004, the Register of Substantial Shareholders' Interest and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the directors as disclosed above, was interested in 5 per cent. or more of the issued share capital of the Company:

	<i>No. of shares</i>	<i>% of issued share capital</i>
Tankard Shipping Co. Inc.	5,500,000 (<i>Note</i>)	12.134%

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

Employees

The Group employed 26 employees as at 30th June 2004. 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 fund.

Corporate Governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2004, in compliance with the Code of Best Practice 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"), except that the non-executive directors have not been appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2004 with the management.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004**

		Unaudited	
	Note	Six months ended 30th June 2004	2003
		HK\$'000	HK\$'000
Turnover	2	25,396	42,256
Direct costs		(6,230)	(6,682)
Gross profit		19,166	35,574
Administrative expenses		(14,984)	(17,446)
Other operating expenses		(485)	(1,663)
Operating profit	3	3,697	16,465
Finance costs		(161)	(162)
Share of profits of jointly controlled entities		7,336	6,262
Profit before taxation		10,872	22,565
Taxation	4	(2,062)	(1,206)
Profit for the period		8,810	21,359
Earnings per share	6	HK\$0.19	HK\$0.46

**CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2004**

	Note	Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
Non-current assets			
Fixed assets	7	291,016	291,204
Investments in jointly controlled entities		100,797	92,514
Non-trading investments		44,407	40,415
Deferred taxation assets		122	123
		<u>436,342</u>	<u>424,256</u>
Current assets			
Trade and other receivables	8	6,461	7,088
Trading investments		408,078	422,360
Tax recoverable		–	109
Bank balances and cash		33,604	20,608
		<u>448,143</u>	<u>450,165</u>
Current liabilities			
Trade and other payables	9	33,924	36,432
Tax payable		503	326
Short term bank loans, secured		16,000	–
		<u>50,427</u>	<u>36,758</u>
Net current assets		<u>397,716</u>	<u>413,407</u>
Total assets less current liabilities		<u>834,058</u>	<u>837,663</u>
Financed by:			
Share capital	10	4,533	4,565
Reserves	11	821,358	809,821
Proposed dividend		–	15,978
Shareholders' funds		825,891	830,364
Non-current liabilities			
Deferred taxation liabilities		8,167	7,299
		<u>834,058</u>	<u>837,663</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2004**

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Total equity at 1st January	830,364	768,901
Investments revaluation surplus	3,895	1,363
Exchange translation differences	1,175	–
Profit for the period	8,810	21,359
Dividends	(15,894)	(4,622)
Shares repurchased and cancelled	(2,459)	(731)
Total equity at 30th June	<u>825,891</u>	<u>786,270</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004**

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from/(used in) operating activities	10,208	(16,235)
Net cash inflow from investing activities	5,162	2,705
Net cash used in financing activities	(2,353)	(25,352)
Net increase/(decrease) in cash and cash equivalents	13,017	(38,882)
Cash and cash equivalents at 1st January	20,608	71,802
Effect of foreign exchange rate changes	(21)	–
Cash and cash equivalents at 30th June	<u>33,604</u>	<u>32,920</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>33,604</u>	<u>32,920</u>

NOTES TO THE INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

The unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2 Turnover and segment information

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

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Gross rental income from investment properties	15,250	16,437
Net realised and unrealised (losses)/gains on trading investments	(2,380)	16,101
Dividend income from listed investments	1,141	510
Dividend income from unlisted investments	1,784	580
Interest income	1,006	2,184
Management fee income from investment properties	4,087	4,006
Commission income (Note 13)	4,508	2,438
	<u>25,396</u>	<u>42,256</u>

An analysis of the Group’s turnover and contribution to profit before taxation by principal activities and markets is as follows:

	Turnover		Profit before taxation	
	Six months ended 30th June 2004 HK\$'000	2003 HK\$'000	Six months ended 30th June 2004 HK\$'000	2003 HK\$'000
Principal activities:				
Textile trading				
– Group	4,508	2,438	1,780	653
– jointly controlled entity	–	–	6,383	5,472
Property investment				
– Group	19,337	20,443	1,836	(982)
– jointly controlled entity	–	–	953	790
Investment holding and trading				
– Group	1,551	19,375	(80)	16,632
	<u>25,396</u>	<u>42,256</u>	<u>10,872</u>	<u>22,565</u>

2 Turnover and segment information (continued)

	Turnover		Profit before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets:				
People's Republic of China (including Hong Kong)				
– Group	22,888	23,750	2,093	(460)
– jointly controlled entities	–	–	7,336	6,262
United States of America				
– Group	3,021	14,461	1,968	13,096
Europe – Group	(713)	1,935	(423)	1,779
Australia and New Zealand				
– Group	(159)	253	(94)	217
Others – Group	359	1,857	(8)	1,671
	<u>25,396</u>	<u>42,256</u>	<u>10,872</u>	<u>22,565</u>

3 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Depreciation	<u>230</u>	<u>399</u>

4 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	283	111
Deferred taxation	<u>869</u>	<u>580</u>
	1,152	691
Share of overseas taxation attributable to jointly controlled entities		
	<u>910</u>	<u>515</u>
	<u>2,062</u>	<u>1,206</u>

5 Dividends

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
2003 final dividend, paid, of 35 HK cents (2002 final paid of 10 HK cents) per share	<u>15,894</u>	<u>4,622</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: Nil).

6 Earnings per share

The calculation of earnings per share is based on the profit for the period ended 30th June 2004 of HK\$8,810,000 (2003: HK\$21,359,000) and the weighted average number of shares in issue during the period of 45,529,586 (2003: 46,231,117).

7 Fixed assets

	Investment properties HK\$'000	Other properties HK\$'000	Others HK\$'000	Total HK\$'000
Opening net book amount at 1st January 2004	287,000	4,093	111	291,204
Additions	–	–	44	44
Disposal	–	–	(2)	(2)
Depreciation	–	(184)	(46)	(230)
Closing net book amount at 30th June 2004	<u>287,000</u>	<u>3,909</u>	<u>107</u>	<u>291,016</u>
Opening net book amount at 1st January 2003	287,000	4,464	354	291,818
Depreciation	–	(185)	(214)	(399)
Closing net book amount at 30th June 2003	<u>287,000</u>	<u>4,279</u>	<u>140</u>	<u>291,419</u>

8 Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$301,000 (31.12. 2003: HK\$456,000). The Group does not grant any credit to its customers. As at 30th June 2004, the ageing analysis of trade receivables is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within 30 days	275	430
31–60 days	26	26
	<u>301</u>	<u>456</u>

9 Trade and other payables

Included in trade and other payables are trade payables of HK\$2,510,000 (31.12.2003: HK\$2,449,000) and the ageing analysis is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within 30 days	2,169	1,416
31 – 60 days	341	693
61 – 90 days	–	340
	<u>2,510</u>	<u>2,449</u>

10 Share capital

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Authorised:		
60,000,000 shares of HK\$0.10 each	<u>6,000</u>	<u>6,000</u>
Issued and fully paid:		
45,328,299 shares (31.12.2003: 45,650,799 shares) of HK\$0.10 each	<u>4,533</u>	<u>4,565</u>

During the period, the Company repurchased a total number of 322,500 (year ended 31.12.2003: 630,000) of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$2,459,000 (year ended 31.12.2003: HK\$3,908,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$32,000 (year ended 31.12.2003: HK\$63,000) was transferred to the capital redemption reserve.

11 Reserves

	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2004	20,000	25,730	14,380	1,000	76,000	9,488	6,641	435	672,125	825,799
Profit for the period	-	-	-	-	-	-	-	-	8,810	8,810
Shares repurchased and cancelled	-	-	-	-	-	-	-	32	(2,459)	(2,427)
Investments revaluation surplus	-	-	3,895	-	-	-	-	-	-	3,895
Exchange translation differences	-	-	-	-	-	-	1,175	-	-	1,175
Dividend	-	-	-	-	-	-	-	-	(15,894)	(15,894)
At 30th June 2004	<u>20,000</u>	<u>25,730</u>	<u>18,275</u>	<u>1,000</u>	<u>76,000</u>	<u>9,488</u>	<u>7,816</u>	<u>467</u>	<u>662,582</u>	<u>821,358</u>
	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003	20,000	25,730	7,588	1,000	76,000	8,625	2,895	372	622,063	764,273
Profit for the period	-	-	-	-	-	-	-	-	21,359	21,359
Shares repurchased and cancelled	-	-	-	-	-	-	-	14	(731)	(717)
Investments revaluation surplus	-	-	1,363	-	-	-	-	-	-	1,363
Dividend	-	-	-	-	-	-	-	-	(4,622)	(4,622)
At 30th June 2003	<u>20,000</u>	<u>25,730</u>	<u>8,951</u>	<u>1,000</u>	<u>76,000</u>	<u>8,625</u>	<u>2,895</u>	<u>386</u>	<u>638,069</u>	<u>781,656</u>

12 Commitment under operating leases

At 30th June 2004, the Group had total future aggregate minimum lease payments under a non-cancellable operating lease for office premises as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Not later than one year	863	990
Later than one year and not later than five years	1,473	1,833
	<u>2,336</u>	<u>2,823</u>

13 Significant related party transactions

During the period, agency commission income of HK\$4,580,000 (2003: HK\$2,438,000) 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 certain fixed percentages of the value of sales handled by the subsidiary.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 2nd September 2004