



# GREAT CHINA HOLDINGS LIMITED

## 大中華集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

### Announcement of unaudited interim results for the six months ended 30th June, 2002

The Directors of Great China Holdings Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 are as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Six months ended 30th June	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	359,088	475,693
Cost of sales		<u>(325,637)</u>	<u>(410,616)</u>
Gross profit		33,451	65,077
Other revenue		645	1,463
Selling expenses		(31,664)	(56,507)
Administration expenses		(11,992)	(15,300)
Gain on disposal of investment properties		41,102	–
Other net operating expenses		<u>(9,058)</u>	<u>(10,408)</u>
Operating profit/(loss)	2, 3	22,484	(15,675)
Finance costs		<u>(5,681)</u>	<u>(12,050)</u>
		16,803	(27,725)
Share of profits of associated companies		<u>1,473</u>	<u>2,027</u>

Profit/(loss) before taxation		<b>18,276</b>	(25,698)
Taxation	4	<u>(236)</u>	<u>119</u>
Profit/(loss) after taxation		<b>18,040</b>	(25,579)
Minority interest		<u>123</u>	<u>269</u>
Profit/(loss) attributable to shareholders		<u><b>18,163</b></u>	<u>(25,310)</u>
Basic earnings/(loss) per share ( <i>cents</i> )	5	<u><b>6.94</b></u>	<u>(9.67)</u>

*Notes:*

## **1. Principal accounting policies**

These unaudited consolidated condensed accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001 except that the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised): Presentation of financial statements  
SSAP 15 (revised): Cash flow statements  
SSAP 25 (revised): Interim financial reporting  
SSAP 34: Employee benefits

*Certain comparative figures have been reclassified to conform with current period presentation.*

## **2. Turnover and segment information**

The principal activities of the Group are general trading, property investment and real estate agency services.

An analysis of the Group's turnover and segment results for the period by business and geographical segments is as follows:

*Business segments*

	(Unaudited)			
	Six months ended 30th June 2002			
	<i>HK\$'000</i>			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>347,298</u>	<u>11,171</u>	<u>619</u>	<u>359,088</u>
Segment results	<u>(11,516)</u>	<u>50,626</u>	<u>(1,041)</u>	38,069
Unallocated corporate expenses				<u>(15,585)</u>
Operating profit				<u>22,484</u>

	(Unaudited)			
	Six months ended 30th June 2001			
	<i>HK\$'000</i>			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>461,982</u>	<u>13,036</u>	<u>675</u>	<u>475,693</u>
Segment results	<u>(7,290)</u>	<u>10,042</u>	<u>(1,858)</u>	894
Unallocated corporate expenses				<u>(16,569)</u>
Operating loss				<u>(15,675)</u>

*Geographical segments*

	Turnover (Unaudited)		Operating profit/(loss) (Unaudited)	
	Six months ended		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	7,247	8,819	45,853	7,239
Mainland China	324,815	404,492	(6,991)	(5,453)
Philippines	24,704	59,487	(800)	(1,144)
Others	2,322	2,895	7	252
	<u>359,088</u>	<u>475,693</u>	<u>38,069</u>	<u>894</u>
<i>Less: Unallocated corporate expenses</i>			<u>(15,585)</u>	<u>(16,569)</u>
Operating profit/(loss)			<u>22,484</u>	<u>(15,675)</u>

**3. Operating profit/(loss)**

	(Unaudited)	
	Six months ended	
	30th June	
	2002	2001
	HK\$'000	HK\$'000

**Operating profit/(loss) is stated after crediting and charging the following:**

*Crediting*

Gain on disposal of investment properties	<u>41,102</u>	<u>–</u>
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*Charging*

Depreciation of fixed assets	1,040	1,218
Judgement debt ( <i>Note a</i> )	8,791	–
Impairment of land and buildings	<u>–</u>	<u>10,761</u>

*Note:*

- a. This represents the provision for a legal claim pursuant to the ruling of the High Court of Hong Kong.

#### 4. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the companies within the Group have no assessable profit for the current period (six months ended 30th June, 2001: Nil). Taxation on overseas profits has been calculated on the assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
– over provision in prior periods	–	435
Overseas taxation		
– current	<b>(120)</b>	(196)
	<hr/>	<hr/>
	<b>(120)</b>	239
Share of taxation attributable to an associated company	<b>(116)</b>	(120)
	<hr/>	<hr/>
	<b>(236)</b>	119
	<hr/> <hr/>	<hr/> <hr/>

#### 5. Earnings/(loss) per share

Earnings/(loss) per share is calculated based on the profit attributable to shareholders of the Group for the six months ended 30th June, 2002 of HK\$18,163,000 (six months ended 30th June, 2001: loss of HK\$25,310,000) and 261,684,910 shares (30th June, 2001: 261,684,910 shares) of the Company in issue during the period.

No diluted earnings/(loss) per share has been presented for current and prior periods because the exercise of the options have no dilutive effect for those periods.

#### DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend (30th June, 2001: Nil) for the six months ended 30th June, 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

The Group recorded a net profit after taxation of HK\$18,040,000 for the six months ended 30th June, 2002, compared to a loss of HK\$25,579,000 for the corresponding period last year. The profit was mainly derived from the gain on disposal of investment properties. Turnover of the Group dropped by 25% to HK\$359,088,000 primarily reflecting the decrease in sales recorded by the trading operation.

#### *Trading Operation*

Fishmeal trading has remained as the focus of the Group's trading operation. During the period under review, the continued decline in fish catch at Peru waters caused severe interruptions to the fishmeal supply to the Group, and the selling price of fishmeal was under pressure due to the reduced protein content of fishmeal. As a result, the Group's trading operation recorded a 25% decline in turnover and suffered a loss of HK\$11,516,000.

The Group is taking measures to improve the performance of the trading operation, which will include diversifying the product range and sales initiatives in Mainland China.

#### *Property Investment in Hong Kong*

During the period under review, the Group sold two investment properties in Hong Kong at a gain. The Group continued to enjoy a stable income from the remaining investment properties and did not encounter any problem in rental collection. The outlook for retail properties in Hong Kong remains cloudy as rising unemployment and stock market volatility is taking a toll on consumers and investors confidence. Shop spaces at prime locations such as those owned by the Group should fare better in rental and occupancy.

#### *Property Investment in Mainland China*

The properties in Jing An District in Shanghai – which the Group obtained legal title in the financial year ended 2001, are now under renovation with sales expected to commence in the fourth quarter of 2002. The settlement agreement with one of the defaulting parties was fully enforced, and the last payment of deposit receivable was received by the Group on schedule.

The Group's other investment properties in Mainland China continued to enjoy high occupancy rates and contributed satisfactory income to the Group.

#### *Real Estate Agency Services in Mainland China*

Loss of this operation narrowed to HK\$1,041,000 from HK\$1,858,000 a year ago. While internal cost control measures helped, the enhancing factor was the growth of the property market in Mainland China.

### **Strategic Outlook**

Conditions in the Peru fisheries appear to be improving as the fish supply therein show signs of stability. Nevertheless, for the long-term growth of its trading operation, the Group is diversifying the product range and sales initiatives in Mainland China.

The economic conditions in Hong Kong may stay sluggish for some time. The Group will closely monitor the situation and position its investment property portfolio accordingly. The bright spot is Mainland China, in particular Shanghai where the property market is booming. The Group expects good returns from the sale and leasing of properties in Shanghai and will continue to focus on this city.

### **Legal claim**

A legal claim had been lodged by a third party against a subsidiary of the Company. Pursuant to the ruling of the High Court of Hong Kong in April 2002, the subsidiary has lost its case and was liable to a judgement debt of approximately US\$1.23 million including interest to the third party. The subsidiary has made an appeal on the amount and the appeal is scheduled for court hearing in October 2002. For the sake of prudence, full provision of the judgement debt has been made in the Group's accounts for the six months ended 30th June, 2002.

### **Liquidity and financial resources**

The long term liabilities of the Group amounted to approximately 43% (31st December, 2001: 37%) of its shareholders' fund as at 30th June, 2002. The current ratio of the Group increased to 1.75 from 1.39 as at 31st December, 2001.

The Group's borrowings were mainly denominated in Hong Kong Dollars and the United States Dollars. As at 30th June, 2002, cash and bank balances of HK\$69,958,000 (31st December, 2001: HK\$65,893,000) and certain land and buildings with an aggregate net book value of HK\$447,243,000 (31st December, 2001: HK\$493,207,463) were pledged to banks to secure banking facilities amounting to HK\$397,620,000 (31st December, 2001: HK\$444,048,181). The aggregate amount of banking facilities available but not yet utilised by the Group was HK\$42,437,000 (31st December, 2001: HK\$206,863,000) as at 30th June, 2002.

Since the Group usually conducts its business transactions in Hong Kong Dollars and the United States Dollars, there seldom arises any need for the Group to make use of any financial instruments for hedging purposes.

### **Employees and Remuneration policies**

As at 30th June, 2002, the total number of employees of the Group was about 132 with staff cost amounting to approximately HK\$5,860,000 (six months ended 30th June, 2001: HK\$6,200,000). Remuneration policies are reviewed annually by the management. Remuneration packages, including share options, are structured to take into account the comparable level of the market.

Pursuant to the Employees Share Option Scheme approved by the shareholders on 29th March, 1993, the Group had granted 12,180,000 share options to the directors and employees at an exercise price of HK\$0.94 per share which can be exercised between 2nd September, 1993 to 1st September, 2003.

## Contingent liabilities

	(Unaudited) 30th June 2002 HK\$'000	(Audited) 31st December 2001 HK\$'000
Bills discounted with recourse	2,262	3,601
Guarantees for banking facilities utilised by an associated company	24,945	16,092
	<u>27,207</u>	<u>19,693</u>

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information that would reasonably indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th June, 2002.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June, 2002 with the directors.

## PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Group for the six months ended 30th June, 2002 containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will subsequently be published on The Stock Exchange of Hong Kong Limited's website ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

On behalf of the Board  
**John Ho Ming Tak**  
*Managing Director*

Hong Kong, 20th September, 2002

Please also refer to the published version of this announcement in China Dailys.