



# GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2002

The Directors of Great China Holdings Limited (the “Company”) announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2002 are as follows:-

### RESULTS

	<i>Note</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	<b>676,710</b>	699,599
Cost of sales		<b>(607,931)</b>	(595,882)
Gross profit		<b>68,779</b>	103,717
Other revenues		<b>1,505</b>	2,630
Selling expenses		<b>(56,473)</b>	(84,341)
Administration expenses		<b>(26,329)</b>	(30,730)
Gain on disposal of investment properties		<b>41,102</b>	–
Other net operating expenses		<b>(9,005)</b>	(10,443)
Operating profit/(loss)	2, 3	<b>19,579</b>	(19,167)
Finance costs		<b>(11,898)</b>	(20,179)
		<b>7,681</b>	(39,346)
Share of profits of associated companies		<b>2,019</b>	3,573
Profit/(loss) before taxation		<b>9,700</b>	(35,773)
Taxation	4	<b>(2,509)</b>	(172)
Profit/(loss) after taxation		<b>7,191</b>	(35,945)
Minority interests		<b>61</b>	(1)
Profit/(loss) attributable to shareholders		<b>7,252</b>	(35,946)
Basic earnings/(loss) per share ( <i>cents</i> )	5	<b>2.77</b>	(13.74)

*Notes:*

#### 1. Basis of preparation

In the current year, the Group adopted the Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of these new/revised SSAPs had no material impact on the prior year’s accounts.

## 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 contributions to operating profit/(loss) for the year by business and geographical segments is as follows:

	<b>General trading</b> 2002 <i>HK\$'000</i>	<b>Property investment</b> 2002 <i>HK\$'000</i>	<b>Real estate agency services</b> 2002 <i>HK\$'000</i>	<b>Group</b> 2002 <i>HK\$'000</i>
<b>Business segments</b>				
Turnover	<u>652,793</u>	<u>22,670</u>	<u>1,247</u>	<u>676,710</u>
Segment results	<u>(13,336)</u>	<u>16,233</u>	<u>(1,684)</u>	1,213
Interest income				1,505
Judgement debt with related legal cost				(10,449)
Gain on disposal of investment properties				41,102
Unallocated corporate expenses				<u>(13,792)</u>
Operating profit				<u>19,579</u>
	<b>General trading</b> 2001 <i>HK\$'000</i>	<b>Property investment</b> 2001 <i>HK\$'000</i>	<b>Real estate agency services</b> 2001 <i>HK\$'000</i>	<b>Group</b> 2001 <i>HK\$'000</i>
Turnover	<u>672,066</u>	<u>25,645</u>	<u>1,888</u>	<u>699,599</u>
Segment results	<u>(10,991)</u>	<u>15,696</u>	<u>(2,880)</u>	1,825
Interest income				2,630
Impairment of land and buildings				(10,761)
Unallocated corporate expenses				<u>(12,861)</u>
Operating loss				<u>(19,167)</u>
<b>Geographical segments</b>				
	<b>Turnover</b> 2002 <i>HK\$'000</i>	Turnover 2001 <i>HK\$'000</i>	<b>Segment results</b> 2002 <i>HK\$'000</i>	Segment results 2001 <i>HK\$'000</i>
Hong Kong	14,400	17,138	10,828	13,616
Mainland China	607,506	600,544	(8,632)	(10,410)
Philippines	34,556	74,555	(706)	(1,412)
Others	20,248	7,362	(277)	31
	<u>676,710</u>	<u>699,599</u>	1,213	1,825
Interest income			1,505	2,630
Judgement debt with related legal cost			(10,449)	-
Gain on disposal of investment properties			41,102	-
Impairment of land and buildings			-	(10,761)
Unallocated costs			<u>(13,792)</u>	<u>(12,861)</u>
Operating profit/(loss)			<u>19,579</u>	<u>(19,167)</u>

### 3. Operating profit/(loss)

	2002 HK\$'000	2001 HK\$'000
<b>Operating profit/(loss) is stated after crediting and charging the following:</b>		
<i>Crediting</i>		
Gain on disposal of investment properties	<u>41,102</u>	<u>–</u>
<i>Charging</i>		
Depreciation of fixed assets	2,173	2,351
Judgement debt ( <i>Note</i> )	8,949	–
Impairment of land and buildings	<u>–</u>	<u>10,761</u>

*Note:* This represents payment 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 year (2001: 16%). Overseas taxation is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the respective countries in which the Group operates. No provision for deferred taxation has been made since the timing differences are not expected to crystallize in the foreseeable future. The taxation charge comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
– under/(over) provision in prior years	146	(433)
Overseas taxation		
– current	1,253	356
– under provision in prior years	<u>912</u>	<u>–</u>
	2,311	(77)
Share of taxation attributable to an associated company	<u>198</u>	<u>249</u>
	<u>2,509</u>	<u>172</u>

5. Earnings per share is calculated based on the profit attributable to shareholders of the Group for the year ended 31st December, 2002 of HK\$7,251,559 (2001: loss of HK\$35,946,283) and 261,684,910 shares (2001: 261,684,910 shares) of the Company in issue during the year.

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

## DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year (2001: Nil).

## BUSINESS REVIEW

Against a highly unfavorable operating environment, the Group is pleased to report a profit for the year.

The going however has been tough, particularly for our trading operation. Decrease in supply of quality fishmeal in the first half of the year shrank into piecemeal in the second half as a prolonged fishing ban in Peru punched in. At the same time, cut-throat competition among traders and the growing shrewdness of the buyers continued to put pressure on the prices. These interrelated factors hit both the turnover and profitability of our trading operation. We are taking active measures to improve the performance of the trading operation by diversifying its products and sales initiatives in the China market.

Our property business performed much better, though the odds were not much less. As deflation remained recalcitrant in Hong Kong, the number of negative worth individuals went further up. This group of people was formerly the prime spender. Consumption was hurt, as people became either unable or reluctant to spend. This had a direct impact on retail sales and retail properties. With good locations and sensible strategies, we are fortunate that our investment properties in Hong Kong, which are mainly retail properties, remained in good shape both in occupancy and rental. We were also able to grasp the ephemeral opportunities available in the first half of the year to dispose of two investment properties at a handsome gain.

Our investment properties in Shanghai also performed well, contributing a stable rental income to our revenue. In late December, 2002, we launched sales for the renovated properties in Jing An, which we took ownership in 2001. Certain units were sold after the year end and the sales have been encouraging, and could lead to further initiatives to explore new pastures. Property management is another area we are venturing. Our agency arm can maximize its returns from providing the services, which we see good potential given the flourishing property market in Shanghai and our growing presence there.

## **PROSPECTS**

With the active measures we are taking, we are hopeful that the trading operation will eventually improve its performance. But the measures take time to work through, and meanwhile the supply of fishmeal from Peru is still flawed with uncertainty. Hence we might have to brace for some unpleasant time ahead before the path turns less rocky.

It is increasingly likely that Hong Kong and Shanghai will head opposite directions in the years ahead. Highly susceptible to external factors, Hong Kong continues to be affected by the weakening of major economies in particular the United States. Geopolitical uncertainties are adding salt to the wound as they cast serious doubts on corporate and consumer confidence. Internally, the Hong Kong government is seeking to resolve its budget deficit by 2007 through increasing taxes and other charges, and reducing expenses, which would further weaken much of the remaining consumer confidence. Under the circumstances, any rebound in the local economy might be greeted with skepticism – and might indeed turn out to be short-lived.

On the contrary, the Shanghai economy is strong and growing. Even the cynics now recognize that the China story is true this time, and Shanghai as the dragonhead of China is poised to benefit from the robust domestic demand and the huge inflow of foreign capital. China has already surpassed the United States in 2002 as the world's top destination for foreign direct investment. There is no doubt that Shanghai has benefited from this – and will continue to benefit.

An analysis of residential property investment returns in Hong Kong and Shanghai tells the picture. Despite all the advantages Hong Kong still has, average return from residential property investment in Hong Kong is now less than Shanghai. This owes to the fact that the Shanghai residential market is booming whereas its Hong Kong counterpart is tiptoeing.

All these confirm that the Group is right to place its focus on Shanghai. We are however moving in a prudent manner and we are not forsaking our presence in Hong Kong. We reckon that a lot of difficulties need to be overcome before Hong Kong can fully recover. In the meantime, Hong Kong's investment properties will face more pressure on its rental and occupancy rate.

## **LEGAL CLAIM**

A legal claim was lodged by a third party against a subsidiary of the Company. The subsidiary lost its case even though an attempt was made to appeal the case to the High Court. The subsidiary had already settled the Judgement Debt with interest and is still required to pay the related legal cost of HK\$1,500,000 to the third party. Full provision of the legal cost has been made in the Group's accounts for the year ended 31st December 2002.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31st December, 2002, the long term liabilities and shareholders' fund of the Group amounted to HK\$210,879,000 (2001: HK\$180,972,000) and HK\$453,155,000 (2001: HK\$492,819,000), while the percentage of the former to the latter was 47% (2001: 37%). Meanwhile, the current ratio of the Group increased to 2 from 1.39 of last year.

The Group's borrowings were mainly denominated in HK dollars and US dollars. As at 31st December, 2002, cash and bank balances of HK\$62,296,000 (2001: HK\$65,893,000), certain land and buildings with an aggregate book value of HK\$442,089,000 (2001: 493,207,000) and properties held for resale of HK\$92,281,000 (2001: nil) were pledged to banks to secure banking facilities amounting to HK\$388,225,788 (2001: HK\$444,048,181). The aggregate amount of banking facilities available but not yet utilized by the Group was HK\$107,262,000 (2001: HK\$206,863,000).

Since the Group usually conducts its business transactions in HK dollars and US dollars, there is seldom the need to make use of any financial instruments for hedging purposes.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2002, the total number of employees of the Group was 140 (2001: 125) with staff costs amounting of approximately HK\$10,736,000 (2001: HK\$11,467,000). 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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Bills discounted with recourse	12,000	3,601
Guarantees for banking facilities utilized by an associated company	23,272	16,092
	<u>35,272</u>	<u>19,693</u>

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year.

The Company had established an audit committee in 1999. The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Yu Hon To, David and Mr. Yu Kam Kee, Lawrence.

## PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31st December, 2002 containing all the information require by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will subsequently be published on The Stock Exchange of Hong Kong Limited's website within 14 days from the date of this announcement, i.e. on or before 9th April, 2003.

By order of the Board  
**John Ho Ming Tak**  
*Managing Director*

Hong Kong, 26th March, 2003

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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 6th Floor, No. 9 Des Voeux Road West, Hong Kong on Monday, 5th May, 2003 at 9:00 a.m. for the following purposes:

### ORDINARY BUSINESS

1. To receive and consider the Reports of the Directors and the Auditors and the audited accounts for the year ended 31st December, 2002;
2. To re-elect Directors and to authorise the Board to fix their remuneration;
3. To re-appoint auditors and to authorise the Directors to fix their remuneration;

## SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT** there be granted to the Directors of the Company an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:

- (a) such mandate shall not extend beyond the Relevant Period save that the Directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (b) the aggregate nominal amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company, or any securities which are convertible into ordinary shares of the Company; and (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution; and
- (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;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company made to holders of shares on the register of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions 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, or in any territory outside Hong Kong).”

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT** there be granted to the Directors of the Company an unconditional general mandate to repurchase shares in the capital of the Company, and that the exercise by the Directors of the Company of all powers of the Company to repurchase shares subject to and in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved, subject to the following conditions:

- (a) such mandate shall not extend beyond the Relevant Period;
- (b) such mandate shall authorise the Directors of the Company to procure the Company to repurchase shares at such prices as the Directors of the Company may at their discretion determine;
- (c) the aggregate nominal amount of the shares repurchased or agreed to be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution; 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;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT**, conditional upon the passing of Resolutions 4 and 5 set out in the Notice convening this meeting, the aggregate nominal amount of the shares which shall have been repurchased by the Company pursuant to and in accordance with Resolution 5 above, shall be added to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with Resolution 4 above, provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution.”

By order of the Board

**L Y Chiang**

*Secretary*

Hong Kong, 26th March, 2003

*Notes:*

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company’s registered office, 6th Floor, 9 Des Voeux Road West, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting.
3. As regards Resolutions 4, 5 and 6 above, approvals are being sought from the Members as general mandates, in compliance with the Listing Rules. In relation to the repurchase mandate set out in Resolution 5 above, the Directors have set out the reasons for proposing the resolution and included the explanatory statement required by The Stock Exchange of Hong Kong Limited in a circular which accompanies the 2002 Annual Report.

Please also refer to the published version of this announcement in The Standard.