



GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

Stock Code: 0141

Announcement of unaudited interim results for the six months ended 30th June 2004

The board of directors of Great China Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004 with comparative figures for the corresponding period in 2003 are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited)	
		Six months	
		ended 30th June	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover	2	538,646	495,138
Cost of sales		(452,449)	(436,328)
Gross profit		86,197	58,810
Other revenues		357	446
Selling expenses		(56,691)	(45,110)
Administration expenses		(11,175)	(10,884)
Other operating income, net	3	8,261	888
Operating profit	2, 4	26,949	4,150
Finance costs		(5,984)	(5,581)
		20,965	(1,431)
Share of profits of associated companies		1,108	953
Profit/(loss) before taxation		22,073	(478)
Taxation	5	(2,519)	(1,589)
Profit/(loss) after taxation		19,554	(2,067)
Minority interests		105	24
Profit/(loss) attributable to shareholders		19,659	(2,043)
Dividend	7	2,617	–
Basic earnings/(loss) per share (cents)	6	7.51	(0.78)

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 Institute of Certified Public Accountants (“HKICPA”) 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 2003.

2. Turnover and segment information

The principal activities of the Group are general trading and property investment.

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 2004 HK\$’000			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>493,501</u>	<u>44,869</u>	<u>276</u>	<u>538,646</u>
Segment results	<u>10,272</u>	<u>10,848</u>	<u>(910)</u>	20,210
Interest income				357
Unallocated corporate income, net				<u>6,382</u>
Operating profit				<u>26,949</u>

	(Unaudited) Six months ended 30th June 2003 HK\$’000			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>467,170</u>	<u>27,532</u>	<u>436</u>	<u>495,138</u>
Segment results	<u>(3,168)</u>	<u>11,442</u>	<u>(727)</u>	7,547
Interest income				446
Unallocated corporate expenses, net				<u>(3,843)</u>
Operating profit				<u>4,150</u>

Geographical segments

	Turnover (Unaudited) Six months ended 30th June		Operating profit (Unaudited) Six months ended 30th June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	6,154	6,247	4,796	4,851
Mainland China	505,564	424,274	15,007	3,909
Philippines	–	37,871	–	(2,191)
Others	26,928	26,746	407	978
	<u>538,646</u>	<u>495,138</u>	<u>20,210</u>	<u>7,547</u>
Interest income			357	446
Unallocated corporate income/(expenses), net			<u>6,382</u>	<u>(3,843)</u>
Operating profit			<u>26,949</u>	<u>4,150</u>

3. Other operating income, net

	(Unaudited) Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Write-back of provision upon disposal of long term investment	11,756	–
Loss on disposal of investment properties	(2,336)	–
Other (expenses)/income	<u>(1,159)</u>	<u>888</u>
	<u>8,261</u>	<u>888</u>

4. Operating profit

	(Unaudited) Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		

Crediting

Write-back of provision upon disposal of long term investment	11,756	–
Gain on disposal of fixed assets	<u>–</u>	<u>107</u>

Charging

Depreciation of fixed assets	882	1,073
Loss on disposal of investment properties	2,336	–
Loss on disposal of fixed assets	<u>5</u>	<u>–</u>

5. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the companies within the Group have no estimated assessable profit for the current period (6 months ended 30.6.2003: Nil). 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:

	(Unaudited)	
	Six months ended 30th June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas taxation		
– current	(2,562)	(1,433)
Deferred taxation		
– origination and reversal of temporary differences	120	(56)
Share of taxation attributable to associated companies	(77)	(100)
	<u>(2,519)</u>	<u>(1,589)</u>

6. 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 30.6.2004 of HK\$19,659,000 (6 months ended 30.6.2003: loss of HK\$2,043,000) and 261,684,910 shares (6 months ended 30.6.2003: 261,684,910 shares) of the Company in issue during the period.

No diluted earnings per share has been presented for the current period because there was no outstanding option at the period end. No diluted loss per share has been presented for the same period last year because the exercise of the outstanding options would have no dilutive effect for that period.

7. Dividend

	(Unaudited)	
	Six months end 30th June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, proposed, of HK1 cent (2003: Nil) per ordinary share	<u>2,617</u>	<u>–</u>

Note:

The proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the six months ended 30 June 2004 was HK\$538,646,000, an increase of 9% compared with the same period in 2003. Unaudited, consolidated profit after taxation and minority interests was HK\$19,659,000, compared with a loss of HK\$2,043,000 for the same period last year.

Trading Operation

Trading operation contributed a turnover of HK\$493,501,000 and remained as one of the major business segments of the Group. While turnover being at the same level compared with that of last year, this segment recorded a contribution of HK\$10,272,000 compared with a loss of HK\$3,168,000 for the same period last year. This encouraging result was a direct consequence of the management's strategic move into its local sales in Mainland China and also their effort to control freight costs.

Property Investment in Hong Kong

The Hong Kong economy was getting out of its bottom during the period. The relaxation of travel restrictions for mainland tourists helped retail business which in turn boosted the value of retail shops, as well as the rental charges, in prime locations such as those owned by the Group. The Group continued to enjoy a stable income as the shops and residential spaces were in full occupancy during the period.

Property Investment in China

Despite the macro economic control initiated by the Central Government during the period, sale of our properties in Shanghai had not been affected. Sales of Merry Tower apartments during the period provided a significant contribution to the Group's results; 15 units were sold, which brought to the Group a profit before taxation of HK\$8,991,000.

Others

On 6th February 2004, the Company entered into an agreement to dispose of its entire interest in the Hainan Yangpu Economic Zone. The transaction was completed on 27th February 2004 at a consideration of approximately HK\$12 million resulting in a write-back of provision previously made.

Strategic Outlook

The Group continues to penetrate into fishmeal markets in China by means of collaboration with local market players. The Group benefits from its strong relationships with Peruvian suppliers in securing stable supply of fishmeal serving as a good support for its fishmeal trade. However high freight charges is still a great concern to the performance of trading operation.

The economic recovery in Hong Kong is largely driven by the supportive measures from the Central Government of Mainland China such as the Closer Economic Partnership Arrangement ("CEPA") and relaxation of restrictions of Mainland individuals to travel to Hong Kong. All these measures are expected to continue in the foreseeable future. As a consequence, the rental value of properties in prime locations is expected to rise, which will benefit the Group's leasing activities.

The strong China economy is believed to be the momentum for the Group's property division. The Group will continue to look for suitable opportunities to strengthen its investment property portfolio.

Liquidity and Financial Resources

The long term liabilities of the Group amounted to approximately 43% (31.12.2003: 53%) of its shareholders' funds as at 30th June 2004.

The Group's borrowings were mainly denominated in Hong Kong Dollars and United States Dollars. As at 30th June 2004, the Group's aggregate banking facilities amounted to HK\$403,762,000 (31.12.2003: HK\$438,282,000). The facilities were secured by cash and bank balances of HK\$61,800,000 (31.12.2003: HK\$62,176,000), certain land and buildings with an aggregate book value of HK\$526,845,000 (31.12.2003: HK\$535,602,000) and properties held for resale of HK\$31,458,000 (31.12.2003: HK\$53,664,000). The aggregate amount of banking facilities available but not yet utilized by the Group was HK\$71 million (31.12.2003: HK\$86 million) as at 30th June 2004.

Since the Group usually conducts its business transactions in Hong Kong Dollars, United States Dollars and Renminbi, 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 2004, the total number of employees of the Group was about 111 (30.6.2003: 136) with staff cost amounting to approximately HK\$5,495,000 (6 months ended 30.6.2003: HK\$5,043,000). 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.

Contingent liabilities

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Bills discounted with recourse	–	67,780
Guarantees for banking facilities utilized by an associated company	<u>19,898</u>	<u>19,813</u>
	<u>19,898</u>	<u>87,593</u>

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At a meeting held on 17th September 2004, the directors declared an interim dividend of HK1 cent per share (2003: Nil) payable on or about 5th November 2004 to the shareholders of the Company whose names are on the register of members on 15th October 2004.

The register of members of the Company will be closed from 13th October 2004 to 15th October 2004, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Abacus Share Registrars Limited, at G/F BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than 4:00 p.m. on 12th October 2004.

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 2004.

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 2004 with the directors.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Group for the six months ended 30th June 2004 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) in due course.

As at the date of this announcement, the executive directors of the Company are Rustom Ho Ming Yu (*Chairman*), John Ho Ming Tak (*Managing Director*), the non-executive director of the Company is Chiu Chui Yi, and the independent non-executive directors of the Company are Lawrence Yu Kam Kee and David Yu Hon To.

On behalf of the Board
John Ho Ming Tak
Managing Director

Hong Kong, 17th September 2004

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