



# 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 2005

The board of directors (“the Board”) of Great China Holdings Limited (“the Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2005. The results have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	<i>Note</i>	30 June 2005 <i>HK\$'000</i> Unaudited	As at 31 December 2004 <i>HK'000</i> Restated
<b>Non-current assets</b>			
Property, plant and equipment		11,244	12,118
Investment properties		540,940	531,266
Leasehold land & land use rights		10,864	11,990
Interests in associated companies		96,796	100,156
Non-trading securities		–	2,870
Financial assets at fair value through profit or loss		1,084	–
		<u>660,928</u>	<u>658,400</u>
<b>Current assets</b>			
Properties held for sale			
– Leasehold land & land use rights		5,436	1,660
– Buildings		55,144	40,068
Inventories		101,664	15,973
Trade and bills receivables	6	379,900	64,235
Prepayment, deposit and other receivables		20,541	24,458
Trading securities		–	3,499
Financial assets at fair value through profit or loss		251	–
Pledged bank deposits		–	7,947
Bank balances and cash		25,843	52,199
		<u>588,779</u>	<u>210,039</u>
<b>Total assets</b>		<u>1,249,707</u>	<u>868,439</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company’s equity holders</b>			
Share capital		52,337	52,337
Other reserves		23,002	343,658
Retained earnings			
– Proposed final dividend		–	2,617
– Others		394,339	64,344
		<u>469,678</u>	<u>462,956</u>
<b>Minority interest</b>		560	727
<b>Total equity</b>		<u>470,238</u>	<u>463,683</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans, secured – non-current portion		128,514	137,843
Deferred tax liabilities		75,704	73,960
		<u>204,218</u>	<u>211,803</u>
<b>Current liabilities</b>			
Rental deposits received	7	4,575	4,598
Trade and bills payables		279,513	101,747
Other payables and accrued expenses		150,625	56,588
Current income tax liabilities		2,613	2,828
Trust receipt loans		8,726	–
Bank loans, secured – current portion		129,199	27,192
		<u>575,251</u>	<u>192,953</u>
<b>Total liabilities</b>		<u>779,469</u>	<u>404,756</u>
<b>Total equity and liabilities</b>		<u>1,249,707</u>	<u>868,439</u>
<b>Net current assets</b>		<u>13,528</u>	<u>17,086</u>
<b>Total assets less current liabilities</b>		<u>674,456</u>	<u>675,486</u>

# CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	2005	2004
		HK\$'000	HK'000
			Restated
Sales	2	948,555	538,646
Cost of goods sold		<u>(784,816)</u>	<u>(452,449)</u>
<b>Gross profit</b>		<b>163,739</b>	86,197
Selling expenses		(136,784)	(56,691)
Administrative expenses		(12,858)	(11,004)
Other operating income, net	8	<u>6,130</u>	<u>8,618</u>
<b>Operating profit</b>		<b>20,227</b>	27,120
Finance costs		<u>(2,311)</u>	<u>(5,984)</u>
		<b>17,916</b>	21,136
Share of (loss)/profit of associated companies		<u>(4,798)</u>	<u>1,031</u>
<b>Profit before income tax</b>		<b>13,118</b>	22,167
Income tax expense	3	<u>(2,007)</u>	<u>(2,468)</u>
<b>Profit for the period</b>		<b>11,111</b>	19,699
<b>Attributable to:</b>			
Equity holders of the Company		<b>11,278</b>	19,804
Minority interest		<u>(167)</u>	<u>(105)</u>
		<b>11,111</b>	19,699
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>			
– basic	4	<u>4.31 cents</u>	<u>7.57 cents</u>
– diluted	4	<u>4.31 cents</u>	<u>7.57 cents</u>
<b>Dividend</b>	5	<u>2,617</u>	<u>2,617</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Changes in accounting policies

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

### 2. Segment information

#### Primary reporting format – business segments

At 30 June 2005, the Group is organised on a worldwide basis into two business segments:

- (1) General trading – trading of animal feed (mainly fishmeal and tapioca chips); and

(2) Property investment – rental income from investment properties, sale proceeds of properties held for sale and provision of real estate agency services.

Turnover consists of sales from general trading and income from property investment segments, which are HK\$948,555,000 and HK\$538,646,000 for the six months ended 30 June 2005 and 2004 respectively.

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

The segment results for the six months ended 30 June 2004 are as follows:

	<b>General trading</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Sales	493,501	45,145	–	538,646
Operating profit	10,272	10,109	6,382	26,763
Interest income			357	357
Finance costs				(5,984)
Share of profit of associated companies	–	1,031	–	1,031
Profit before income tax				22,167
Income tax expense				(2,468)
Profit for the period				<u>19,699</u>

The segment results for the six months ended 30 June 2005 are as follows:

	<b>General trading</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Sales	925,475	23,080	–	948,555
Operating profit	9,245	13,750	(3,325)	19,670
Interest income			557	557
Finance costs				(2,311)
Share of loss of associated companies	–	(4,798)	–	(4,798)
Profit before income tax				13,118
Income tax expense				(2,007)
Profit for the period				<u>11,111</u>

Other segment terms included in the income statements are as follows:

	Six months ended 30 June 2005				Six months ended 30 June 2004			
	General trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Depreciation	16	525	51	592	77	622	42	741
Amortisation	–	17	–	17	–	21	–	21
Impairment losses recognized in the income statement	–	104	–	104	–	–	–	–

The segment assets and liabilities at 31 December 2004 and capital expenditure for the six months ended 30 June 2004 are as follows:

	<b>General trading</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Assets	93,789	623,814	50,680	768,283
Associated companies	–	100,156	–	100,156
<b>Total assets</b>	<u>93,789</u>	<u>723,970</u>	<u>50,680</u>	<u>868,439</u>
<b>Liabilities</b>	<u>124,913</u>	<u>95,346</u>	<u>184,497</u>	<u>404,756</u>
<b>Capital expenditure</b>	<u>12</u>	<u>6,773</u>	<u>99</u>	<u>6,884</u>

The segment assets and liabilities at 30 June 2005 and capital expenditure for the six months then ended are as follows:

	<b>General trading HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Group HK\$'000</b>
Assets	513,966	620,482	18,463	1,152,911
Associated companies	–	96,796	–	96,796
<b>Total assets</b>	<b>513,966</b>	<b>717,278</b>	<b>18,463</b>	<b>1,249,707</b>
<b>Liabilities</b>	<b>499,567</b>	<b>125,806</b>	<b>154,096</b>	<b>779,469</b>
<b>Capital expenditure</b>	<b>–</b>	<b>365</b>	<b>–</b>	<b>365</b>

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, properties held for sale, inventories, receivables and operating cash. They exclude corporate assets.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to investment properties, property, plant and equipment and leasehold land and land use rights.

#### Secondary reporting format – geographical segments

The Group's two business segments operate in three main geographical areas, even though they are managed on a worldwide basis:

Hong Kong	–	rental income from investment properties
Mainland China	–	trading of animal feed, rental income from investment properties, sale of properties held for sale and provision of real estate agency services
Other countries	–	trading of animal feed and sale of properties held for sale

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

	<b>For the six months ended</b>	
	<b>30-Jun-05 HK\$'000</b>	<b>30-Jun-04 HK\$'000</b>
<b>Sales</b>		
Hong Kong	6,694	6,154
Mainland China	932,806	505,564
Other countries	9,055	26,928
	<b>948,555</b>	<b>538,646</b>

Sales are allocated based on the places/countries in which customers are located.

	<b>As at</b>	
	<b>30-Jun-05 HK\$'000</b>	<b>31-Dec-04 HK\$'000</b>
<b>Total Assets</b>		
Hong Kong	391,461	406,180
Mainland China	753,099	353,638
Other countries	8,351	8,465
	<b>1,152,911</b>	<b>768,283</b>
Associated companies	96,796	100,156
	<b>1,249,707</b>	<b>868,439</b>

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

	<b>For the six months ended</b>	
	<b>30-Jun-05 HK\$'000</b>	<b>30-Jun-04 HK\$'000</b>
<b>Capital expenditures</b>		
Hong Kong	7	211
Mainland China	358	6,673
	<b>365</b>	<b>6,884</b>

Capital expenditure is allocated based on where the assets are located.

	For the six months ended	
	30-Jun-05 HK\$'000	30-Jun-04 HK\$'000
<b>Analysis of sales by category</b>		
Sales of goods	925,475	493,501
Sales of properties held for sale	12,468	34,792
Rental income from investment properties	10,612	10,353
	<u>948,555</u>	<u>538,646</u>

### 3. Income tax expense

No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no assessable profit for both years. 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.

	For the six months ended	
	30-Jun-05 HK\$'000	30-Jun-04 restated HK\$'000
Current overseas taxation	263	2,562
Deferred income tax	1,744	(94)
	<u>2,007</u>	<u>2,468</u>

Share of associated companies' taxation credit for the six months ended 30 June 2005 of HK\$1,972,000 (2004 : taxation charge of HK\$77,000) are included in the income statement as share of profits of associated companies.

### 4. Earnings per share

#### Basic

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

	For the six months ended	
	30-Jun-05 HK\$'000	30-Jun-04 HK\$'000
Profit attributable to equity holders of the Company	11,278	19,804
Weighted average number of ordinary shares in issue (thousands)	261,685	261,685
Basic earnings per share (HK\$ per share)	0.0431	0.0757

#### Diluted

Diluted earnings per share was the same as basic earnings per share since the Company has no dilutive potential ordinary share.

### 5. Dividend

	For the six months ended	
	30-Jun-05 HK\$'000	30-Jun-04 HK\$'000
Interim dividend proposed of HK\$0.01 (2004: HK\$0.01) per ordinary share	<u>2,617</u>	<u>2,617</u>

(a) At a meeting held on 8 April 2005, the directors proposed a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2004, which was paid on 1 June 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.

(b) At a meeting held on 29 August 2005, the directors declared an interim dividend of HK\$0.01 per ordinary share for the year ending 31 December 2005. This proposed dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

### 6. Trade and bills receivables

The majority of the Group's sales are on letter of credit. At 30 June 2005 and 31 December 2004, the ageing analysis of the trade and bills receivables were as follows:

	As at	
	30-Jun-05 HK\$'000	31-Dec-04 HK\$'000
Less than 30 days	378,877	62,997
30 – 60 days	4	16
Over 90 days	1,019	1,222
	<u>379,900</u>	<u>64,235</u>

## 7. Trade and bills payable

At 30 June 2005 and 31 December 2004, the ageing analysis of the trade and bills payables were as follows:

	<b>30-Jun-05</b> <i>HK\$'000</i>	<b>As at</b> 31-Dec-04 <i>HK\$'000</i>
Less than 30 days	276,268	101,374
30-60 days	2,831	–
61-90 days	8	–
Over 90 days	406	373
	<u>279,513</u>	<u>101,747</u>

## 8. Other operating income, net

	<b>For the six months ended</b> 30 June 2005 <i>HK\$'000</i>	30 June 2004 <i>HK\$'000</i>
Other financial assets at fair value through profit or loss:		
– fair value losses (unrealized)	(4)	–
– fair value gains (unrealized)	222	–
Profits realized on trading securities	33	–
Derivative instruments:		
– forward contracts: transactions not qualifying as hedges	1,834	–
Interest income	557	357
Investment income	2,642	357
Fair value gains on investment properties	8,124	–
Write-down to net realisable value of inventories	(2,645)	–
Write-down to net realisable value of properties held for sale-buildings	(1,735)	(973)
Provision for impairment of trade and bills receivables	(500)	(668)
Write-back of provision upon disposal of non-trading securities	–	11,756
Loss on disposal of investment properties	–	(2,336)
Others	244	482
	<u>6,130</u>	<u>8,618</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### General Trading

The economy of China kept gaining grounds in the first half of 2005. The GDP for the second quarter was 9.5% better than that of 2004. Under such a growing economy, the demand for imported fishmeal remained strong, defying the effects of some negative factors such as excessive rainfall followed by floods in southern China and intermittent reported instances of foot and mouth disease.

For tapioca chips, the price stood relatively stable at a high level throughout the first half of 2005. As usual, the price of alcohol in China dropped seasonally after the Chinese New Year. Since a main use of tapioca chips is for the manufacture of alcohol, the two aforesaid factors combined made most importers in China cautious and consequently slowed down activities in the tapioca market. It should be worth mentioning that the Group achieved a 3-digit upsurge in its trading volume of tapioca chips in the first half of 2005.

Despite the strong growth in the Group's turnover, the net profit nevertheless went down. The Group attributes this mainly to the hike in transportation cost. Sea freight was doubled in the first half of 2005 when compared with the same period in 2004. The volatility in freight remains a major challenge that the Group needs to tackle.

### Property Investment in Hong Kong

After the expiry of the old tenancy, the Group rented out one of its investment properties to a new tenant during the first half of 2005. As expected, the Group achieved a double digit rise in rental when concluding the new tenancy.

As part of the effect of changes in accounting standards, the Group recorded a gain of around HK\$8,124,000 relating to the revaluation of the Group's investment properties, which is included in "Other operating income, net" in the income statement. In addition, there is a share of revaluation loss in respect of the investment properties of the associated companies amounting to approximately HK\$6,708,000.

### Property Investment in PRC

The Chinese central government continued to implement well-planned and result oriented macro economic measures. Towards the end of the first half of 2005, the property market in Shanghai experienced a significant shrinkage in the number of transactions, though the drop in prices was much less serious. The Group's properties in Shanghai are all located inside the inner circle of the city, and hence are more resistant to the downturn.

The sales of most of the remaining apartment units on the lower floors of Merry Tower were completed in the first quarter of 2005. Interior decoration of the additional units on the upper floors has begun.

The Group also sold two apartment units in Shenzhen in the first quarter of 2005. These apartments were part of the consideration received for the disposal in 2004 of the Group's interest in the Hainan Yangpu Economic Zone.

#### **Prospects**

The Group will begin operating its local tapioca chip distribution network in China in the second half of 2005. This is in line with the Group's long term strategy. The Group plans to utilize this added sale channel to enhance its participation in the tapioca chip market in China.

The property market in Hong Kong continues to be relatively active, especially in the sector of retail shops. The Group will renew or replace tenancy agreements for some of its investment properties in the second half of 2005. As most of the Group's investment properties are retail shops located at prime shopping districts, we are optimistic that all the new tenancies will be accompanied by a double digit rise in rental income.

In Shanghai, in view of the developments brought about by the macro economic measures, the Group now plans to market the additional units on the upper floors of Merry Tower in late 2005 or early 2006.

#### **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

At a meeting held on 29 August 2005, the directors declared an interim dividend of HK\$0.01 per share (2004: HK\$0.01) payable on or about 30 September 2005 to the shareholders of the Company whose names are on the register of members on 16 September 2005.

The register of members of the Company will be closed from 14 September 2005 to 16 September 2005, 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 4:30 p.m. on 13 September 2005.

#### **CORPORATE GOVERNANCE**

During the period, the Company set up Remuneration and Nomination Committees comprising a majority of independent non-executive directors. Independent non-executive directors are currently not employed under any service contracts, but are subject to retirement and re-election at annual general meetings of the Company. The Company is in the process of finalizing the terms of a proposed service contract with all its independent non-executive directors. With this exception, in the opinion of the directors, the Company has complied with the code provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

#### **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.

For and on behalf of the Board  
**John Ming Tak HO**  
*Managing Director*

Hong Kong, 29 August 2005

*The directors of the Company as at the date of this announcement are: Mr Rustom Ming Yu HO (Chairman) and Mr John Ming Tak HO (Managing Director) as Executive Directors; Mr Chui Yi CHIU as Non-executive Director; and Mr Lawrence Kam Kee YU, Mr David Hon To YU and Mr Hsu Chou WU as Independent Non-executive Directors.*

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