



# 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, 2003

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, 2003 are as follows:–

#### RESULTS

	<i>Note</i>	<b>2003</b> <b>HK\$'000</b>	As restated 2002 <i>HK\$'000</i>
Turnover	2	<b>777,627</b>	676,710
Cost of sales		<b>(683,975)</b>	(607,931)
Gross profit		<b>93,652</b>	68,779
Other revenue		<b>790</b>	1,505
Selling expenses		<b>(79,197)</b>	(56,473)
Administration expenses		<b>(22,555)</b>	(26,329)
Gain on disposal of investment properties		<b>–</b>	41,102
Other net operating income/(expenses)		<b>31</b>	(9,005)
Operating (loss)/profit	2, 3	<b>(7,279)</b>	19,579
Finance costs		<b>(12,243)</b>	(11,898)
		<b>(19,522)</b>	7,681
Share of profits of associated companies		<b>579</b>	2,019
(Loss)/profit before taxation		<b>(18,943)</b>	9,700
Taxation	4	<b>(2,188)</b>	(2,504)
(Loss)/profit after taxation		<b>(21,131)</b>	7,196
Minority interests		<b>988</b>	61
(Loss)/profit attributable to shareholders		<b>(20,143)</b>	7,257
Basic (loss)/earnings per share ( <i>cents</i> )	5	<b>(7.70)</b>	2.77

Notes:

#### 1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention except for investment properties which are stated at fair value.

In the current year, the Group has changed one of its accounting policies following its adoption of the Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profits as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

Under SSAP 12, deferred tax liabilities are provided for in full on all temporary differences while deferred tax assets are not recognised unless it is probable that future taxable profit will be available against which the temporary differences can be utilized. The change in accounting policy has been applied retrospectively, resulting in prior year adjustments of which the opening reserves at 1st January, 2002 and 2003, were reduced by HK\$52,185,000 and HK\$52,180,000 respectively, which represents the unprovided net deferred tax liabilities of the Group and of its associated company. This change has resulted in an increase in deferred tax liabilities and decrease in investment in associated companies of the Group at 31st December, 2002 by HK\$21,546,000 and HK\$30,634,000 respectively.

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

Business segments	General trading	Property investment	Real estate agency services	Group
	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>734,099</u>	<u>42,568</u>	<u>960</u>	<u>777,627</u>
Segment results	<u>(9,655)</u>	<u>12,121</u>	<u>(1,363)</u>	1,103
Interest income				790
Unallocated corporate expenses				<u>(9,172)</u>
Operating loss				<u>(7,279)</u>
	General trading	Property investment	Real estate agency services	Group
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>
Geographical segments	Turnover	Turnover	Segment results	Segment results
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	12,497	14,400	8,880	10,828
Mainland China	697,453	607,506	(6,910)	(8,632)
Philippines	35,825	34,556	(148)	(706)
Others	31,852	20,248	(719)	(277)
	<u>777,627</u>	<u>676,710</u>	<u>1,103</u>	1,213
Interest income			790	1,505
Judgement debt with related legal cost			-	(10,449)
Gain on disposal of investment properties			-	41,102
Unallocated costs			<u>(9,172)</u>	<u>(13,792)</u>
Operating (loss)/profit			<u>(7,279)</u>	<u>19,579</u>

### 3. Operating (loss)/profit

	2003 HK\$'000	2002 HK\$'000
<b>Operating (loss)/profit is stated after crediting and charging the following:</b>		
<i>Crediting</i>		
Gain on disposal of investment properties	<u>–</u>	<u>41,102</u>
<i>Charging</i>		
Depreciation of fixed assets	<b>1,980</b>	2,173
Judgement debt ( <i>Note</i> )	<u>–</u>	<u>8,949</u>

*Note:* This represented 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 both years. 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. The taxation charge comprises:

	2003 HK\$'000	As restated 2002 HK\$'000
Hong Kong profits tax		
– under provision in prior years	–	146
Overseas taxation		
– current	<b>1,640</b>	1,253
– under provision in prior years	–	912
Deferred taxation relating to the origination and reversal of temporary differences	<b>341</b>	(5)
Deferred taxation resulting from an increase in tax rate	<u>12</u>	<u>–</u>
	<b>1,993</b>	2,306
Share of taxation attributable to an associated company	<u>195</u>	<u>198</u>
	<b><u>2,188</u></b>	<b><u>2,504</u></b>

5. (Loss)/earnings per share is calculated based on the loss attributable to shareholders of the Group for the year ended 31st December, 2003 of HK\$20,143,000 (2002 as restated: profit of HK\$7,257,000) and 261,684,910 shares (2002: 261,684,910 shares) of the Company in issue during the year.

No diluted (loss)/earnings 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 (2002: Nil).

### BUSINESS REVIEW

In spite of the difficult operating environment, the Group attained tremendous growth in its trading operation during the year. Trading turnover value increased by 12.5% compared with that of last year. The attempt to find more distribution outlets proved to be a success contributing to the improvement in the results of trading business which were unfortunately adversely affected by increase in transportation costs.

Property business continued to reflect favourable performance in Shanghai and Hong Kong. The outbreak of Severe Acute Respiratory Syndrome (“SARS”) brought interruption to the property sales business. After SARS, the Merry Hotel which is situated next to Merry Tower started to upgrade from 3-star to 4-star standard. The construction work caused inconvenience regarding access to Merry Tower. Accordingly, the Group decided to temporarily withdraw the sales campaign for the Merry Tower apartments until the completion of the hotel’s upgrading work in November, 2003. After the upgrading work, the apartments became attractive to potential buyers and twelve Merry Tower apartments were sold during the year.

The Group accepted an offer from a minority shareholder of one of its subsidiaries, Poppins Properties Limited, to purchase all his shares at a consideration of around HK\$17 million after which Poppins Properties Limited became wholly owned by the Group. In view of the potential benefit that the Merry Tower would enjoy after completion of the aforesaid upgrading work, the offer consideration was considered favourable and in the interest of the Group.

Rental and price of properties in Hong Kong started to improve during the last quarter of 2003. The economy started to revive after the tedious drastic recession for the last few years.

## **PROSPECTS**

Catch and stock quantities of fishmeal in Peru continued to be low. Price of fishmeal is expected to stay at high level during the 1st half of 2004. As a result of the improvement in economy and the standard of living in China, the citizens in China have a growing appetite for seafood leading to increasing demand for quality fishmeal in China. As a result, there is strong increase in domestic sales in China which should boost the Group's profitability. On the other hand, the recent outbreak of birdflu in Mainland China however is not expected to have unfavourable impact on fishmeal trading in the long run.

Freight costs represent a significant portion of trading operation costs. As there are signs of increase in freight charges, the Group decided to make advance arrangement with shipping companies for our expected vessels requirements for the foreseeable future at predetermined rate so that freight costs can be stabilized which will work to the Group's favour. Freight charges continued to stay firm during the first quarter of 2004. As such, the Group expected to enjoy the success of such strategy in the first half of 2004.

SARS is over and property markets in Shanghai is anticipated to stay in favourable position. As Merry Hotel has its hotel facilities upgraded from 3-star hotel standard to 4-star hotel standard, it made the immediate vicinity more attractive. In such advantageous environment, the remaining Merry Tower apartments should fetch favourable prices. At the same time, rental income received from the lease of shop space of the shopping mall of Merry Tower is expected to contribute positively to the Group's turnover and profitability in year 2004.

The economy of Hong Kong should stay in a much healthier state in 2004 compared with that of the last few years. This is partly as a result of the relaxation of travel restrictions for mainland tourist, which helps retail business. This in turn benefits the Group's rental income from retail shops. The Group's property investment for rental income in Hong Kong should therefore further improve in performance. The Group will also take advantage of the favourable market conditions to realise some of its properties and consolidate its property portfolio in Shanghai. Property investment business will continue in 2004 to contribute to the Group's profitability.

On 6th February, 2004, the Company had entered into an agreement with an independent party to dispose of its entire indirect interest in the owner and developer of Hainan Yangpu Economic Zone. The transaction was completed on 27th February, 2004 at a consideration of approximately HK\$12 million to be recorded in the year 2004.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31st December, 2003, the long term liabilities and shareholders' funds of the Group amounted to HK\$223,155,000 (2002 as restated: HK\$232,425,000) and HK\$421,916,000 (2002 as restated: HK\$400,975,000), respectively which the percentage of the former to the latter was 53% (2002 as restated: 58%).

The Group's borrowings were mainly denominated in HK dollars and US dollars. As at 31st December, 2003, cash and bank balances of HK\$62,176,000 (2002: HK\$62,296,000), and certain land and buildings with an aggregate book value of HK\$535,602,000 (2002: HK\$442,089,000) and properties held for resale of HK\$53,664,000 (2002: HK\$92,281,000) were pledged to banks to secure banking facilities amounting to HK\$438,282,000 (2002: HK\$388,226,000). The aggregate amount of banking facilities available but not yet utilized by the Group was approximately HK\$86,000,000 (2002: HK\$107,000,000).

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

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31st December, 2003, the total number of employees of the Group was 144 (2002: 140) with staff costs amounting to HK\$10,225,000 (2002: HK\$10,736,000). 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 could be exercised between 2nd September, 1993 to 1st September, 2003. No option had been exercised under the Scheme and all outstanding options were lapsed as at 1st September, 2003.

## CONTINGENT LIABILITIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bills discounted with recourse	67,780	12,000
Guarantees for banking facilities utilized by an associated company	19,813	23,272
	<u>87,593</u>	<u>35,272</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 ("Listing Rules") throughout the accounting year covered by the annual report. Independent non-executive directors are subject to retirement and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

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, 2003 containing all the information required 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 29th April, 2004.

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

Hong Kong, 15th April, 2004

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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 Wednesday, 19th May, 2004 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, 2003;
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  
**H F Leung**  
Secretary

Hong Kong, 15th April, 2004

*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 2003 Annual Report.

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