



GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 0141)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

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, 2004 are as follows:–

RESULTS

	<i>Note</i>	2004 HK\$	2003 <i>HK\$</i>
Turnover	2	1,345,174,865	777,627,194
Cost of sales		(1,113,973,066)	(683,975,178)
Gross profit		231,201,799	93,652,016
Other revenue	2	935,013	789,860
Selling expenses		(173,468,630)	(79,197,231)
Administrative expenses		(25,130,445)	(22,554,806)
Other operating income	3	12,249,416	31,020
Operating profit/(loss)	2, 3	45,787,153	(7,279,141)
Finance costs		(8,254,804)	(12,243,272)
		37,532,349	(19,522,413)
Share of profits of associated companies		1,456,039	579,538
Profit/(loss) before taxation		38,988,388	(18,942,875)
Taxation	4	(5,028,221)	(2,188,011)
Profit/(loss) after taxation		33,960,167	(21,130,886)
Minority interests		41,745	988,356
Profit/(loss) attributable to shareholders		34,001,912	(20,142,530)
Dividend		5,233,698	–
Basic earnings/(loss) per share (cents)	5	12.99	(7.70)

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 Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that investment properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group did not early adopt these new HKFRSs in the preparation of the accounts for the year ended 31st December 2004. The Group however, has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Turnover, revenue and segment information

The Group is principally engaged in general trading, property investment and real estate agency services.

Revenues recognised during the year are as follows:

	2004 HK\$	2003 HK\$
Turnover		
Sales of goods	1,254,694,113	734,099,042
Sales of properties	69,347,673	22,465,025
Gross rental income from investment properties	20,725,916	20,102,818
Agency fee income	407,163	960,309
	<u>1,345,174,865</u>	<u>777,627,194</u>
Other revenue		
Interest income	935,013	789,860
Total revenues	<u>1,346,109,878</u>	<u>778,417,054</u>

Primary reporting format – business segments

The Group is organised on a worldwide basis into the following business segments. Following the disposal of two subsidiaries in September 2004, the segment of real estate agency services became relatively insignificant. Therefore, it is grouped under property investment in the following analysis:

- General trading – trading of animal feed (mainly fishmeal and tapioca chips)
- Property investment – rental income from investment properties, sale proceeds of properties held for resale and provision of real estate agency services

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

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Hong Kong – rental income from investment properties

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

Other countries – trading of animal feed, rental income from investment properties and sale of properties held for resale

There are no sales between the geographical segments.

Primary reporting format – business segments

	General trading 2004 HK\$	Property investment 2004 HK\$	Group 2004 HK\$
Turnover	<u>1,254,694,113</u>	<u>90,480,752</u>	<u>1,345,174,865</u>
Segment results	<u>23,436,527</u>	<u>19,668,144</u>	43,104,671
Interest income			935,013
Write-back of provision upon disposal of long term investment			11,756,250
Gain on disposal of subsidiaries			1,167,846
Unallocated corporate expenses			<u>(11,176,627)</u>
Operating profit			<u>45,787,153</u>

Primary reporting format – business segments

	General trading 2003 HK\$	Property investment 2003 HK\$	Group 2003 HK\$
Turnover	<u>734,099,042</u>	<u>43,528,152</u>	<u>777,627,194</u>
Segment results	<u>(9,654,995)</u>	<u>10,758,407</u>	1,103,412
Interest income			789,860
Unallocated corporate expenses			<u>(9,172,413)</u>
Operating loss			<u>(7,279,141)</u>

Secondary reporting format – geographical segments

	Turnover 2004 HK\$	Turnover 2003 HK\$	Segment results 2004 HK\$	Segment results 2003 HK\$
Hong Kong	12,484,491	12,496,531	10,019,102	8,880,482
Mainland China	1,290,562,573	697,453,227	33,755,168	(6,909,529)
Other countries	42,127,801	67,677,436	(669,599)	(867,541)
	<u>1,345,174,865</u>	<u>777,627,194</u>	<u>43,104,671</u>	<u>1,103,412</u>
Interest income			935,013	789,860
Write-back of provision upon disposal of long term investment			11,756,250	–
Gain on disposal of subsidiaries			1,167,846	–
Unallocated corporate expenses			(11,176,627)	(9,172,413)
Operating profit/(loss)			<u>45,787,153</u>	<u>(7,279,141)</u>
3. Operating profit/(loss)			2004 HK\$	2003 HK\$
Operating profit/(loss) includes:				
Write-back of provision upon disposal of long term investment			11,756,250	–
Gain on disposal of subsidiaries			1,167,846	–
Impairment charge of fixed assets and long term investments			(895,648)	–
Others			220,968	31,020
Other operating income			<u>12,249,416</u>	<u>31,020</u>
Operating profit/(loss) is stated after crediting and charging the following:				
Crediting				
Write-back of provision upon disposal of long term investment			11,756,250	–
Gain on disposal of other fixed assets			39,113	107,024
Gain on disposal of subsidiaries			<u>1,167,846</u>	<u>–</u>
Charging				
Depreciation of fixed assets			1,623,471	1,979,666
Staff costs (excluding directors' emoluments)				
Wages and salaries			10,857,908	10,013,560
Retirement benefit costs – defined contribution plan			281,230	211,908
Operating lease rentals in respect of land and buildings			301,746	1,125,378
Outgoings in respect of investment properties			3,914,155	4,354,919
Loss on disposal of investment properties			2,351,848	–
Impairment charge of fixed assets and long term investments			895,648	–
Write-down of properties held for resale to net realisable value			602,625	–
Auditors' remuneration			559,130	405,330
Provision for doubtful debts			<u>406,546</u>	<u>–</u>
4. Taxation				
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 year 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:			2004 HK\$	2003 HK\$
Current overseas taxation			4,914,778	1,640,617
Deferred taxation relating to the origination and reversal of temporary differences			113,443	340,747
Deferred taxation resulting from an increase in tax rate			–	11,858
			<u>5,028,221</u>	<u>1,993,222</u>
Share of taxation attributable to associated companies			–	194,789
Taxation charge			<u>5,028,221</u>	<u>2,188,011</u>
5. Basic earnings/(loss) per share				
Calculations of basic earnings/(loss) per share are based on the Group's profit attributable to shareholders of HK\$34,001,912 (2003: loss of HK\$20,142,530) and 261,684,910 ordinary shares (2003: 261,684,910) in issue during the year.				
There is no diluted earnings/(loss) per share since the Company has no dilutive potential ordinary share.				

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors recommend the payment of a final dividend of HK1 cent (2003: Nil) per ordinary share, totalling HK\$2,616,849.

An interim dividend of HK1 cent (2003: Nil) per ordinary share totalling HK\$2,616,849 was paid by the Company on 5th November 2004.

The register of members of the Company will be closed from 17th May 2005 to 19th May 2005, both days inclusive, during which period no share transfer will be effected. In order to qualify for the final 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 13th May 2005.

BUSINESS REVIEW

General Trading

Oil prices kept rising during much of the time in 2004, driving freight costs up which in turn affected the Group's trading operations. Fortunately, the effect was not serious and was in fact out-weighted by the favourable effect of the increase in demand for the Group's products.

Intermittent instances of bird flu in various areas of Asia have changed people's choice of food. Seafood is now more preferable than poultry in the menu of many Chinese. This shift in taste is also backed by the improved economic conditions of most families in major cities of the PRC. One consequence of the shift is the increase in demand for fishmeal which is an important component in the feeds of aquatic farming.

The Group has begun to set up its local fishmeal distribution network in the PRC market since 2002. Earlier attempts were not completely satisfactory. Learning from those experiences, the Group finally achieved a fruitful result in 2004.

Similarly, the Group embarked on the trading of tapioca in 2002 and this business began to bring profit to the Group in 2004. Besides being used as a feed of high starch, tapioca can also be used to make ethanol. During the year, four more provinces in eastern China joined the test run of ethanol gasoline, making the total number of participating provinces to nine. Ethanol gasoline is a substitute for gasoline, and is produced by blending 10% of ethanol with 90% of gasoline. The demand for tapioca expanded as the number of provinces participating in the test run increased.

Property Investment in Hong Kong

The relaxation of travel restrictions for PRC individuals has brought about an extended rebound to the economy of Hong Kong. This had supportive effects on both the rental income and the valuation of the Group's properties, as they are mainly retail shops located at prime shopping districts usually crowded by tourists and/or local shoppers. In 2004, the Group's investment properties enjoyed a double digit growth in their aggregate valuation. At the same time, some tenancy agreements of the Group's investment properties were renewed with a two digit rise in the corresponding aggregate rental income.

Property Investment in China

The residential property market in Shanghai managed to sustain a healthy growth in 2004. The Group's apartment units in Merry Tower sold well at increasing prices throughout the year. Almost all the units had been sold at the end of the year. As detailed in the circular dated 25th November, 2004, the Group had purchased additional apartment units in Merry Tower for re-sale. These additional units are expected to be ready for marketing by the end of 2005.

PROSPECTS

We see a few challenges in our trading operations in 2005.

The strong demand for fishmeal in the PRC has driven up its price. The rise was simultaneously fuelled by the devaluation of the US dollar, which had caused stronger purchases from European buyers. So far, the orderly rise in price has been largely absorbed by the end users. Nevertheless, if the rise continues, the demand may eventually be intimidated.

Similar factors apply in the tapioca market. The devaluation of the US dollar against the Thai baht pushed up the importing price of Thai tapioca chips during the last weeks of 2004. The price has since stood at the high level and may remain there for a while, because it is estimated that the long-lasting dry weather in both Thailand and Vietnam has reduced the production of tapioca in the two countries substantially as compared with that of last year. Since tapioca is not the only material that can be used to make ethanol, the rise in tapioca price will almost certainly force alcohol manufacturers in the PRC to consider substitutes. Therefore, if the price of tapioca chip keeps rising, it may eventually result in a reduction in demand.

Apart from the prices of the commodities themselves, the Group is also concerned about the price of freight. Two of the more important factors that affect freight cost are oil price and the availability of freight space, both of which are dependent on the prosperity of the world's economy. As we are not aware of any sign that may indicate a significant slow down in the world's or the PRC's economy in the near future, we cannot see any major drop in the demand for oil nor freight space. On the other hand, the supplies of both oil and freight space in the short term are limited. New vessels take at least two years to build. Following this line of deduction, we expect the freight cost to remain firm.

Besides the above, other unforeseeable challenges may also pop up from time to time. As a measure to better prepare the Group to tackle such adversities, we have consolidated and strengthened our management team in the past few years. Also through these unstable years, the Group has established itself as a reliable partner to many importers in the PRC. Furthermore, the successful diversification into the tapioca market has relieved the Group from over-reliance on a single commodity. We are now a sizeable player in both the fishmeal and tapioca markets. In 2004, the Group's market shares of all the imported fishmeal and tapioca chips in the PRC were approximately 30% and 10% respectively. We expect these numbers to grow in 2005. Our management team may need to face challenges that usually accompany such growth, for example, issues in credit risk control and talent recruitment.

The outlook for our property sector is more encouraging. In view of the heated sentiment in the property market of Hong Kong, especially in the retail shop sector, we are optimistic that a double digit increment in rental income will be achieved for some of the Group's investment properties when the corresponding tenancy agreements are renewed or replaced in 2005.

We are also optimistic that the property market in Shanghai will continue with its upward trend. The intended re-sale of the additional apartment units in Merry Tower is expected to bring reasonable profit to the Group in 2005. In a farther perspective, the Group has plans to consolidate its property investments in Shanghai with a view to maximizing the rental incomes from those investments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2004, the long term bank loans and shareholders' funds of the Group amounted respectively to HK\$137,842,663 (2003: HK\$185,024,802) and HK\$490,259,462 (2003: HK\$421,915,799), and the percentage of the former to the latter was 28% (2003: 44%).

The Group's borrowings were mainly denominated in HK dollars, US dollars and Renminbi. As at 31st December, 2004, in order to secure banking facilities amounting to HK\$558,332,738 (2003: HK\$438,282,472), the following assets were pledged to banks: cash and bank balances of HK\$7,946,935 (2003: HK\$62,176,200), certain land and buildings with an aggregate book value of HK\$543,173,874 (2003: HK\$535,601,978) and properties held for resale of HK\$31,669,474 (2003: HK\$53,663,562). The aggregate amount of banking facilities available but not yet utilized by the Group was approximately HK\$168 million (2003: HK\$86 million).

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, 2004, the total number of employees of the Group was 112 (2003: 144) with staff costs amounting to HK\$11,139,138 (2003: HK\$10,225,468). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account the comparable level of the market.

CONTINGENT LIABILITIES

	2004 HK\$	2003 HK\$
Bills discounted with recourse	1,109,713	67,779,529
Guarantees for banking facilities utilized by associated companies	<u>16,546,400</u>	<u>19,813,003</u>
	<u>17,656,113</u>	<u>87,592,532</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. The audit committee reviews with senior management and the Company's external auditors the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, and also discusses auditing, internal control, risk management and financial reporting matters. The committee comprises three independent non-executive directors, namely Mr. Lawrence Kam Kee YU, Mr. David Hon To YU and Mr. Hsu Chou WU. Three meetings were held during the current financial year.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31st December, 2004 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 22nd April 2005.

By order of the Board
John Ming Tak HO
Managing Director

Hong Kong, 8th April 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.