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2002



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**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

*Executive Directors*

Mr. He Xuechu  
 Mr. Ku Wai Kwan  
 Mr. Zhou Teng  
 Mr. Wong Hing Kwok

*Independent Non-executive Directors*

Mr. Lee Cheuk Yin, Dannis  
 Mr. Liu Ming Hui

**COMPANY SECRETARY**

Miss Yung Wai Mei

**LEGAL ADVISORS**

*Hong Kong*  
 Chiu & Partners Solicitors  
 41st Floor  
 Jardine House  
 1 Connaught Place  
 Hong Kong

*Cayman Islands*  
 Maples and Calder

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Standard Registrars Limited  
 5th Floor, Wing On Centre  
 111 Connaught Road Central  
 Hong Kong

**REGISTERED OFFICE**

P.O. Box 309  
 George Town  
 Grand Cayman  
 Cayman Islands  
 British West Indies

**PLACE OF BUSINESS**

Room 2301, 23rd Floor  
 Great Eagle Centre  
 23 Harbour Road  
 Wanchai  
 Hong Kong

Contact Number: 852-2598 3333  
 Facsimile: 852-2598 3399

**LISTING INFORMATION**

The Stock Exchange of Hong Kong Limited  
 Stock Code: 0175

**E-MAIL ADDRESS**

general@guorun.com.hk



**RESULTS**

The Board of Directors (“Directors”) of Guorun Holdings Limited (the “Company”) hereby announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2002 and present the results together with the comparative figures as follows:

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*Six months ended 30 June 2002*

		<b>Unaudited</b>	
		<b>2002</b>	2001
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
TURNOVER		<b>47,566</b>	46,111
Cost of sales		<b>(32,821)</b>	(37,164)
Gross profit		<b>14,745</b>	8,947
Other revenue		<b>2,002</b>	6,455
Distribution and selling expenses		<b>(6,209)</b>	(5,007)
General and administrative expenses		<b>(19,662)</b>	(16,358)
Deficit on revaluation of investment properties		<b>(1,882)</b>	—
Provision for loss of properties held for sale		<b>(3,000)</b>	—
Impairment in value of land pending development		<b>(6,014)</b>	—
<b>LOSS FROM OPERATING ACTIVITIES</b>	<b>3</b>	<b>(20,020)</b>	(5,963)
Finance costs		<b>(10,223)</b>	(12,830)
Share of losses of associates		<b>(77,022)</b>	(8,303)
Gain on disposal of subsidiaries	<b>4</b>	<b>173</b>	—
<b>LOSS BEFORE TAX</b>		<b>(107,092)</b>	(27,096)
Tax	<b>5</b>	<b>(52)</b>	—
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(107,144)</b>	(27,096)
Minority interests		<b>6,647</b>	870
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(100,497)</b>	(26,226)
<b>LOSS PER SHARE</b>			
- Basic	<b>7</b>	<b>HK(27.6) cents</b>	HK(7.7) cents



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2002

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2002</b>	2001
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets	<b>6,089</b>	10,637
Investment properties	—	130,430
Investment in associates	—	249,102
Properties under development	—	17,882
Land pending development	—	50,276
	<hr/> <b>6,089</b>	<hr/> 458,327
<b>CURRENT ASSETS</b>		
Inventories	<b>7,950</b>	11,769
Trade receivables	8 <b>2,425</b>	9,904
Properties held for sale	—	46,237
Due from a related company	—	2,580
Due from an associate	—	2,000
Prepayments, deposits and other receivables	<b>4,263</b>	19,690
Cash and bank balances	<b>2,428</b>	17,290
	<hr/> <b>17,066</b>	<hr/> 109,470
<b>CURRENT LIABILITIES</b>		
Trade payables	9 <b>7,440</b>	7,877
Short-term bank borrowings	—	25,921
Long-term bank loans, current portion	—	14,051
Accruals, other payables and deposits received	<b>6,463</b>	44,365
Due to a fellow subsidiary	—	8,700
Due to an associate	—	4,636
Tax	<b>102</b>	50
	<hr/> <b>14,005</b>	<hr/> 105,600
<b>NET CURRENT ASSETS</b>	<hr/> <b>3,061</b>	<hr/> 3,870
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<hr/> <b>9,150</b>	<hr/> 462,197



CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2002

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2002</b>	2001
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Due to an intermediate holding company		—	296,835
Long-term bank loans		<b>1,464</b>	82,715
Other borrowing		<b>5,000</b>	—
		<hr/> <b>6,464</b>	<hr/> 379,550
<b>MINORITY INTERESTS</b>			
		<b>2,613</b>	56,133
		<hr/> <b>73</b>	<hr/> 26,514
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>66,805</b>	68,053
Reserves		<b>(66,732)</b>	(41,539)
		<hr/> <b>73</b>	<hr/> 26,514



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2002

	From 1 January 2001 to 30 June 2001					Total HK\$'000
	Issued Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Accumulated deficit HK\$'000	
At 1 January 2001	68,053	276,724	196,317	1,617	(421,464)	121,247
Translation adjustment	—	—	—	(12)	—	(12)
Net loss for the period	—	—	—	—	(26,226)	(26,226)
At 30 June 2001	<u>68,053</u>	<u>276,724</u>	<u>196,317</u>	<u>1,605</u>	<u>(447,690)</u>	<u>95,009</u>
	From 1 January 2002 to 30 June 2002					Total HK\$'000
	Issued Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Accumulated deficit HK\$'000	
At 1 January 2002	68,053	276,724	214,095	2,087	(534,445)	26,514
Capital Reduction and Share Consolidation	(61,248)	(248,952)	—	—	310,200	—
Release of goodwill upon the disposal of the interest of subsidiaries	—	—	8,056	—	—	8,056
Transfer from capital reserve to accumulated deficit	—	—	(224,245)	—	224,245	—
Issue of Subscription Shares	60,000	6,000	—	—	—	66,000
Net loss for the period	—	—	—	—	(100,497)	(100,497)
At 30 June 2002	<u>66,805</u>	<u>33,772</u>	<u>(2,094)</u>	<u>2,087</u>	<u>(100,497)</u>	<u>73</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2002

	<i>Unaudited</i>	
	2002	2001
	HK\$'000	HK\$'000
		(Restated)
Net cash outflow from operating activities	(62,008)	(11,758)
Net cash outflow from investing activities	(15,024)	(42,322)
Net cash inflow from financing activities	<u>80,091</u>	<u>54,239</u>
Increase in cash and cash equivalents	3,059	159
Cash and cash equivalents at beginning of period	<u>(631)</u>	<u>13,936</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,428</u></u>	<u><u>14,095</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,428	16,395
Bank overdrafts	<u>—</u>	<u>(2,300)</u>
	<u><u>2,428</u></u>	<u><u>14,095</u></u>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2002

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised or new SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statements which classifies cash flows during the period according to operating, investing and financing activities. Condensed consolidated cash flow statement for the six months ended 30 June 2001 has been prepared on a consistent basis.

Except for the above, the adoption of the new SSAPs has had no material impact on the Group’s financial statements.

### 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.



**2. SEGMENT INFORMATION (CONTINUED)**

The Group's operating businesses are structured and managed separately, according to the nature of their operation and the products and services they provide. Each of the Group's business segment represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of business segments are as follows:

	Turnover		Contribution to loss from operating activities	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Business Segments:</b>				
Information technology	43,674	44,659	(2,108)	(4,078)
Property development and investment	3,650	1,452	(7,966)	754
Investment holding and others	242	—	(9,946)	(2,639)
	<u>47,566</u>	<u>46,111</u>	<u>(20,020)</u>	<u>(5,963)</u>
<b>Geographical Segments:</b>				
Hong Kong	3,892	318	(7,000)	(1,883)
The People's Republic of China (the "PRC")	43,674	45,793	(13,020)	(4,080)
	<u>47,566</u>	<u>46,111</u>	<u>(20,020)</u>	<u>(5,963)</u>

There are no intersegment sales and transfer between the business segments.

**3. LOSS FROM OPERATING ACTIVITIES**

Loss from operating activities for the period has been arrived at after charging the depreciation of HK\$1,248,000 (2001: HK\$672,000).

**4. GAIN ON DISPOSAL OF SUBSIDIARIES**

On 28 June 2002, the Group completed the Financial Restructuring and disposed of certain subsidiaries to South China Industrial Limited ("SCIL"), the former immediate holding company of the Company. This transaction gave rise to a profit of HK\$173,000.



**5. TAX**

No provision for Hong Kong profits tax has been made (2001: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profit assessable elsewhere have been calculated at rates prevailing in the countries in which the Group operates.

**6. INTERIM DIVIDEND**

At a meeting of the Board of Directors held on 25 September 2002, the directors resolved not to pay an interim dividend to shareholders (2001: Nil).

**7. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of approximately HK\$100,497,000 (2001: HK\$26,226,000) and on the weighted average number of 364,721,424 ordinary shares (2001: 340,264,903 (as restated)) in issue during the period, taking into account of the Share Consolidation on a two to one basis on 24 June 2002.

Diluted loss per share has not been shown as there is no dilution effect for both periods.

**8. TRADE RECEIVABLES**

Trade debtors, which generally have credit terms of no more than 180 days, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

Trade receivable principally aged within 180 days.

**9. TRADE PAYABLES**

Trade payables principally aged within 180 days.



**10. ISSUED CAPITAL**

**Shares**

	<b>Company</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.02 each (31 December 2001: 10,000,000,000 ordinary shares of HK\$0.10 each)	<b>100,000</b>	<b>1,000,000</b>
<i>Issued and fully paid:</i>		
3,340,264,902 ordinary shares of HK\$0.02 each (31 December 2001: 680,529,805 ordinary shares of HK\$0.10 each)	<b>66,805</b>	<b>68,053</b>

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2002 to 30 June 2002:

- (i) At an Extraordinary General Meeting held on 28 February 2002, it was passed to reduce the issued and paid up capital of the Company to HK\$0.01 per share by cancelling HK\$0.09 on each of the existing shares of HK\$0.10 in issue on 28 February 2002 ("Capital Reduction").
- (ii) Share Consolidation which consolidated every two existing shares into one New Share was passed at an Extraordinary General Meeting held on 28 February 2002. The Share Consolidation was completed on 24 June 2002.

Pursuant to the Capital Reduction and Share Consolidation, the authorised share capital became HK\$100,000,000 comprising 5,000,000,000 new shares of HK\$0.02 each ("New Shares").

- (iii) On 22 April 2002, as a part of the Financial Restructuring, Proper Glory Holding Inc. ("Proper Glory"), SCIL and the Company entered into a Subscription Agreement in which Proper Glory subscribed 3,000,000,000 New Shares at a price of HK\$0.22 each ("Share Subscription").

The Share Subscription was completed on 28 June 2002 and the net proceeds received was approximately of HK\$66 million and was used to repay the amount due to SCIL and for general working capital of the Company.



**11. CONTINGENT LIABILITIES AND COMMITMENTS**

There was no material change in the Group's contingent liabilities and commitments as compared to the most recent published annual report.

**12. PLEDGE OF ASSETS**

There was no pledge of assets by the Group as at 30 June 2002.

**13. SUBSEQUENT EVENTS**

On 2 July 2002, a special resolution in connection with the change of name of the Company from South China Information and Technology Limited to Guorun Holdings Limited 國潤控股有限公司 was passed at the Extraordinary General Meeting of the Company.

On 2 July 2002, the Company's substantial shareholder, Proper Glory, entered into an agreement to place out 500 million issued ordinary shares of the Company to independent third parties at HK\$0.10 per Placing Share.

**14. APPROVAL OF THE INTERIM FINANCIAL REPORT**

These condensed interim financial statements were approved and authorised for issue by the board of directors on 25 September 2002.



## MANAGEMENT COMMENTARY

### Financial Results and Business Overview

At the end of June 2002, the Group successfully completed the Financial Restructuring as set out in circular dated 7 June 2002. The Group disposed of its entire interest in certain subsidiaries and associates engaged in property investment and development and travel related businesses, and a number of subsidiaries engaged in information and technology business.

The Group's turnover for the six months ended 30 June 2002 amounted to approximately of HK\$47.6 million, representing a slight increase of 3.2% as compared to HK\$46.1 million for the corresponding period in last year. The unaudited net loss attributable to shareholders for the period was approximately of HK\$100.5 million, representing 2.8 times the loss over last year. In light of the prolonged sluggish property market, substantial amount of provisions on revaluation were further made during the period. An aggregate of HK\$85.9 million provisions were made for all of the Group's property project, which accounted for the major loss for the period.

The information and technology ("IT") related businesses has sustained more or less the same level of turnover as that of last interim period. The IT businesses have not yet been making any profits and a total net loss of approximately HK\$2.1 million was recorded for the period, which was a 48% reduction in loss over last corresponding period.

The turnover from the property development and investment segment was HK\$3.7 million which was around 7.7% of the total turnover of the Group for the period. Loss attributable from this business segment was HK\$8.0 million after making the provisions totalling HK\$10.9 million. Another provisions of HK\$75 million was related to the property project held under an associate and reported in the share of losses from associates during the period.

Upon the completion of the Group's Financial Restructuring on 28 June 2002, the entire property portfolio including interests in land, investment properties and properties pending development together with the related mortgages, and the 49%-owned associate engaged in travel related businesses were disposed of to the former holding company.

### Prospects

The Directors are of the view that the Group has reduced the indebtedness and finance costs to a large extent upon the completion of Financial Restructuring thereby improving her financial position and enabled the Group to release the loss-making Hong Kong based property business. Therefore, the Financial Restructuring helped the Group to get rid of the lose-making factor, which will bring positive effects on the Group's future operating position.

Moving forward, the management has been taking painstaking efforts on exploring suitable business opportunities and new investments which will help the Group to resume to a profit-making position and facilitate the long-term growth potential.



## Liquidity and Borrowings

As at 30 June 2002, the Group's cash and bank balances amounted to HK\$2,428,000 (2001: HK\$17,290,000). Total bank and other borrowings amounted to HK\$6,464,000 (2001: HK\$419,522,000) out of which all (2001: HK\$379,550,000) were classified as non-current liabilities.

## Directors' Interests in Shares

As at 30 June 2002, the interests of the directors or their associates in the share capital of the Company or its associated corporations as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were set out as below:

Name of director	Number of ordinary shares held and nature of interests			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. He Xuechu (Note)	—	—	2,500,000,000	—
Mr. Ku Wai Kwan (Note)	—	—	—	—
Mr. Zhou Teng (Note)	—	—	—	—
Mr. Wong Hing Kwok (Note)	—	—	—	—

*Note:* The 2,500,000,000 shares are held by Proper Glory Holding Inc. ("Proper Glory"), a company incorporated in the British Virgin Islands. The issued share capital of Proper Glory is beneficially owned as to 32 per cent. by Mr. He Xuechu, as to 28 per cent. by Fortune Door Investment Limited, as to 25 per cent. by Venture Link Assets Limited and as to 15 per cent. by Wong Hing Kwok. Fortune Door Investment Limited is a private company incorporated in the British Virgin Islands with limited liability and the entire issued capital of which is beneficially owned by Mr. Ku Wai Kwan. Venture Link Assets Limited is a private company incorporated in the British Virgin Islands with limited liability and the entire issued capital of which is beneficially owned by Mr. Zhou Teng.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.



## Share Option Scheme

The Company's share option scheme (the "Old Scheme"), which was adopted on 13 October 1997, was terminated on 31 May 2002 and a new share option scheme (the "New Scheme") was adopted upon the passing of a resolution in extraordinary general meeting on 31 May 2002. Pursuant to the New Scheme, the directors may, at their discretion, grant to selective employees of the Group including the directors to subscribe for shares of the Company up to a maximum aggregate number of shares equal to 10 per cents. of the total issued shares of the Company. The purpose of the Scheme is to allow grantees the opportunity to obtain equity interest in the Company. No grantee would be granted option which would exceed 25 per cents. of the total option available. The grant is subject to acceptance within 21 days of the offer. The consideration payable for the option is HK\$1.00. The exercisable price of the option is determined by the directors which may be the higher of the nominal value of the share or 80 per cents. of the average five business days' closing price of the shares on the Stock Exchange of Hong Kong Limited immediate preceding the date of grant.

No share option was neither exercised nor granted during the period. A total of 46,030,000 share options which had been granted to certain former directors and employees under the Old scheme were surrendered during the period. Accordingly, there was no outstanding share options as at 30 June 2002.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Substantial Shareholders

At the date of this report, no person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance, other than the shares held by Proper Glory as disclosed in the section headed "Directors' interests in shares" above.

## Significant Events

On 28 June 2002, the executive directors, including Mr. Ng Hung Sang, Robert, Mr. Cheung Wing Hung, Vincent, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Christina and Ms. Ng Yuk Mui, Jessica and the independent non-executive directors, including Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Yeung Chik Kin resigned pursuant to the financial restructuring as permitted under Rule 7 of the Hong Kong Code on Takeovers and Mergers. Mr. He Xuechu, Mr. Ku Wai Kwan, Mr. Zhou Teng, Mr. Wong Hing Kwok were appointed as the new executive directors; Mr. Lee Cheuk Yin, Dannis and Mr. Liu Ming Hui as independent non-executive directors with immediate effect from 28 June 2002.



**Compliance with the Code of Best Practice**

In the opinion of the Directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the this report, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s articles of association.

**Audit Committee**

The Company has an Audit Committee (the “Committee”) which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee has reviewed the management and accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited financial statements for the period.

On behalf of the Board

**He Xuechu**

*Chairman*

Hong Kong, 25 September 2002