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GREAT CHINA

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**GREAT CHINA**  
**HOLDINGS**  
**LIMITED**

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

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The directors of Great China Holdings Limited (the “Company”) present the Group’s Interim Report and condensed accounts for the six months ended 30th June, 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June, 2002, and the consolidated balance sheet as at 30th June, 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 14 of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group recorded a net profit after taxation of HK\$18,040,000 for the six months ended 30th June, 2002, compared to a loss of HK\$25,579,000 for the corresponding period last year. The profit was mainly derived from the gain on disposal of investment properties. Turnover of the Group dropped by 25% to HK\$359,088,000 primarily reflecting the decrease in sales recorded by the trading operation.

#### *Trading Operation*

Fishmeal trading has remained as the focus of the Group’s trading operation. During the period under review, the continued decline in fish catch at Peru waters caused severe interruptions to the fishmeal supply to the Group, and the selling price of fishmeal was under pressure due to the reduced protein content of fishmeal. As a result, the Group’s trading operation recorded a 25% decline in turnover and suffered a loss of HK\$11,516,000.

The Group is taking measures to improve the performance of the trading operation, which will include diversifying the product range and sales initiatives in Mainland China.

#### *Property Investment in Hong Kong*

During the period under review, the Group sold two investment properties in Hong Kong at a gain. The Group continued to enjoy a stable income from the remaining investment properties and did not encounter any problem in rental collection. The outlook for retail properties in Hong Kong remains cloudy as rising unemployment and stock market volatility is taking a toll on consumers and investors confidence. Shop spaces at prime locations such as those owned by the Group should fare better in rental and occupancy.

### *Property Investment in Mainland China*

The properties in Jing An District in Shanghai, of which the Group obtained legal title in the financial year ended 2001, are now under renovation with sales expected to commence in the fourth quarter of 2002. The settlement agreement with one of the defaulting parties was fully enforced, and the last payment of deposit receivable was received by the Group on schedule.

The Group's other investment properties in Mainland China continued to enjoy high occupancy rates and contributed satisfactory income to the Group.

### *Real Estate Agency Services in Mainland China*

Loss of this operation narrowed to HK\$1,041,000 from HK\$1,858,000 a year ago. While internal cost control measures helped, the enhancing factor was the growth of the property market in Mainland China.

### **Strategic Outlook**

Conditions in the Peru fisheries appear to be improving as the fish supply therein show signs of stability. Nevertheless, for the long-term growth of its trading operation, the Group is diversifying the product range and other sales initiatives in Mainland China.

The economic conditions in Hong Kong may stay sluggish for some time. The Group will closely monitor the situation and position its investment property portfolio accordingly. The bright spot is Mainland China, in particular Shanghai where the property market is booming. The Group expects good returns from the sale and leasing of properties in Shanghai and will continue to focus on this city.

### **Legal claim**

A legal claim had been lodged by a third party against a subsidiary of the Company. Pursuant to the ruling of the High Court of Hong Kong in April 2002, the subsidiary has lost its case and was liable to a judgement debt of approximately US\$1.23 million including interest to the third party. The subsidiary has made an appeal on the amount and the appeal is scheduled for court hearing in October 2002. For the sake of prudence, full provision of the judgement debt has been made in the Group's accounts for the six months ended 30th June, 2002.

## **Liquidity and financial resources**

The long term liabilities of the Group amounted to approximately 43% (31st December, 2001: 37%) of its shareholders' fund as at 30th June, 2002. The current ratio of the Group increased to 1.75 from 1.39 as at 31st December, 2001.

The Group's borrowings were mainly denominated in Hong Kong Dollars and the United States Dollars. As at 30th June, 2002, cash and bank balances of HK\$69,958,000 (31st December, 2001: HK\$65,893,000) and certain land and buildings with an aggregate net book value of HK\$447,243,000 (31st December, 2001: HK\$493,207,463) were pledged to banks to secure banking facilities amounting to HK\$397,620,000 (31st December, 2001: HK\$444,048,181). The aggregate amount of banking facilities available but not yet utilised by the Group was HK\$42,437,000 (31st December, 2001: HK\$206,863,000) as at 30th June, 2002.

Since the Group usually conducts its business transactions in Hong Kong Dollars and the United States Dollars, 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, 2002, the total number of employees of the Group was about 132 with staff cost amounting to approximately HK\$5,860,000 (six months ended 30th June, 2001: HK\$6,200,000). 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 can be exercised between 2nd September, 1993 to 1st September, 2003.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30th June, 2002, the interests of directors in the securities of the Company and its associated corporations as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) or as notified to the Company were as follows:

### Ordinary Shares of the Company

Directors	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Rustom Ho Ming Yu	-	-	138,347,288*	-	138,347,288
Mr. John Ho Ming Tak	-	600,000	138,347,288*	-	138,947,288

\* *By virtue of the SDI Ordinance, both Mr. Rustom Ho Ming Yu and Mr. John Ho Ming Tak are deemed to have interest in the 138,347,288 shares held by Fulcrest Limited. Interests in the same share have been disclosed by Fulcrest Limited and others as substantial shareholders.*

## SHARE OPTIONS

### Outstanding Options of the Company

	Options held at 1st January and 30th June 2002
Director – Mr. Rustom Ho Ming Yu	6,000,000
Director – Mr. John Ho Ming Tak	6,000,000
Continuous contract employee	180,000
	<hr/>
	12,180,000
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The options were granted under the Employees Share Option Scheme approved by the shareholders on 29th March, 1993. The options are exercisable at HK\$0.94 per share at any time prior to 1st September, 2003. No share option was granted, exercised or lapsed during the period.

Apart from the share option scheme mentioned above, none of the director (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance).

## **SUBSTANTIAL SHAREHOLDERS**

At 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, other than interests of directors disclosed above, amounting to 10% or more of the issued share capital of the Company:

### **Ordinary Shares of the Company**

<b>Substantial shareholders</b>	<b>Number of shares held</b>	
	<b>Direct interest</b>	<b>Deemed interest</b>
Fulcrest Limited	138,347,288	–
Raynor Holdings Limited	–	138,347,288
Seward Holdings Corp	–	138,347,288
Asian Pacific Investment Corporation	–	138,347,288
Kwong Fong Holdings Limited	710,000	138,347,288
Kwong Fong Industries Corporation	8,680,000	139,057,288
Top Glory Holding Company Limited	45,058,000	–

## **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 of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th June, 2002.

## **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, 2002 with the directors.

On behalf of the Board  
**John Ho Ming Tak**  
*Managing Director*

Hong Kong, 20th September, 2002

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2002

		(Unaudited)	
		Six months ended	
		30th June	
		2002	2001
	Notes	HK\$'000	HK\$'000
Turnover	2	359,088	475,693
Cost of sales		<u>(325,637)</u>	<u>(410,616)</u>
Gross profit		33,451	65,077
Other revenue		645	1,463
Selling expenses		(31,664)	(56,507)
Administration expenses		(11,992)	(15,300)
Gain on disposal of investment properties		41,102	–
Other net operating expenses		<u>(9,058)</u>	<u>(10,408)</u>
Operating profit/(loss)	2, 3	22,484	(15,675)
Finance costs		<u>(5,681)</u>	<u>(12,050)</u>
		16,803	(27,725)
Share of profits of associated companies		<u>1,473</u>	<u>2,027</u>
Profit/(loss) before taxation		18,276	(25,698)
Taxation	4	<u>(236)</u>	<u>119</u>
Profit/(loss) after taxation		18,040	(25,579)
Minority interest		<u>123</u>	<u>269</u>
Profit/(loss) attributable to shareholders		<u><u>18,163</u></u>	<u><u>(25,310)</u></u>
Dividend		<u><u>–</u></u>	<u><u>–</u></u>
Basic earnings/(loss) per share ( <i>cents</i> )	5	<u><u>6.94</u></u>	<u><u>(9.67)</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30th June, 2002*

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30th June</b>	<b>31st December</b>
	<b>2002</b>	<b>2001</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	<b>454,290</b>	500,104
Interests in associated companies	<b>119,180</b>	127,139
Long term investments	<b>3,221</b>	3,221
Current assets		
Properties held for resale	<b>73,510</b>	69,049
Deposits receivable	–	3,151
Inventories	<b>26,747</b>	3,441
Accounts receivable and prepayments	<b>24,054</b>	5,835
6		
Bank balances, pledged	<b>69,958</b>	65,893
Cash and bank balances	<b>27,732</b>	12,720
	<b>222,001</b>	160,089
Current liabilities		
Rental deposits received	<b>4,056</b>	4,809
Accounts payable and accrued expenses	<b>76,514</b>	33,000
7		
Taxation payable	<b>271</b>	287
Trust receipt loans	<b>18,880</b>	38,317
Bank loans, secured		
– Current portion	<b>26,891</b>	38,369
8		
	<b>126,612</b>	114,782
Net current assets	<b>95,389</b>	45,307
Total assets less current liabilities	<b>672,080</b>	675,771
Financed by:		
Share capital	<b>52,337</b>	52,337
Reserves	<b>417,543</b>	440,482
Shareholders' fund	<b>469,880</b>	492,819
Minority interests	<b>1,858</b>	1,981
Advance from a minority shareholder	<b>9,450</b>	9,450
Bank loans, secured		
– Non-current portion	<b>190,892</b>	171,521
8		
	<b>672,080</b>	675,771



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th June, 2002*

	(Unaudited)	
	Six months ended	
	30th June	
	2002	2001
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	<u>(23,768)</u>	<u>(2,443)</u>
Net cash inflow from investing activities	<u>54,387</u>	<u>31,821</u>
Net cash inflow/(outflow) from financing activities	<u>7,893</u>	<u>(14,505)</u>
Net change in bank deposits pledged	<u>(4,065)</u>	<u>(41,557)</u>
Increase/(decrease) in cash and cash equivalents	<b>34,447</b>	(26,684)
Cash and cash equivalents at 1st January	(25,597)	(48,449)
Effect of foreign exchange rate changes	<u>2</u>	<u>(4)</u>
Cash and cash equivalents at 30th June	<u><b>8,852</b></u>	<u>(75,137)</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	27,732	14,931
Advances from banks repayable within three months	<u>(18,880)</u>	<u>(90,068)</u>
	<u><b>8,852</b></u>	<u>(75,137)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June, 2002*

	(Unaudited)	
	Six months ended	
	30th June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Share capital</b>	52,337	52,337
<b>Share premium</b>	19,516	19,516
<b>Investment properties revaluation reserve</b>		
Brought forward	369,292	367,238
Reserve realised upon disposal of investment properties	(41,102)	–
Carried forward	328,190	367,238
<b>Exchange fluctuation reserve</b>		
Brought forward	1,255	1,707
Arising on translation of the accounts of overseas subsidiaries and associated companies during the period	–	11
Carried forward	1,255	1,718
<b>Reserve arising on consolidation</b>		
Brought and carried forward	1,441	1,441
<b>Retained profits</b>		
Brought forward	48,978	84,924
Profit/(loss) for the period	18,163	(25,310)
Carried forward	67,141	59,614
<b>TOTAL</b>	469,880	501,864

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (“HKSA”).

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

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, 2001 except that the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised): Presentation of financial statements

SSAP 15 (revised): Cash flow statements

SSAP 25 (revised): Interim financial reporting

SSAP 34: Employee benefits

The effect of adopting these new policies is set out below:

#### *SSAP 1 (revised): Presentation of financial statements*

In order to comply with the revised requirement of SSAP 1 (revised), the Group adopts the new statement ‘Consolidated Statement of Changes in Equity’ which replaces the ‘Consolidated Statement of Recognised Gains and Losses’ included in previous accounts. The new statement reconciles the movement of key components of the shareholders’ fund, including share capital, reserves and retained earnings, from the beginning to end of a period. Comparative figures have been provided.

#### *SSAP 15 (revised): Cash flow statements*

The presentation and classification of items in the cash flow statement have been changed to follow the new requirements of SSAP 15 (revised). As a result, cash flow for current and last periods ended have been reclassified by operating, investing and financing activities.

*Certain comparative figures have been reclassified to conform with current period presentation.*

## 2. Turnover and segment information

The principal activities of the Group are general trading, property investment and real estate agency services.

### Primary reporting format – business segments

An analysis of the Group's turnover and segment results for the period by business segments is as follows:

	(Unaudited) Six months ended 30th June 2002 HK\$'000			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>347,298</u>	<u>11,171</u>	<u>619</u>	<u>359,088</u>
Segment results	<u>(11,516)</u>	<u>50,626</u>	<u>(1,041)</u>	38,069
Unallocated corporate expenses				<u>(15,585)</u>
Operating profit				22,484
Finance costs				(5,681)
Share of profits of associated companies		1,473		<u>1,473</u>
Profit before taxation				18,276
Taxation				(236)
Minority interests				<u>123</u>
Profit attributable to shareholders				<u>18,163</u>

	(Unaudited) Six months ended 30th June 2001 HK\$'000			
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>461,982</u>	<u>13,036</u>	<u>675</u>	<u>475,693</u>
Segment results	<u>(7,290)</u>	<u>10,042</u>	<u>(1,858)</u>	894
Unallocated corporate expenses				<u>(16,569)</u>
Operating loss				(15,675)
Finance costs				(12,050)
Share of profits of associated companies		2,027		<u>2,027</u>
Loss before taxation				(25,698)
Taxation				119
Minority interests				<u>269</u>
Loss attributable to shareholders				<u>(25,310)</u>

The Group is organised into three main business segments:

- General trading – trading of feed and grains
- Property investment – rental income from investment properties and properties held for resale
- Real estate agency services – provision of real estate agency services

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

*Secondary reporting format – geographical segments*

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by geographical segments is as follows:

	Turnover (Unaudited)		Operating profit/(loss) (Unaudited)	
	Six months ended 30th June		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	7,247	8,819	45,853	7,239
Mainland China	324,815	404,492	(6,991)	(5,453)
Philippines	24,704	59,487	(800)	(1,144)
Others	2,322	2,895	7	252
	<u>359,088</u>	<u>475,693</u>	<u>38,069</u>	<u>894</u>
<i>Less: Unallocated corporate expenses</i>			<u>(15,585)</u>	<u>(16,569)</u>
Operating profit/(loss)			<u>22,484</u>	<u>(15,675)</u>

The Group operates in three main geographical areas:

Hong Kong	– rental income from investment properties
Mainland China	– trading feed and grains, rental income from investment properties, properties held for resale and provision of real estate agency services
Philippines	– trading of feed and grains

### 3. Operating profit/(loss)

	(Unaudited) Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000
	<b>Operating profit/(loss) is stated after crediting and charging the following:</b>	
<i>Crediting</i>		
Gain on disposal of investment properties	<u>41,102</u>	<u>–</u>
<i>Charging</i>		
Depreciation of fixed assets	1,040	1,218
Judgement debt ( <i>Note a</i> )	8,791	–
Impairment of land and buildings	<u>–</u>	<u>10,761</u>

*Note:*

- a. This represents the provision 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 the current period (six months ended 30th June, 2001: Nil). Taxation on overseas profits has been calculated on the assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
– over provision in prior periods	–	435
Overseas taxation		
– current	<b>(120)</b>	<b>(196)</b>
	<b>(120)</b>	239
Share of taxation attributable to an associated company	<b>(116)</b>	<b>(120)</b>
	<b>(236)</b>	<b>119</b>

## 5. 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 30th June, 2002 of HK\$18,163,000 (six months ended 30th June, 2001: loss of HK\$25,310,000) and 261,684,910 shares (30th June, 2001: 261,684,910 shares) of the Company in issue during the period.

No diluted earnings/(loss) per share has been presented for current and prior periods because the exercise of the options have no dilutive effect for those periods.

## 6. Accounts receivable and prepayments

The majority of the Group's sales are on letter of credit or documents against payment. Included in accounts receivable and prepayments are trade and bills receivables. Their ageing analysis is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30th June</b>	31st December
	<b>2002</b>	2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Less than 30 days	<b>17,556</b>	37
30 – 60 days	<b>178</b>	172
61 – 90 days	<b>96</b>	337
Over 90 days	<b>964</b>	1,898
	<b>18,794</b>	<b>2,444</b>

## 7. Accounts payable and accrued expenses

Included in accounts payable and accrued expenses are trade and bills payables. Their ageing analysis is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30th June</b>	31st December
	<b>2002</b>	2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Less than 30 days	<b>56,558</b>	1,243
30 – 60 days	<b>9</b>	35
61 – 90 days	<b>3</b>	1
Over 90 days	<b>85</b>	125
	<b>56,655</b>	<b>1,404</b>

## 8. Bank loans, secured

	(Unaudited) 30th June 2002 <i>HK\$'000</i>	(Audited) 31st December 2001 <i>HK\$'000</i>
Secured bank loans	217,783	209,890
Current portion of secured bank loans	<u>(26,891)</u>	<u>(38,369)</u>
	<u><b>190,892</b></u>	<u><b>171,521</b></u>

At 30th June, 2002, the Group's bank loans were repayable as follows:

	(Unaudited) 30th June 2002 <i>HK\$'000</i>	(Audited) 31st December 2001 <i>HK\$'000</i>
Within one year	26,891	38,369
In the second year	26,407	18,262
In the third to fifth year	118,825	98,784
After the fifth year	<u>45,660</u>	<u>54,475</u>
	<u><b>217,783</b></u>	<u><b>209,890</b></u>

## 9. Contingent liabilities

	(Unaudited) 30th June 2002 <i>HK\$'000</i>	(Audited) 31st December 2001 <i>HK\$'000</i>
Bills discounted with recourse	2,262	3,601
Guarantees for banking facilities utilised by an associated company	<u>24,945</u>	<u>16,092</u>
	<u><b>27,207</b></u>	<u><b>19,693</b></u>