

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 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2004, and the consolidated balance sheet as at 30th June 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 16 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group’s turnover for the six months ended 30 June 2004 was HK\$538,646,000, an increase of 9% compared with the same period in 2003. Unaudited, consolidated profit after taxation and minority interests was HK\$19,659,000, compared with a loss of HK\$2,043,000 for the same period last year.

Trading Operation

Trading operation contributed a turnover of HK\$493,501,000 and remained as one of the major business segments of the Group. While turnover being at the same level compared with that of last year, this segment recorded a contribution of HK\$10,272,000 compared with a loss of HK\$3,168,000 for the same period last year. This encouraging result was a direct consequence of the management’s strategic move into its local sales in Mainland China and also their effort to control freight costs.

Property Investment in Hong Kong

The Hong Kong economy was getting out of its bottom during the period. The relaxation of travel restrictions for mainland tourists helped retail business which in turn boosted the value of retail shops, as well as the rental charges, in prime locations such as those owned by the Group. The Group continued to enjoy a stable income as the shops and residential spaces were in full occupancy during the period.

Property Investment in China

Despite the macro economic control initiated by the Central Government during the period, sale of our properties in Shanghai had not been affected. Sales of Merry Tower apartments during the period provided a significant contribution to the Group’s results; 15 units were sold, which brought to the Group a profit before taxation of HK\$8,991,000.

Others

On 6th February 2004, the Company entered into an agreement to dispose of its entire interest in the Hainan Yangpu Economic Zone. The transaction was completed on 27th February 2004 at a consideration of approximately HK\$12 million resulting in a write-back of provision previously made.

Strategic Outlook

The Group continues to penetrate into fishmeal markets in China by means of collaboration with local market players. The Group benefits from its strong relationships with Peruvian suppliers in securing stable supply of fishmeal serving as a good support for its fishmeal trade. However high freight charges is still a great concern to the performance of trading operation.

The economic recovery in Hong Kong is largely driven by the supportive measures from the Central Government of Mainland China such as the Closer Economic Partnership Arrangement (“CEPA”) and relaxation of restrictions of Mainland individuals to travel to Hong Kong. All these measures are expected to continue in the foreseeable future. As a consequence, the rental value of properties in prime locations is expected to rise, which will benefit the Group’s leasing activities.

The strong China economy is believed to be the momentum for the Group’s property division. The Group will continue to look for suitable opportunities to strengthen its investment property portfolio.

Liquidity and Financial Resources

The long term liabilities of the Group amounted to approximately 43% (31.12.2003: 53%) of its shareholders’ funds as at 30th June 2004.

The Group’s borrowings were mainly denominated in Hong Kong Dollars and United States Dollars. As at 30th June 2004, the Group’s aggregate banking facilities amounted to HK\$403,762,000 (31.12.2003: HK\$438,282,000). The facilities were secured by cash and bank balances of HK\$61,800,000 (31.12.2003: HK\$62,176,000), certain land and buildings with an aggregate book value of HK\$526,845,000 (31.12.2003: HK\$535,602,000) and properties held for resale of HK\$31,458,000 (31.12.2003: HK\$53,664,000). The aggregate amount of banking facilities available but not yet utilized by the Group was HK\$71 million (31.12.2003: HK\$86 million) as at 30th June 2004.

Since the Group usually conducts its business transactions in Hong Kong Dollars, United States Dollars and Renminbi, 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 2004, the total number of employees of the Group was about 111 (30.6.2003: 136) with staff cost amounting to approximately HK\$5,495,000 (30.6.2003: HK\$5,043,000). 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30th June 2004, the interests of directors in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company under Section 352 of the SFO 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

Note: Interests in the shares are long positions.

* *By virtue of the SFO, 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.*