



GLOBAL CHINA GROUP HOLDINGS LIMITED

泛華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

The Board of Directors (the "Board") of Global China Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		Six months ended 30 June 2003	Six months ended 30 June 2002
	Notes	Unaudited HK\$'000	Unaudited and restated HK\$'000
TURNOVER	3	564,785	591,743
Cost of sales		(355,912)	(375,824)
Gross profit		208,873	215,919
Other revenue and gains	4	38,597	7,602
Distribution costs		(79,836)	(77,805)
Administrative expenses		(144,270)	(163,026)
Other operating expenses, net		(6,010)	(14,417)
Gain on disposal of discontinued operations	5	-	207,312
PROFIT FROM OPERATING ACTIVITIES	6	17,354	175,585
Finance costs		(271)	(941)
Reversal of impairment of interests in jointly-controlled entities, net	7	75,689	-
Provisions for amounts due from jointly-controlled entities and associates		(6,766)	(5,378)
Loss on disposal of an associate		(2,980)	-
Share of profits and losses of:			
Jointly-controlled entities		(67,107)	(8,333)
Associates		32,708	(667)
PROFIT BEFORE TAX		48,627	160,266
Tax	8	(19,355)	(13,081)
PROFIT BEFORE MINORITY INTERESTS		29,272	147,185
Minority interests		1,906	(31,855)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		31,178	115,330
Earnings per share – (HK cents)	9		
Basic		1.71	7.84
Diluted		1.71	N/A

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 – Interim financial reporting, issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group as at and for the year ended 31 December 2002.

2. ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements as at and for the year ended 31 December 2002, except that the Group has changed its accounting policy with respect to deferred tax following the adoption of SSAP 12 (Revised) – Income taxes, issued by the HKSA, which is effective for accounting period commencing on or after 1 January 2003.

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). In prior years, deferred tax liability was provided for, using the income statement liability method, at the current tax rate in respect of all significant timing differences between profit as computed for tax purposes and profit as stated in the financial statements to the extent that the liability will crystallize in the foreseeable future, whereas a deferred tax asset is not recognized until its realization is assured beyond reasonable doubt. Under SSAP 12 (Revised), deferred tax is provided in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, based on the tax rates enacted or substantively enacted at the balance sheet date, with limited exceptions.

The adoption of SSAP 12 (Revised) represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. The change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 30 June 2003 and 31 December 2002 by HK\$37,517,000 and HK\$35,198,000, respectively, and an increase in the Group's deferred tax assets as at 30 June 2003 and 31 December 2002 by HK\$3,603,000 and HK\$775,000, respectively. As a consequence, the Group's net profit attributable to shareholders for the period ended 30 June 2002 has been increased by HK\$132,000, the Group's capital reserve at 1 January 2003 and 2002 has been decreased by HK\$26,862,000, and the consolidated accumulated losses at 1 January 2003 and 2002 have been increased by HK\$7,561,000 and HK\$687,000, respectively.

3. SEGMENTAL INFORMATION

The revenue and results of the Group for the six months ended 30 June 2003 and 30 June 2002, analyzed by (a) primary reporting basis – by business segments and (b) secondary reporting basis – by geographical segments, are as follows:

(a) Business segments

	Media Unaudited		Human Capital Management Unaudited		Trading Unaudited		Commercial printing (Discontinued operations) Unaudited		Corporate and others Unaudited		Eliminations Unaudited		Consolidated Unaudited and restated	
	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
Segment revenue:														
Sales to external customers	430,063	390,724	16,263	17,241	68,301	52,168	-	101,177	50,158	30,433	-	-	564,785	591,743
Intersegment sales	4,291	5,048	82	-	-	-	-	2,422	-	3,158	(4,373)	(10,628)	-	-
Other revenue and gains	4,076	-	1	-	1,701	1,916	-	-	23,405	212	-	-	29,183	2,128
Intersegment other revenue	612	-	-	-	-	-	-	-	5,387	-	(5,999)	-	-	-
Total	439,042	395,772	16,346	17,241	70,002	54,084	-	103,599	78,950	33,803	(10,372)	(10,628)	593,968	593,871
Segment results	784	(1,514)	(2,279)	2,271	3,711	3,125	-	5,478	5,724	(46,561)	-	-	7,940	(37,201)

	Media Unaudited		Human Capital Management Unaudited		Trading Unaudited		Commercial printing (Discontinued operations) Unaudited		Corporate and others Unaudited		Eliminations Unaudited		Consolidated Unaudited and restated		
	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	
Interest and dividend income														8,484	4,465
Unallocated gains														930	1,009
Gain on disposal of discontinued operations														-	207,312
Profit from operating activities														17,354	175,585
Finance costs														(271)	(941)
Reversal of impairment of interests in jointly-controlled entities, net														75,689	-
Provisions for amounts due from jointly-controlled entities and associates														(6,766)	(5,378)
Loss on disposal of an associate														(2,980)	-
Share of profits and losses of:															
Jointly-controlled entities	5,132	7,145	(516)	-	-	-	-	-	(71,723)	(15,478)				(67,107)	(8,333)
Associates	-	-	-	-	(27)	(35)	-	-	32,735	(632)				32,708	(667)
Profit before tax														48,627	160,266
Tax														(19,355)	(13,081)
Profit before minority interests														29,272	147,185
Minority interests														1,906	(31,855)
Net profit from ordinary activities attributable to shareholders														31,178	115,330

(b) Geographical segments

	Hong Kong and PRC Unaudited		North America Unaudited		Australia, New Zealand, and Europe Unaudited		Eliminations Unaudited		Consolidated Unaudited	
	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended	Period ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
Segment revenue:										
Sales to external customers	349,189	353,176	162,834	181,359	52,762	57,208	-	-	564,785	591,743
Other revenue	27,150	2,128	1,492	-	541	-	-	-	29,183	2,128
Total	376,339	355,304	164,326	181,359	53,303	57,208	-	-	593,968	593,871
Segment results	(18,848)	(35,079)	12,770	(4,151)	14,018	2,029	-	-	7,940	(37,201)

4. OTHER REVENUE AND GAINS

	Six months ended 30 June 2003 Unaudited HK\$'000	Six months ended 30 June 2002 Unaudited HK\$'000
Interest income	6,539	3,381
Dividend income from listed investments	630	1,084
Dividend income from unlisted investments	1,315	-
Rental income	3,284	209
Gain on disposal of short term investments	250	1,009
Unrealized gain on changes in fair values of short term investments	680	-
Recognition of deferred income	16,233	983
Recognition of negative goodwill	4,079	-
Others	5,587	936
Total	38,597	7,602

5. DISCONTINUED OPERATIONS

On 25 January 2002, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interests in Roman Enterprises Holdings Limited and Super Grand Holdings Limited, which together held the Group's entire interests in South China Printing Company (1988) Limited, Noble World Printing Company Limited, Roman Financial Press Limited, Valiant Packaging (Holdings) Limited and their subsidiaries (collectively referred to as the "Disposed Assets"), for an adjusted consideration of approximately HK\$388,808,000. The Disposed Assets were principally engaged in the provision of commercial printing and financial printing services in Hong Kong and overseas. The disposal was completed on 19 April 2002.

In the period ended 30 June 2002, a gain on disposal of the Disposed Assets of approximately HK\$207,312,000 was recorded by the Group upon the completion of the above disposal and there were no tax expenses arising from the disposal.

The segment information of the Disposed Assets has been disclosed under the "Commercial printing" segment in note 3 above.

The turnover, other revenue, expenses, profit from ordinary activities and tax expenses attributable to the Disposed Assets for the period from 1 January 2002 to 19 April 2002 (date of completion of disposal) were as follows:

	Period ended 19 April 2002 Audited HK\$'000
Turnover	101,177
Other revenue	138
Expenses	(91,349)
Profit from ordinary activities	9,966
Tax expenses	(496)

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived after charging/(crediting):

	Six months ended 30 June 2003 Unaudited HK\$'000	Six months ended 30 June 2002 Unaudited HK\$'000
Amortization of goodwill	196	3,053
Amortization of intangible assets	523	575
Depreciation	17,148	20,403
Gain on disposal of fixed assets, net	(18,736)	(2,141)
Loss/(gain) on changes in fair value of short term investments, net	(680)	2,596
Minimum leases payments under operating leases:		
Land and buildings	4,989	6,277
Other equipments	-	132
Gain on disposal of discontinued operations	-	(207,312)
Gain on disposal of short term investments	(250)	(1,009)
Recognition of deferred income	(16,233)	(983)
Recognition of negative goodwill	(4,079)	-

7. REVERSAL OF IMPAIRMENT OF INTERESTS IN JOINTLY-CONTROLLED ENTITIES, NET

The Group has an interest in Singdeer Joint Venture, which owns a hotel in Toronto, the Colony Hotel. On 10 February 2003, Singdeer Investments Limited, bare trustee of Singdeer Joint Venture, entered into a conditional sale and purchase agreement with an independent third party to dispose of the hotel for a consideration of approximately HK\$366.6 million (US\$57.6 million). Upon the disposal, the previous impairment provision of approximately HK\$78.4 million (US\$11.4 million) made for the investment in this joint venture was written back in the current period.

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (period ended 30 June 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June 2003 Unaudited HK\$'000	Six months ended 30 June 2002 Unaudited and restated HK\$'000
The People's Republic of China:		
Hong Kong	3,995	1,017
Elsewhere	114	58
Elsewhere	9,399	9,147
Under/(Over) provision in prior years	3,149	(7)
Deferred tax	(24)	(200)
	<u>16,633</u>	<u>10,015</u>
Share of tax attributable to: Jointly-controlled entities	<u>2,722</u>	<u>3,066</u>
Tax charge for the period	<u>19,355</u>	<u>13,081</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$31,178,000 (period ended 30 June 2002: HK\$115,330,000, as restated) and the weighted average of 1,818,158,404 (period ended 30 June 2002: 1,470,345,273) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2003 is based on the net profit attributable to shareholders for the period of HK\$31,178,000, as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 1,818,158,404 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 590,402 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

The diluted earnings per share for the period ended 30 June 2002 has not been presented as there was no dilutive effect on the basic earnings per share during the period ended 30 June 2002. The conversion of the outstanding share options would have an anti-dilutive effect on the basic earnings per share for the period ended 30 June 2002.

10. COMPARATIVE FIGURES

As explained in note 2 above, due to the adoption of SSAP 12 (Revised) during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments have been made and certain comparative figures have been restated to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The principal activities of the Group comprised of Media, Human Capital Management, Broadband Content and Distribution, and Trading.

The Group faced a challenging business environment in the first half of 2003 amidst uncertainties generated by the war in Iraq and the outbreak of SARS. Nonetheless, the performance of respective business units was encouraging.

The consolidated turnover of the Group for the six months ended 30 June 2003 amounted to HK\$564.8 million, a moderate 4.6% decline as compared to HK\$591.7 million for the six months ended 30 June 2002. The decline in turnover was attributable to the discontinuation of the Group's disposed commercial printing operations in the first half of 2002. If discontinued operations were excluded, the consolidated turnover of the Group rose by approximately 15%.

Without taking into account the financial impact of those non-operational items and from disposal of non-core assets, operating loss narrowed significantly from approximately HK\$33.6 million for the previous period to approximately HK\$21 million for the period.

Profit attributable to shareholders was HK\$31.2 million. Earnings per share for the period were HK1.71 cents.

Media Operations

The business activities of the Group's Media Operations comprise of publishing of newspapers and magazines, publication of books and print media distribution in the PRC. The Media Operations achieved profitability on the back of a 10.9% increase in revenue to HK\$439 million despite the local business environment was very challenging.

The respectable performance was attributable to the Group's Newspaper Unit. During the period, it actively explored new customers and introduced innovative advertising packages to mitigate the negative impact on advertising revenue caused by the unprecedented economic downturn in the territory. As a result of the measures adopted by the Group, both Sing Tao Daily and The Standard achieved satisfactory growth in the first quarter until the outbreak of SARS. Circulation revenue rose as successful revamp of editorial content and design layout of Sing Tao Daily, in particular the major facelift of its Sunday Features, lifted readership and circulation.

Sing Tao Daily also actively established news exchange collaborations with renowned newsmakers in the region with an aim to expanding domestic and overseas readership base through the provision of home news to the global readers.

The overseas operations of Sing Tao Daily performed within expectations during the period. With 16 overseas editions widely distributed in North America, Europe and Australia, the geographical diversification of Sing Tao Daily helped minimize the negative impact arising from SARS in Hong Kong.

The Magazine Unit also made solid progress during the period. It continued to expand its portfolio with an aim to establishing a platform for advertisers to target different reader groups. The launching of Eastweek is expected to further strengthen its market position.

The newly established Book Publication Unit published around 100 book titles during the period. It covers a spectrum of genres ranging from learning and education, travel, parenting and lifestyle. In addition to the Hong Kong market, the titles are also distributed in Greater China and overseas markets. Several strategic partnerships were established with prestigious publishing houses in the PRC during the period to undertake copyright trading.

The Group's Print Media Distribution business in the PRC progressed steadily. As the first foreign enterprise to be granted the right to enter into this market, the Group was very prudent to ensure that its first-mover advantage would be fully achieved. As such, a series of in-depth market research and analyses, and careful selection of appropriate business partners were undertaken during the period.

Human Capital Management

The adverse economic climate and the lingering effect of SARS had a negative impact on the Group's Human Capital Management Unit ("HCM"), whose core businesses focus on recruitment media, continuing education and corporate training. Revenue derived from HCM amounted to HK\$16.3 million, registering a decline of 5.2% over the previous period. An operating loss of HK\$2.3 million was recorded for the period.

Recruitment Media

In light of the poor business sentiment, the flagship recruitment magazine JobMarket expanded its business to target continuing education sector – a strategic move in response to the depressed employment market in Hong Kong. A new booklet-size monthly education guide Education Plus, offering a riveting account of latest market updates, is being bundled with JobMarket. The introduction of Education Plus is complemented by a newly launched website, www.eduplus.com.hk, which helped to broaden the service and readership base of JobMarket and brought additional revenue source for the title.

During the period, JobMarket has successfully extended its presence to Beijing through its sister magazine, Good Jobs. It is a weekly recruitment magazine, which offers talent recruitment and advertising services targeting white-collar workers. With JobMarket and Good Jobs, the Group is in a position to offer its customers cross-border recruitment advertising services, which is a market yet to be explored by its competitors.

Corporate Training

During the period, the combat-SARS measures in the PRC had affected the regular business activities in Beijing where most of the daily classes and training sessions were put on hold. The corporate training sessions of HCM hence could not be carried out as planned. Nonetheless, the web-based distant learning university eUBE registered an encouraging growth in student enrollment during the period.

Broadband Content & Distribution

During the period, satisfactory progress had been made by Beelink Information Science and Technology Company Limited ("Beelink") in its development of broadband content and distribution. The broadband subscribers base of Beelink reached 54,000 by the end of the period, a double-fold increase as compared to that of the previous period. Currently, Beelink is the dominant broadband service provider in Jinan, Shandong in the PRC.

In conjunction with its broadband services, the joint venture is also involved in providing system development services to local corporations. During the period, the company secured several contracts with a number of key municipal governments in Shandong. The services provided for the government range from the construction of government online portals, IT infrastructure to office automation applications etc, all these have made Beelink a leading e-government and e-business system and service provider in the city. To open up new revenue streams, Beelink is also expanding its value added services to short messaging and games etc.

Trading

Revenue derived from the distribution of photographic products amounted to HK\$70 million during the period, a significant growth of 29.4% over the previous period. The satisfactory performance was largely attributable to the launching of new models and effective foreign exchange hedging measures. Operating profit for the period increased by 18.7% to HK\$3.7 million.

PROSPECTS

The first half of 2003 presented the Group with unprecedented challenges. The Media Operations, the core business of the Group, have made steady progress in implementing and achieving the Group's clearly defined long-term objective – to become a leading multimedia content provider serving global Chinese communities. The establishment of strategic alliances with reputable newsmakers and publishers in the Greater China region will further enhance the Group's competitive edge to secure a strong position in the global Chinese markets.

To realize the Group's objective, the huge China market cannot be ignored. The provision of professional media services in the PRC is thus adopted as the Group's development strategy to venture this market. On 1 August 2003, the joint venture with People's Daily Press began to roll out its services. The commencement of the operation will lay a solid foundation for the Group to grasp the enormous opportunities in media industry in the PRC, and to serve as a springboard for other subsidiaries within the Group to penetrate the market.

In addition, the Group will continue to develop different distribution outlets to further realize its 'Central Kitchen' strategy. A Content Sales Unit has been established to undertake the centralization and dissemination of proprietary contents generated from the Group's various publishing arms.

Although there are signs of economic pick up domestically with the help of the implementation of stimulus packages by the government, the performance of the Group in the second half will depend largely on the speed and the sustainability of the economic recovery in the territory. The Group will hence continue to adopt a prudent approach in executing its development plans, and will remain focused on implementing stringent cost control measures and creating synergies among all its businesses. Given the Group's strong financial position, coupled with a more focused organizational structure, the Group is well positioned to pursue opportunities for growth as they arise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position and was in a net cash position throughout the period under review. As at 30 June 2003, the Group had a net cash of approximately HK\$561.3 million (31 December 2002: HK\$777.7 million) after those significant cash outflow events, which had happened during the period under review. One of these was the Company had received a redemption notice from Luckman Trading Limited, the major shareholder of the Company, requiring the Company to redeem its preference shares in January, approximately HK\$71.8 million was subsequently paid out. The other one was the Group had invested approximately HK\$96 million into a joint venture with People's Daily Press in Beijing.

The Group's gearing ratio, defined as long-term borrowings to equity, was zero as at 30 June 2003 and 31 December 2002.

The Group adopts a prudent approach to manage its liquidity and treasury function with an aim to maintaining sufficient cash to support the Group's operations and to maximizing the returns without taking undue risks.

The Group had pledged time deposits of approximately HK\$38.6 million (31 December 2002: HK\$28.4 million) to banks to secure banking facilities granted to subsidiaries and a joint venture in Shandong.

DISTRIBUTION

On 24 April 2003, the Board proposed a distribution of HK\$0.01 per share to the shareholders of the Company (the "Distribution"). The Distribution was approved by the Company's shareholders at the special general meeting held on 24 June 2003. Accordingly, the Distribution of HK\$0.01 per share was paid to the shareholders whose names appear on the register of members of the Company as at 24 June 2003.

EMPLOYEES

As at 30 June 2003, the Group had a total of approximately 1,900 employees.

The Group adopts a prudent human resources policy to ensure that while managing an efficient cost base, it will be able to attract and retain quality staff. Apart from basic salaries, the Group provides its staff with various fringe benefits such as medical insurance, discretionary bonus, share options and contribution to mandatory provident fund.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2003 (2002: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

In the opinion of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period, except that the non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with the Company's bye-laws.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Charles HO Tsu Kwok
Chairman

Hong Kong, 18 September 2003

* For identification purposes only