



# Global China Group Holdings Limited

## 泛華集團控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code : 1105

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 2004 together with the comparative figures for the corresponding period in 2003 as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

		Six months ended 30 June 2004 Unaudited HK\$'000	Six months ended 30 June 2003 Unaudited HK\$'000
TURNOVER	3	678,218	564,785
Cost of sales		(492,759)	(355,912)
Gross profit		185,459	208,873
Other revenue and gains	4	18,440	38,597
Distribution costs		(83,160)	(79,836)
Administrative expenses		(137,204)	(144,270)
Other operating expenses, net		(8,887)	(6,010)
Gain on disposal of an unconsolidated subsidiary	5	18,400	-
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(6,952)	17,354
Finance costs		(183)	(271)
Reversal of provision for impairment of interests in jointly-controlled entities, net	7	-	75,689
Provisions for amounts due from jointly-controlled entities, net		(1,497)	(6,766)
Loss on disposal of an associate		-	(2,980)
Share of profits and losses of:			
Jointly-controlled entities		7,158	(67,107)
Associates		(2)	32,708
Amortization of goodwill on acquisition of a jointly-controlled entity		(1,945)	-
PROFIT/(LOSS) BEFORE TAX		(3,421)	48,627
Tax	8	(6,792)	(19,355)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(10,213)	29,272
Minority interests		407	1,906
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(9,806)	31,178
Earnings/(loss) per share - (HK cents)	9		
Basic		(0.53)	1.71
Diluted		(0.53)	1.71

#### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

##### 1. BASIS OF PRESENTATION

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

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 2003.

##### 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 2003.

##### 3. SEGMENTAL INFORMATION

The revenue and results of the Group for the six months ended 30 June 2004 and 30 June 2003, 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		Corporate and others Unaudited		Eliminations Unaudited		Consolidated Unaudited	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
Segment revenue:												
Sales to external customers	536,422	430,063	24,447	16,263	112,474	68,301	4,875	50,158	-	-	678,218	564,785
Intersegment sales	54	4,291	20	82	-	-	150	-	(224)	(4,373)	-	-
Other revenue and gains	3,014	4,076	-	1	235	1,701	4,192	23,405	-	-	7,441	29,183
Intersegment other revenue	577	612	-	-	-	-	4,978	5,387	(5,555)	(5,999)	-	-
Total	540,067	439,042	24,467	16,346	112,709	70,002	14,195	78,950	(5,779)	(10,372)	685,659	593,968
Segment results	165	784	34	(2,279)	1,755	3,711	(38,305)	5,724			(36,351)	7,940
Interest and dividend income											9,017	8,484
Gain on disposal of an unconsolidated subsidiary											18,400	-
Unallocated gains											1,982	930

	Media Unaudited		Human Capital Management Unaudited		Trading Unaudited		Corporate and others Unaudited		Eliminations Unaudited		Consolidated Unaudited		
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	
Profit/(loss) from operating activities												(6,952)	17,354
Finance costs												(183)	(271)
Reversal of provision for impairment of interests in jointly-controlled entities, net												-	75,689
Provisions for amounts due from jointly-controlled entities, net	(2,370)	(4,148)	-	-	-	-	-	-	873	(2,618)		(1,497)	(6,766)
Loss on disposal of an associate	-	-	-	-	-	(2,980)	-	-	-	-		-	(2,980)
Share of profits and losses of:													
Jointly-controlled entities	9,199	5,132	1,593	(516)	-	-	(3,634)	(71,723)				7,158	(67,107)
Associates	-	-	-	-	-	(27)	(2)	32,735				(2)	32,708
Amortization of goodwill on acquisition of a jointly-controlled entity	(1,945)	-	-	-	-	-	-	-				(1,945)	-
Profit/(loss) before tax												(3,421)	48,627
Tax												(6,792)	(19,355)
Profit/(loss) before minority interests												(10,213)	29,272
Minority interests												407	1,906
Net profit/(loss) from ordinary activities attributable to shareholders												(9,806)	31,178

##### (b) Geographical segments

	Hong Kong and Mainland China Unaudited		North America Unaudited		Australia, New Zealand and Europe Unaudited		Eliminations Unaudited		Consolidated Unaudited	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
Segment revenue:										
Sales to external customers	441,926	349,189	184,740	162,834	51,552	52,762	-	-	678,218	564,785

##### 4. OTHER REVENUE AND GAINS

	Six months ended 30 June 2004 Unaudited HK\$'000	Six months ended 30 June 2003 Unaudited HK\$'000
Interest income	7,957	6,539
Investment income	4,089	-
Dividend income from listed investments	564	630
Dividend income from unlisted investments	496	1,315
Rental income	-	3,284
Gain on disposal of short term investments	1,073	250
Unrealized gain on changes in fair values of short term investments	909	680
Recognition of deferred income	-	16,233
Recognition of negative goodwill as income	3,014	4,079
Exchange gains, net	-	3,855
Others	338	1,732
	18,440	38,597

##### 5. GAIN ON DISPOSAL OF AN UNCONSOLIDATED SUBSIDIARY

In prior years, the Group had an investment amounted to HK\$36 million representing 70% equity interest in an unconsolidated subsidiary (the "Subsidiary"). The Group had paid HK\$18 million of the total consideration of the investment with the remaining HK\$18 million included as a liability in other payables and accrual. Full provision of HK\$36 million was made against the Group's interest in the Subsidiary in prior years because the Group was unable to participate in the management of the Subsidiary's sole asset, which is a 50% equity interest in a joint venture in Mainland China. This was a result of the vendors' having been unable to honour certain agreed obligations. The Group commenced legal action against the vendors in prior years.

During the current period, the Group sold the 70% equity interest in the Subsidiary for an aggregate amount of HK\$400,000. Upon completion of the disposal and the Group and the vendors having reached settlement on the legal action, the remaining HK\$18 million of the original purchase consideration was written back to the profit and loss account and included in the gain on disposal of an unconsolidated subsidiary amounted to HK\$18,400,000.

##### 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2004 Unaudited HK\$'000	Six months ended 30 June 2003 Unaudited HK\$'000
Amortization of goodwill	2,937	196
Amortization of intangible assets	573	523
Depreciation	20,509	17,148
Loss/(gain) on disposal of fixed assets, net	348	(18,736)
Exchange losses/(gains), net	2,362	(3,855)
Minimum leases payments under operating leases in respect of land and buildings	4,445	4,989

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

The Group has an interest in Singdeer Joint Venture, which owned 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 (C\$67.6 million). Upon the disposal, the previous impairment provision of approximately HK\$78.4 million (C\$14.46 million) made for the investment in this joint venture was written back in the period ended 30 June 2003.

## 8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (period ended 30 June 2003: 17.5%) 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 2004 Unaudited HK\$'000	Six months ended 30 June 2003 Unaudited HK\$'000
Current		
The People's Republic of China:		
Hong Kong	-	3,995
Elsewhere	726	114
Elsewhere	2,046	9,399
Under/(over) provision in prior years	(443)	3,149
Deferred	(13)	(24)
	<u>2,316</u>	<u>16,633</u>
Share of tax attributable to:		
Jointly-controlled entities	4,476	2,722
Tax charge for the period	<u>6,792</u>	<u>19,355</u>

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$9,806,000 (period ended 30 June 2003: net profit of HK\$31,178,000) and the weighted average of 1,834,340,378 (period ended 30 June 2003: 1,818,158,404) ordinary shares in issue during the period.

The calculation of diluted loss per share for the period ended 30 June 2004 is based on the net loss attributable to shareholders for the period of HK\$9,806,000, as used in the basic loss per share calculation. The weighted average number of ordinary shares used in the calculation is the 1,834,340,378 ordinary shares in issue during the period, as used in the basic loss per share calculation and the weighted average of 1,815,228 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

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

During the first half of 2004, the Group generally saw improvements in its operations in line with the recovery in the Hong Kong economy. The consolidated turnover of the Group for the six months ended 30 June 2004 ("Period") increased by 20.1% to approximately HK\$678.2 million, as compared with approximately HK\$564.8 million for the six months ended 30 June 2003 ("Previous Period"), reflecting a revival in business volume in its core businesses. The Group took advantage of its strong cash position and continued confidence in business prospects and further expanded and diversified its media businesses, in particular its magazine and overseas newspaper operations. The investments made in these businesses, together with higher newsprint cost and usage, resulted in a loss from operating activities of approximately HK\$7.0 million for the Period. Net loss attributable to shareholders for the Period amounted to approximately HK\$9.8 million, or HK0.53 cents per share.

### Media Ownership and Services

With the improvement in the economic environment, the Group's Media operations maintained profitability with a growth in turnover of 24.7%, from approximately HK\$430.1 million in the Previous Period to approximately HK\$536.4 million in the Period.

#### Media Ownership Unit

The two newspapers published by the Group in Hong Kong, Sing Tao Daily and The Standard, both staged a healthy recovery during the Period with steady growth in advertising and circulation revenue. Building on its traditional strength in property advertising, Sing Tao Daily actively developed new categories of advertising and widened its customer base, with particular success in the retail, banking and telecommunications segments. Circulation continued its rising momentum, led by the weekend editions where infotainment and features content had been enriched. Continuing efforts were made to improve the editorial content, including the launch of a new Investment Weekly supplement in April, which further drove up circulation. Average daily circulation during the Period was 18.2% higher as compared with the Previous Period. The growth is particularly noteworthy in the context of a general trend of declining newspaper readership in the market.

The Standard continued to position itself as a leading source of information on Greater China's business and economy. Market share leadership was maintained in listed company notices, revenue from which benefited from increased capital markets activity during the Period. At the beginning of the year, a new management team was installed to lead the newspaper, including the appointment of one of Asia's most experienced business journalists as its Publisher and Editor-in-Chief. Since then, additional resources have continued to be committed to improve the newspaper's content, operations and market position. The initial response from both readers and advertisers has been encouraging. On 20 September, The Standard unveiled a more contemporary design in order to highlight the paper's improved editorial content.

The overseas operations of Sing Tao Daily recorded satisfactory growth in terms of both circulation and advertising revenue in all major markets. In order to reinforce our leading position in existing markets as well as to expand our presence in new markets, significant investments were made on strengthening our overseas operations during the Period. Resources were allocated to increase the circulation and readership base, to enhance the editorial offering as well as to improve the production facilities. In the USA, we grew our market share in San Francisco also through the acquisition of Chinese Times 《金山時報》, an 80-year old locally published newspaper which we have since successfully revamped. In Europe, a new office was opened in Amsterdam to extend our reach further into Continental Europe.

The Group's Magazine unit underwent a restructuring in its portfolio and management structure during the Period. Focus was put on strengthening our titles in three core topics, namely current affairs and entertainment, lifestyle, and IT news and trends. A new management team from Sing Tao Daily was transferred to the unit in early 2004, with a view to creating more synergies within the Group's Media operations. Since then, investments have been made to bolster the strength of the management, editorial and sales teams. In particular, increased resources were put into Eastweek to rebuild its brand and quality. To differentiate from its competitors and its previous image, the magazine was relaunched in May with a new logo and a total new look, and has achieved satisfactory growth in both circulation and advertising revenue.

In line with our "Central Kitchen" concept for content creation, the content of Eastweek has been utilized in Sing Tao Daily's overseas editions as a separate weekly insert. This has not only had an immediate positive impact on the circulation and advertising performance of the overseas editions, but has also helped to extend and promote the Eastweek brand in the overseas markets.

The Book Publication unit, although still representing a relatively small contribution to overall results, progressed considerably during the Period. By the end of June, the number of titles published had increased to over 200, focusing on travel, parenting and educational topics. In July, the unit became a licensee of the Walt Disney Company for publishing and distributing bi-lingual Disney children storybooks in Hong Kong and Macau.

#### Media Services Unit

The Group's print media distribution business in the PRC, conducted under a joint venture with the People's Daily Press 《人民日报》, made significant progress during the Period. The magazine distribution business, having been initiated in Beijing and extended to southern China during the second half of last year, focused on building up the number of titles handled, which grew from around 1,000 at the beginning of 2004 to over 1,200 at the end of June. At the same time, investment has been made on building a comprehensive IT network for distribution and logistics to offer value-added services to its customers. In line with its strategy of developing a nation-wide network for print media distribution, the joint venture will continue to explore acquisition opportunities in provincial distribution capabilities.

## Human Capital Management

The rebound in the Hong Kong economy and positive effects brought about by "CEPA" and the "Individual Visit Scheme" benefited the Group's Human Capital Management unit ("HCM"), which comprises two main businesses: publishing of recruitment and continuing education publications, and provision of corporate training services. During the Period, HCM delivered sound results, with a significant growth in turnover of 50.3% as compared with the Previous Period. The unit achieved an operating profit of approximately HK\$0.03 million, registering a turnaround from the loss of approximately HK\$2.3 million in the Previous Period.

### Recruitment Media

The unit's flagship recruitment media, JobMarket, had an outstanding first half as it broadened its services continually to take advantage of the revival in the employment market. Apart from the weekly publication, the online job seeking website, www.jobmarket.com.hk., was enhanced with real time features and a number of large-scale career exhibitions and seminars were organized, with a view to providing a one-stop solution to serve customers' needs in recruitment advertising. The new monthly publication launched last year, Education Plus, has successfully been developed to become a leading brand for continuing education advertising, with an integrated print and online platform.

### Corporate Training

The corporate training and e-learning business carried out through a joint venture with the University of International Business and Economics ("UIBE") in Beijing continued to make steady progress during the Period. Over 13,000 students have registered for the new academic year in September 2004 at the web-based distant learning university, eUIBE. At the same time, corporate training courses have been developed with reputable overseas educational institutes such as the University of Toronto, to broaden the business base and bring in additional revenue source.

### Broadband Content and Distribution

The Broadband Content and Distribution unit achieved satisfactory progress during the Period. Beelink Information Science and Technology Co., Ltd. ("Beelink Information") (百靈信息科技有限公司) maintained its market leadership as the dominant broadband service provider in Jinan, Shandong Province, with a subscriber base of over 85,000, representing a 25% increase as compared with the end of 2003. At present, Beelink Information's broadband network has more than 90% coverage in Jinan. In conjunction with its broadband services, efforts have been placed on developing value-added services, such as short messaging, games and online advertising, which generated a steady source of additional revenue.

Beelink Information's system integration and development business, which primarily targets provincial government projects, was negatively affected by the macroeconomic control measures implemented in the PRC during the first half of 2004, as government departments cut back on their IT budgets. To diversify its revenue source from this business, Beelink Information has accelerated efforts to broaden its product offerings for non-government sectors.

### Trading

Revenue at the Trading unit benefited from the rapidly developing digital camera market in the PRC. Although intense competition in the market had resulted in pressure on operating margins, the unit recorded a significant growth in sales of 64.7% as compared with the Previous Period. In order to compensate for the deteriorating margins in the photographic product distribution business, the unit has begun to diversify into new product lines whilst leveraging on its existing distribution network, and a newly licensed brand of "Jeep" camera and video bags were launched in August.

## PROSPECTS

The recovery of the Hong Kong economy in the first half of 2004 has provided a favourable operating environment for the Group, and we have taken advantage of such an environment to make appropriate investments to strengthen our competitiveness, as well as to expand our business where, we believe, the market represents growth potential. At the same time, faced with escalating newsprint prices against our achievements in growing circulation of our publications, we have made efforts on improving operational efficiency to keep costs under control.

Looking to the second half of 2004, we shall continue to adopt a prudent approach, combining a strategy of investing selectively in new products and markets for long term growth, and exercising discipline in cost control and productivity gains to ensure improved profit performance. We are confident that the investments we have made have laid a strong foundation for our future growth, and have positioned the Group to fulfill its long term objective of becoming a leading multi-media content provider for global Chinese communities.

## LIQUIDITY AND FINANCIAL RESOURCES, GEARING RATIO, CHARGES ON GROUP'S ASSETS

The Group maintained a strong financial position with a net cash position throughout the Period. During the Period, the Group received repayments of approximately HK\$26 million from its jointly-controlled entity in Canada, and invested approximately HK\$56 million in various high yield short-term investments to maximize the return on cash on hand. As at 30 June 2004, the Group had a net cash balance (calculated with reference to the Group's cash balances and total borrowings) of approximately HK\$459 million (31 December 2003: approximately HK\$544 million).

The gearing ratio, defined as long-term borrowings to equity, was zero as at 30 June 2004 (31 December 2003: zero). As at 30 June 2004, the Group had pledged time deposits of approximately HK\$52 million (31 December 2003: approximately HK\$58 million) to secure banking facilities granted to the Group.

The Group adopts a prudent approach in managing its treasury function and uses different hedging methods to minimize the impact of foreign exchange fluctuations on its financial performance.

## EMPLOYEES

As at 30 June 2004, the Group had a total of approximately 2,000 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 Period (Previous Period: 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 of Hong Kong Limited in due course.

By Order of the Board  
Charles HO Tsu Kwok  
Chairman

Hong Kong, 24 September 2004

As at the date of this announcement, the board of directors of the Company comprises: (1) executive directors: Mr HO Tsu Kwok, Charles (Chairman), Mr WONG Wai Ming, Mr YANG Yiu Chong, Ronald Jeffrey, Mrs SY WONG Chor Fong, Mr JIA Hong Ping, Mr LO Wing Hung, Mr LAI Ting Yiu and Mr JIM Sui Hing; (2) non-executive director: Mr LEUNG Chun Ying; (3) independent non-executive directors: Ms HO Chiu King, Pansy Catilina, Dr TONG Yuk Lun, Paul, Mr TUNG Chee Chen and Mr Timothy David DATTELS.

\* For identification purposes only