



大中華實業控股有限公司*

GREATER CHINA HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 431)

website: <http://www.irasia.com/listco/hk/greaterchina/index.htm>

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

SUMMARY OF RESULTS

The Board of Directors (the “Directors”) of Greater China Holdings Limited (the “Company”) announced that the unaudited financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009, together with the figures for the six months ended 30 June 2008 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended	
	NOTES	30.6.2009	30.6.2008
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		638	1,565
Cost of sales		(251)	(1,202)
Gross profit		387	363
Other income		74	1,960
Selling and distribution costs		(7)	(209)
Administrative expenses		(15,697)	(20,444)
Finance costs	4	(658)	(593)
Loss for the period	6	(15,901)	(18,923)
Other comprehensive income:			
Exchange differences on translation of foreign operations		—	14,625
Total comprehensive loss for the period		(15,901)	(4,298)
Loss for the period attributable to:			
Owners of the Company		(15,778)	(18,901)
Minority interests		(123)	(22)
		(15,901)	(18,923)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(15,778)	(4,276)
Minority interests		(123)	(22)
		(15,901)	(4,298)
		HK cents	HK cents
Loss per share — basic	8	(5.26)	(6.30)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	<i>NOTES</i>	30.6.2009 <i>HK\$'000</i> (unaudited)	31.12.2008 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	100,322	69,954
Prepaid lease payments		100,149	89,076
Prepayments for project development	10	14,715	14,318
Deposits for acquisition of land and buildings	11	33,171	49,364
		<u>248,357</u>	<u>222,712</u>
Current assets			
Inventories		923	40
Trade and other receivables	12	936	1,617
Prepaid lease payments		1,935	1,935
Prepayments and deposits		780	573
Pledged bank deposits	13	68,182	—
Bank balances and cash		72,462	58,109
		<u>145,218</u>	<u>62,274</u>
Current liabilities			
Other payables		4,531	15,525
Bills payable	15	68,182	—
Amount due to a minority shareholder of subsidiaries	18(a)	7,000	7,879
Secured bank loans	14	7,954	2,273
		<u>87,667</u>	<u>25,677</u>
Net current assets		<u>57,551</u>	<u>36,597</u>
Total assets less current liabilities		<u>305,908</u>	<u>259,309</u>
Non-current liability			
Secured bank loans	14	62,500	—
Net assets		<u>243,408</u>	<u>259,309</u>
Capital and reserves			
Issued capital	16	1,499	1,499
Reserves		398,631	398,631
Accumulated losses		(157,447)	(141,669)
Equity attributable to owners of the Company		<u>242,683</u>	<u>258,461</u>
Minority interests		<u>725</u>	<u>848</u>
Total equity		<u>243,408</u>	<u>259,309</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The condensed consolidated 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 with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

A number of new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies presentation and methods of computation have been followed in the condensed consolidated financial statements as were applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

Hong Kong Financial Reporting Standard (“HKFRS”) 8 “Operating Segments”

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure Standard that has not resulted in a redesignation of the Group’s reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised 2007) “Presentation of Financial Statements”

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKAS 23 (revised 2007) Borrowing Costs

(effective for annual periods beginning on or after 1 January 2009)

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the revised accounting policy prospectively. The change has had no material impact on amounts reported in prior and current accounting periods.

The Group has not early applied new or revised HKFRSs that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in any redesignation of the Group's reportable segments. However, in prior periods, bank interest income and finance cost of the subsidiaries operating in segment activities were not included in segment result. Instead, such items were classified as corporate income and expenses. However, information reported to the CODM are based on the post-tax results of the subsidiaries engaged in the respective segment activities. Non-corporate interest income and finance cost are therefore reallocated to the respective segments. The Group's reportable segments under HKFRS 8 are fertilizers and chemicals segment and Industrial property development segment.

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

For the six months ended 30 June 2009 (unaudited)

	Fertilizers and chemicals <i>HK\$'000</i>	Industrial property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>638</u>	<u>—</u>	<u>638</u>
Segment results	(834)	(10,338)	(11,172)
Corporate bank interest income			74
Central administration costs			(4,653)
Interest expenses paid to a minority shareholder of subsidiaries			<u>(150)</u>
Loss for the period			<u>(15,901)</u>

For the six months ended 30 June 2008 (unaudited)

	Fertilizers and chemicals <i>HK\$'000</i>	Industrial property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>1,565</u>	<u>—</u>	<u>1,565</u>
Segment results	(1,497)	(12,370)	(13,867)
Corporate bank interest income			159
Central administration costs			(5,065)
Interest expenses paid to a minority shareholder of subsidiaries			<u>(150)</u>
Loss for the period			<u>(18,923)</u>

All of the segment revenue reported above is from external customers.

Segment result represents the post-tax profit earned or loss of the subsidiaries engaged in respective segment activities without allocation of central administration costs. This is the measure reported to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance.

4. FINANCE COSTS

	Six months ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on borrowings wholly repayable within five years:		
Bank borrowings	508	443
Other borrowings	150	150
	<u>658</u>	<u>593</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profit in Hong Kong for both periods.

Pursuant to the relevant laws and regulations in the People's Republic of China ("the PRC"), the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation, followed by a 50% deduction for the next three years.

With effect from 1 January 2008, the tax rate is unified for both domestic and foreign investment enterprises at the rate of 25%. In addition, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations change the tax rate of the subsidiary established in Zhuhai Special Administrative Region from 15% to 20%, 22%, 24% and 25% for the year ending 31 December 2009, 2010, 2011, 2012 respectively for the subsidiary of the Company. The applicable tax rate for the subsidiary of the Company during the period is 20% (six months ended 30.6.2008: 18%)

No provision for PRC income tax has been made as all of the PRC subsidiaries are not making profit for both periods.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	1,473	402
Depreciation of property, plant and equipment	1,594	763
Provision for doubtful debts	227	—
	<u>227</u>	<u>—</u>

7. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors do not recommend the payment of an interim dividend.

8. LOSS PER SHARE — BASIC

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	<u>(15,778)</u>	<u>(18,901)</u>
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	<u>299,847</u>	<u>299,847</u>

The Company has no potential ordinary shares outstanding in both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred additions to property, plant and equipment, including construction in progress of warehouse, which amounted to approximately HK\$31,962,000 (six months ended 30.6.2008: HK\$27,891,000).

10. PREPAYMENTS FOR PROJECT DEVELOPMENT

As at 30 June 2009 and 31 December 2008, the amount represents prepayment of fee for designing the development site in connection with industrial development projects. The prepayment represents 30% of the total agreed consideration. The relevant service has not been completed as of the end of the reporting period.

11. DEPOSITS FOR ACQUISITION OF LAND AND BUILDINGS

During the period, a deposit of HK\$16,193,000 has been transferred to property, plant and equipment and prepaid lease payments as a result of the completion of the acquisition of the offices located in Beijing, the PRC.

The remaining balance of HK\$33,171,000 respects deposits paid for acquiring land use rights on a piece of land located in Taicang, the PRC.

12. TRADE AND OTHER RECEIVABLES

Included in the balance are trade receivables of HK\$384,000 (31.12.2008: HK\$334,000), net of allowance for doubtful debt of HK\$227,000 (31.12.2008: HK\$Nil). The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the balance sheet date:

	30.6.2009 <i>HK\$'000</i> (unaudited)	31.12.2008 <i>HK\$'000</i> (audited)
0 — 60 days	384	242
61 — 91 days	<u>—</u>	<u>92</u>
	<u>384</u>	<u>334</u>

13. PLEDGED BANK DEPOSITS

During the six months ended 30 June 2009, the Group pledged bank deposits of HK\$68,182,000 to secure the bills payable issued by the bank to a contractor (see Note 15 below).

14. SECURED BANK LOANS

During the six months ended 30 June 2009, the Group obtained new bank loans of approximately HK\$68,181,000 (RMB60,000,000). All bank loans are denominated in Renminbi and secured by pledge of property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK\$104,532,000. A bank loan of approximately HK\$2,273,000 is also secured by personal guarantee from a minority shareholder of a subsidiary. The loans carry effective interest at fixed rates of 6.37% to 6.99% and are repayable over 2 years. The proceeds were used to finance the project development.

15. BILLS PAYABLE

During the six months ended 30 June 2009, the Group issued bills payable of approximately HK\$68,182,000 (RMB60,000,000) to the contractor with whom the Group has contracted to construct property, plant and equipment.

16. ISSUED CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.005 each at 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	<u>421,978,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.005 each at 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	<u>22,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.005 each At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	<u>299,847</u>	<u>1,499</u>

17. CAPITAL COMMITMENTS

	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Commitments in respect of the acquisition and construction of property, plant and equipment contracted for but not provided	<u>137,383</u>	<u>147,401</u>

18. RELATED PARTY DISCLOSURES

- (a) The amount due to a minority shareholder of subsidiaries include a balance of approximately HK\$6,230,000 (31.12.2008: HK\$6,078,000) which is unsecured, interest-bearing at 6% per annum and repayable on demand. The amount of interest expense incurred during the period is approximately HK\$150,000 (six month ended 30.6.2008: HK\$150,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (b) As at the end of the reporting period, a minority shareholder of a subsidiary has provided a guarantee, at no charge to the Group, to a bank for a bank loan of approximately HK\$2,273,000 (31.12.2008: HK\$2,273,000) granted to a subsidiary.
- (c) Compensation of key management

The remuneration of directors and other members of key management during the period was approximately HK\$2,024,000 (six months ended 30.6.2008: HK\$2,139,000).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2009, turnover of the Group amounted to HK\$638,000 (30 June 2008: HK\$1,565,000). Net loss for the period was HK\$15,901,000 (30 June 2008: HK\$18,923,000) and loss per share was HK5.26 cents (30 June 2008: HK6.30 cents).

During the period under review, the revenue from the production and sale of fertilizers, which represented the entire revenue of the Group, dropped significantly due to the keen competition in the industry and the slow down in the economic environment in the market of the PRC. A segmental loss of HK\$834,000 (30 June 2008: HK\$1,497,000) was resulted during the period as a consequence.

Financial Review

Liquidity and Financial Resources

As at 30 June 2009, the Group has current ratio of approximately 1.66 compared to that of 2.43 as at 31 December 2008 and the gearing ratio was 0.32 compared to that of 0.04 as at 31 December 2008. The calculation of gearing ratio was based on the total borrowings (excluding bills payable) of HK\$77,454,000 (31 December 2008: HK\$10,152,000) and the equity attributable to equity holders of HK\$242,683,000 (31 December 2008: HK\$258,461,000) as at 30 June 2009. The increase in the gearing ratio is due to the fact that a secured bank loans amounting to approximately HK\$68,181,000 was obtained during the period.

Capital commitment as at 30 June 2009 was HK\$137,383,000 as compared to that of HK\$147,401,000 as at 31 December 2008.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars and Renminbi (“RMB”)

Charges on assets

As at 30 June 2009, property, plant and equipment and prepaid lease payments of HK\$104,532,000 (31 December 2008: HK\$9,675,000) are pledged against bank loans granted to the Group.

The Group has also pledged bank deposits of HK\$68,182,000 to secure amounts advanced by the bank to a contractor as at 30 June 2009.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2009.

Employees and Remuneration Policies

As at 30 June 2009, the Group has approximately 60 employees. Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

PROSPECTS

The Group's industrial property development is substantially completed at the date of this report. The depot facilities will commence business once the final inspection work on the construction is completed. The operation of the depot facilities are expected to generate stable income and contribute positive cashflow to the Group which will help to offset the financial impact on the decrease in the revenue and profitability of the production and sale of fertilizers business of the Group.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the period under review, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of its shareholders. The Company has always recognized the importance of the transparency and accountability towards the shareholders. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

During the period, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviations:

- Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Ms. Ma is the Chairman and Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. Ma and believes that her appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

- Code A.4.1 stipulates that Non-Executive Directors should be appoint for specific terms and subject to re-election.

The independent Non-Executive Directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all Directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The unaudited interim financial statements of the Group for the six months ended 30 June 2009 have been reviewed by our auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company. The audit committee of the Company currently comprises three Independent Non-Executive Directors, including Mr. Ching Men Ky, Carl (“Mr. Ching”), Mr. Lin Rwei Min (“Mr. Lin”) and Mr. Shu Wa Tung, Laurence (“Mr. Shu”).

REMUNERATION COMMITTEE

The Board has established a remuneration committee which currently comprises 2 Executive Directors, namely, Ms. Ma and Ms. Chan Siu Mun, a Non-Executive Director, namely, Mr. Chan Sze Hon, and 3 Independent Non-Executive Directors, namely, Mr. Ching, Mr. Lin and Mr. Shu. They are responsible for advising the Group on the remuneration policy and framework of the Company’s Directors and senior management members, as well as reviewing and determining the remuneration of all Executive Directors and senior management members with reference to the Company’s objectives from time to time.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our shareholders, customers, bankers and other business partners for their trust and support to the Group.

By order of the board of
Greater China Holdings Limited
Ma Xiaoling
Chairman

Hong Kong, 28 September 2009