大中華實業控股有限公司*
GREATER CHINA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 431)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

SUMMARY OF RESULTS

The Board of Directors (the "Directors") of Greater China Holdings Limited (the "Company") announced the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, together with the figures for the six months ended 30 June 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Six months ended	
	NOTES	**30.6.2005** **HK$'000** **(unaudited)**	30.6.2004 HK$'000 (unaudited)
Revenue	*4*	**31,134**	6,888
Cost of sales		**(22,348)**	(3,261)
Gross profit		**8,786**	3,627
Other operating income		**53**	–
Fair value gain of investment properties	*10*	**37,380**	–
Net unrealised holding losses on other investments		**–**	(181)
Selling and distribution costs		**–**	(6)
Administrative expenses		**(5,300)**	(2,763)
Amortisation of goodwill		**–**	(645)
Profit from operations	*5*	**40,919**	32
Finance costs	*6*	**(2,226)**	(1,382)
Profit (loss) before taxation		**38,693**	(1,350)
Income tax expense	*7*	**–**	–
Profit (loss) for the period		**38,693**	(1,350)
Attributable to:			
Equity holders of the parent		**38,877**	(1,447)
Minority interest		**(184)**	97
		38,693	(1,350)
		HK cents	*HK cents*
Earnings (loss) per share – basic	*8*	**16.3**	(0.7)

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2005

	NOTES	30.6.2005 HK$'000 (unaudited)	31.12.2004 HK$'000 (audited and restated)
Non-Current Assets			
Property, plant and equipment		**4,731**	4,796
Land lease prepayment		**3,473**	3,510
Investment properties	*10*	**303,380**	266,000
Investments in securities		**–**	3,000
Available-for-sales investments		**3,000**	–
		314,584	277,306
Current Assets			
Inventories		**316**	227
Investments in securities		**–**	19,214
Financial assets at fair value through profit or loss		**48**	–
Trade and other receivables	*11*	**3,447**	1,342
Prepayments and deposits		**1,132**	1,389
Bank balances and cash		**11,221**	4,080
		16,164	26,252
Current Liabilities			
Trade and other payables	*12*	**7,741**	9,986
Consideration payable for acquisition of subsidiaries	*13*	**–**	4,000
Amounts due to directors		**–**	3,268
Amount due to a minority shareholder		**6,548**	3,583
Rental deposits		**3,286**	3,241
Taxation		**14,687**	14,687
Bank and other borrowings		**125,443**	130,443
		157,705	169,208
Net Current Liabilities		**(141,541)**	(142,956)
Total assets less current liabilities		**173,043**	134,350
Non-current Liability			
Deferred tax liability		**657**	657
		172,386	133,693
Capital and Reserves			
Share capital		**1,192**	1,192
Reserves		**171,194**	132,317
Equity attributable to equity holders of the parent		**172,386**	133,509
Minority interest		**–**	184
Total Equity		**172,386**	133,693

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed 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 and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the Group's net current liabilities of HK$141,541,000 at 30 June 2005. The directors are satisfied with the long term loan finance obtained subsequent to the balance sheet date, the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and financial assets at fair value through profit or loss. The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Presentation of financial statements

The adoption of HKAS 1 has affected the presentation of minority interests, which are now shown as equity. This change has been applied retrospectively (see Note 3 for the financial impact).

Business Combinations

In the current period, the Group has applied HKFRS 3 Business Combinations. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial period in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. In accordance with the transitional provisions of HKFRS 3. the Group eliminated the carrying amount of goodwill by the related accumulated amortisation of HK$820,000. This change has had no effect on the Group's deficit as at 1 January 2005.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to land lease prepayment under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

Financial Instruments
In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group's financial statements. HKAS 39 generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities
The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably carried. Such equity investments are measured at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

This change has been applied prospectively and has no effect to the Group's deficits as at 1 January 2005, (See Note 3 for the financial impact).

Investment properties
In the current period, the Group has applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change has had no effect on the Group's deficit at 1 January 2005 as the Group had no investment property revaluation reserve at 1 January 2005.

Deferred taxes related to investment properties
In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non–Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that will follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively (See Note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated)	HKAS 1	HKAS 17	HKAS INT 21	As at 31 December 2004 (restated)	HKAS 32 & HKAS 39	As at 1 January 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 2)	*(Note 2)*	*(Note 2)*	*(Note 2)*		
Balance sheet							
Property, plant and equipment	8,306	–	(3,510)	–	4,796	–	4,796
Land lease prepayment	–	–	3,510	–	3,510	–	3,510
Investments in securities	22,214	–	–	–	22,214	(22,214)	–
Available-for-sale investments	–	–	–	–	–	3,000	3,000
Financial assets at fair value through profit or loss	–	–	–	–	–	19,214	19,214
Deferred tax liability	(1,104)	–	–	447	(657)	–	(657)
Minority interest	(184)	184	–	–	–	–	–
Other assets and liabilities	103,830	–	–	–	103,830	–	103,830
Total effects on assets and liabilities	133,062	184	–	447	133,693	–	133,693
Share capital	1,192	–	–	–	1,192	–	1,192
Share premium	348,091	–	–	–	348,091	–	348,091
Deficit	(216,221)	–	–	447	(215,774)	–	(215,774)
Total effects on equity							
Equity holders of parent	133,062	–	–	447	133,509	–	133,509
Minority interest	–	184	–	–	184	–	184
	133,062	184	–	447	133,693	–	133,693

The HKICPA has issued the following standards and interpretations ("INT") that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented;

HKAS 19 Amendments	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendments	Transition and Initial Recognition of Financial Assets and Financial Liabilities
	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
	The Fair value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement contains a Lease
HKFRS – INT 5	Rights to Interests arising from Decommissioning; Restoration and Environment Rehabilitation Funds

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue and contribution to profit (loss) before taxation analysed by business segments are as follows:

BUSINESS SEGMENTS

For the six months ended 30 June 2005

	Production and sales of fertilizers *HK$'000*	**Property investment** *HK$'000*	**Investment holding** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**2,851**	**4,958**	**23,325**	**31,134**
Segment results	**(645)**	**42,038**	**3,165**	**44,558**
Unallocated other operating income				**13**
Unallocated corporate overheads				**(3,652)**
Profit from operations				**40,919**
Finance costs				**(2,226)**
Profit before taxation				**38,693**

For the six months ended 30 June 2004

	Production and sales of fertilizers *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Consolidated *HK$'000*
Revenue	2,292	4,044	552	6,888
Segment results	215	3,162	(303)	3,074
Amortisation of goodwill	(645)	–	–	(645)
Unallocated corporate overheads				(2,397)
Profit from operations				32
Finance costs				(1,382)
Loss before taxation				(1,350)

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging depreciation of HK$250,000 (six months ended 30.6.2004: HK$107,000) in respect of property, plant and equipment.

6. FINANCE COSTS

	Six months ended	
	30.6.2005 *HK$'000*	30.6.2004 *HK$'000*
Interest on:		
Bank borrowings	**2,147**	1,199
Other loans wholly repayable within five years	**5**	110
Others	**74**	73
	2,226	1,382

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the companies comprising the Group do not have any assessable profit or their assessable profits are wholly absorbed by tax losses brought forward for both periods.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC is entitled to exemption from PRC enterprise income tax for the first two profitable years and will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

8. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of basic earnings (loss) per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Earnings		
Earnings (loss) for the purposes of basic earnings (loss) per share	**38,877**	(1,447)
	'000	*'000*
Number of shares		
Number (weighted average number) of shares	**238,389**	203,451

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

9. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

10. INVESTMENT PROPERTIES

The Group's investment properties were fair-valued by the directors at 30 June 2005. The resulting increase in fair value of investment properties of HK$37,380,000 has been recognised directly in the income statement.

11. TRADE AND OTHER RECEIVABLES

Trade receivables from tenants are due on presentation of invoices. The Group allows an average credit period of 30 days to other trade customers.

The following is an aged analysis of trade and other receivables of the Group at the balance sheet date:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
0 – 60 days	**2,518**	936
61 – 90 days	**576**	262
Over 90 days	**353**	144
	3,447	1,342

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables of the Group at the balance sheet date:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
0 – 60 days	**550**	1,480
61 – 90 days	**238**	102
Over 90 days	**6,953**	8,404
	7,741	9,986

13. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

At 31 December 2004, there was an outstanding consideration for the acquisition of a 51% interest in Lucky Green Limited and its subsidiary, which was interest bearing at 1% per annum, and was settled during the current period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2005, turnover of the Group amounted to HK$31,134,000 (30 June 2004: HK$6,888,000). Net profit for the period was HK$38,877,000 (30 June 2004: net loss of HK$1,447,000) and earnings per share was HK16.3 cents (30 June 2004: loss per share of HK0.7 cents).

During the reporting period, revenue from production and sales of fertilizers amounted to HK$2,851,000, representing approximately 9.16% of the Group's total revenue. Investment in securities shared approximately 74.92% of the Group's total revenue resulting from the disposal of all the Company's equity investments listed in Hong Kong. Rental income from 1 Lyndhurst Tower amounted to HK$4,958,000, representing approximately 15.92% of the Group's total revenue and over 90% of the total gross floor area was leased out.

Following the blossoming of the property market, the revaluation of the investment properties has contributed to a profit of HK$37,380,000, and the property investment business remains as the largest profit contributor to the Group.

Financial Review

Liquidity and Financial Resources

As at 30 June 2005, the Group has current ratio of approximately 0.10 compared to that of 0.16 as at 31 December 2004 and the gearing ratio was 0.77 compared to that of 1.01 as at 31 December 2004. The calculation of gearing ratio was based on the total borrowings of HK$131,991,000, which were due within one year, and the net assets of HK$172,386,000 as at 30 June 2005. Subsequent to the balance sheet date, the bank loan has been restructured for a further five years.

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.

Charged on Assets

As at 30 June 2005, all the Group's investment properties and the issued shares of a wholly owned subsidiary of the Company are pledged and the rental income in respect of the investment properties under operating leases are assigned to a bank against a bank loan granted to the Group.

Property, plant and equipment and land lease prepayment of HK$7,044,000 are pledged against a bank loan granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2005.

Employees and Remuneration Policies

As at 30 June 2005, the Group has approximately 26 employees. Remuneration is determined by reference to their qualifications and experiences of the staff concerned 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

On 15 July 2005, a composite offer document in relation to the mandatory unconditional cash offer (the "Offer") made by Keenlead Holdings Limited ("Keenlead"), a company with limited liabilities incorporated in the British Virgin Islands, which is wholly and beneficially owned by Ms. Ma Xiaoling, was issued jointly by Keenlead and the Company to all shareholders of the Company, excluding parties acting in concert with Keenlead. The Offer was closed on 5 August 2005, and the interest of Keenlead and parties acting in concert with it in the shares of the Company increased to 63.85% immediately after the closing of the Offer and Keenlead assumed management control.

Subsequent to the takeover of management, the Company has been actively exploring new business opportunities consistent with its strategy to be engaged in property investment business.

On 30 August 2005, the Group has entered into a legally binding memorandum of understanding with independent third parties for the intention to acquire in part or in whole of the issued share capital of a Company incorporated in the British Virgin Islands (the "Proposed Investment"), the sole asset of which is a sino-foreign equity joint-venture incorporated in the People's Republic of China (the "PRC"), the scope of business of which includes construction of port infrastructure and development of petrochemical industry projects (subject to granting of relevant operating permits). We are of the opinion that the Proposed Investment provides an opportunity for the Group to broaden its business scope and diversify into industrial property development. On 5 September 2005, the Company has entered into a placing agreement with a placing agent to raise capital for the Group to invest in the project, if the project materializes, while broadening the shareholders' base and the capital base of the Company.

The Board will continue to look for investments with reasonable return by investing on quality properties projects in Hong Kong or the PRC, and the Board continues to commit to achieve this objective and is optimistic of its success.

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

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 Xiaoling 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 conductive 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 appointed 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.

– Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  Under the Company's Bye-laws, at each annual general meeting, one-third of the directors of the Company for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the chairman of the directors and the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

  In order to full compliance with Code A.4.2, a special resolution will be proposed to amend the relevant provisions of the Bye-laws at the next general meeting of the Company to be held in 2006, so that every director shall be subject to retirement by rotation at least once every three years.

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 2005 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. Lin Ruei Min and Mr. Shu Wa Tung, Laurence.

REMUNERATION COMMITTEE

The Board has established a remuneration committee. The remuneration committee, currently comprising executive directors, Ms. Ma Xiaoling and Mr. Chan Sze Hon, and independent non-executive directors, Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management member(s), as well as review and determine the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time.

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

Hong Kong, 22 September, 2005

As at the date of this announcement, the Board comprises Ms. Ma Xiaoling and Mr.Chan Sze Hon as executive Directors; and Mr. Ching Men Ky Carl, Mr. Lin Ruei-min and Mr. Shu Wa Tung Laurence as independent non-executive Directors.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.