



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 2006

SUMMARY OF RESULTS

The Board of Directors (the “Directors”) of Greater China Holdings Limited (the “Company”) announced the unaudited financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006, together with the figures for the six months ended 30 June 2005 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended	
		30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Revenue	3	6,224	31,134
Cost of sales		(1,983)	(22,348)
Gross profit		4,241	8,786
Other income		137	53
Fair value change of investment properties	9	5,070	37,380
Selling and distribution costs		(385)	–
Administrative expenses		(5,272)	(5,300)
Finance costs	4	(4,344)	(2,226)
(Loss) profit before taxation		(553)	38,693
Income tax expense	5	(819)	–
(Loss) profit for the period	6	(1,372)	38,693
Attributable to:			
Equity holders of the parent		(1,372)	38,877
Minority interest		–	(184)
		(1,372)	38,693
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share – basic	8	(0.48)	16.31

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30.6.2006 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment	9	6,664	5,447
Land lease prepayment		3,196	3,232
Investment properties	9	323,670	318,600
Available-for-sale investments		3,000	3,000
Deposit paid for acquisition of subsidiaries	10	40,645	11,590
		<u>377,175</u>	<u>341,869</u>
Current Assets			
Inventories		549	533
Held-for-trading investment		–	48
Trade receivables	11	611	953
Land lease prepayment		72	72
Prepayments and deposits		1,694	1,142
Bank balances and cash		24,987	24,192
		<u>27,913</u>	<u>26,940</u>
Current Liabilities			
Trade and other payables	12	7,680	8,012
Amount due to a minority shareholder of a subsidiary		6,709	6,258
Rental deposits		3,467	3,107
Taxation		14,687	14,687
Bank borrowings	13	9,435	6,362
		<u>41,978</u>	<u>38,426</u>
Net Current Liabilities		<u>(14,065)</u>	<u>(11,486)</u>
Total Assets less Current Liabilities		<u>363,110</u>	<u>330,383</u>
Non-Current Liabilities			
Bank borrowings	13	156,630	123,350
Deferred taxation		7,528	6,709
		<u>164,158</u>	<u>130,059</u>
		<u>198,952</u>	<u>200,324</u>
Capital and Reserves			
Share capital		1,430	1,430
Reserves		197,522	198,894
Equity attributable to equity holders of the Company		<u>198,952</u>	<u>200,324</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the condensed consolidated 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\$14,065,000 at 30 June 2006. The directors are of the opinion that, after taking into account the presently available banking facilities, the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 7	Applying the Restatement Approach under Financial Reporting in HKAS 29 Hyperinflationary Economies ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. REVENUE AND SEGMENT INFORMATION

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

BUSINESS SEGMENTS

For the six months ended 30 June 2006

	Production and sales of fertilizers <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>1,287</u>	<u>4,937</u>	<u>-</u>	<u>6,224</u>
Segment results	(526)	9,035	(24)	8,485
Unallocated other income				82
Unallocated corporate overheads				(4,776)
Finance costs				<u>(4,344)</u>
Loss before taxation				<u>(553)</u>

For the six months ended 30 June 2005

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

4. FINANCE COSTS

	Six months ended	
	30.6.2006 <i>HK\$'000</i> (unaudited)	30.6.2005 <i>HK\$'000</i> (unaudited)
Interest on:		
Bank borrowings	4,217	2,147
Other loans wholly repayable within five years	-	5
Others	<u>127</u>	<u>74</u>
	<u>4,344</u>	<u>2,226</u>

5. INCOME TAX EXPENSE

The charge for the period represents the recognition of deferred tax.

No provision for Hong Kong Profits Tax has been made as the individual group entity neither have any assessable profit or the 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. No provision for PRC income tax has been made as the subsidiary does not have any assessable profit for both periods.

6. (LOSS) PROFIT FOR THE PERIOD

The result for the period has been arrived at after charging depreciation and amortisation of HK\$290,000 (six months ended 30.6.2005: HK\$286,000) in respect of property, plant and equipment and land lease prepayment.

7. DIVIDENDS

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

8. (LOSS) EARNINGS PER SHARE – BASIC

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

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	<u><u>(1,372)</u></u>	<u><u>38,877</u></u>
	'000	'000
Number of shares		
Number of shares	<u><u>285,989</u></u>	<u><u>238,389</u></u>

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment amounted to approximately HK\$1,471,000.

The Group's investment properties were fair-valued by LCH (Asia Pacific) Surveyors Limited, a firm of independent qualified professional valuers, at 30 June 2006. The resulting increase in fair value of investment properties of HK\$5,070,000 has been recognised directly in the condensed consolidated income statement.

10. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

The deposit represents payments for the acquisition of a 51% interest in Keycharm Investments Limited. During the period, an additional RMB30,000,000 (approximately HK\$29,055,000) was paid upon signing the acquisition agreement dated 27 February 2006.

11. TRADE RECEIVABLES

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 receivables at the balance sheet date:

	30.6.2006 <i>HK\$'000</i> (unaudited)	31.12.2005 <i>HK\$'000</i> (audited)
0 – 60 days	611	298
61 – 90 days	–	647
Over 90 days	–	8
	<hr/> 611 <hr/>	<hr/> 953 <hr/>

12. TRADE AND OTHER PAYABLES

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

	30.6.2006 <i>HK\$'000</i> (unaudited)	31.12.2005 <i>HK\$'000</i> (audited)
Trade payables aged within 60 days	59	59
Other payables	7,621	7,953
	<hr/> 7,680 <hr/>	<hr/> 8,012 <hr/>

13. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$56,000,000 and repaid bank borrowings of approximately HK\$19,647,000. The loans bear interest at HIBOR plus 1.05% per annum and are repayable in instalments over a period of one to ten years. The proceeds were used to finance its daily operation and for acquisition of subsidiaries.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2006, turnover of the Group amounted to HK\$6,224,000 (30 June 2005: HK\$31,134,000). Net loss for the period was HK\$1,372,000 (30 June 2005: net profit of HK\$38,877,000) and loss per share was HK0.48 cents (30 June 2005: earnings per share of HK16.3 cents).

Rental income from 1 Lyndhurst Tower amounted to HK\$4,937,000, representing approximately 79.3% of the Group's total revenue. Following the exciting year of 2005, the blooming of property market continues in the first half of 2006. Rental income has been mostly exhibiting a gradual uptrend. The Group's investment properties, 1 Lyndhurst Tower, have also benefited from the growth and contributed to a profit of HK\$5,070,000 from the revaluation, representing a growth of nearly 1.6% in their aggregate valuation, while over 80% of the total gross floor areas were leased out. At the same time, some tenancy agreements of the Group's investment properties were renewed with a double digit rise in the corresponding rental income. Although the interest rate is standing at a high level, we believe that this favourable condition will carry over into the second half of 2006.

On the other hand, during the reporting period, revenue from production and sale of fertilizers amounted to HK\$1,287,000, representing approximately 20.7% of the Group's total revenue. Due to keen competition, the operating results were not as good as what we expected, and the management is developing other new markets in the People's Republic of China (the "PRC") to broaden its customer base.

Financial Review

Liquidity and Financial Resources

As at 30 June 2006, the Group has current ratio of approximately 0.66 compared to that of 0.70 as at 31 December 2005 and the gearing ratio was 0.87 compared to that of 0.68 as at 31 December 2005. The calculation of gearing ratio was based on the total borrowings of HK\$172,774,000 (31 December 2005: HK\$135,970,000) and the net assets of HK\$198,952,000 (31 December 2005: HK\$200,324,000) as at 30 June 2006. During the period, a bank loan of HK\$40,000,000 was raised to finance the acquisition of 51% of the issued share capital of a company incorporated in the British Virgin Islands (the "BVI Company") (the "Investment"), the sole asset of which is a sino-foreign equity joint-venture incorporated in the PRC.

Apart from the Investment, there were no other significant capital commitments as at 30 June 2006 which would require a substantial use of the Group's present cash resources or external funding.

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 2006, 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 banks against bank loans granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2006.

Employees and Remuneration Policies

As at 30 June 2006, the Group has approximately 46 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 27 February 2006, the Group entered into the sale and purchase agreement (the “Formal Agreement”) with the independent third parties pursuant to which the Group agreed to acquire 51% of the issued share capital of the BVI Company and a loan of RMB61,200,000 due from one of the independent third parties (the “Seller”) to the BVI Company from the Seller at an aggregate cash consideration of RMB61,200,001. We are of the opinion that the Investment provides an opportunity for the Group to broaden its business scope and diversify into industrial property development with focus on port infrastructure. All the conditions of the Formal Agreement have been fulfilled after the period end and completion took place on 20 September 2006.

The Board will continue to look for investments with reasonable return by investing on quality property 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

The Group was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

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, except for the following deviations:

- Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated 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 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 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.

In order to ensure full compliance with Code A.4.2, a special resolution was passed to amend the relevant provisions of the Bye-laws at the annual general meeting of the Company held on 2 June 2006, so that every Director is 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 2006 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 reviewing and determining the remuneration of all Executive Directors and senior management member(s) 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 all of our dedicated staff for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

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

Hong Kong, 22 September 2006

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 identifications purpose only*

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