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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 2010

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 (collectively referred to as the “Group”) for the six months ended 30 June 2010, together with the figures for the six months ended 30 June 2009 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended	
	<i>NOTES</i>	30.6.2010	30.6.2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		949	638
Cost of sales		(886)	(251)
Gross profit		63	387
Other income		382	74
Selling and distribution costs		(622)	(7)
Administrative and other operating expenses		(12,313)	(15,697)
Finance costs	4	(2,539)	(658)
Loss for the period and total comprehensive loss for the period	6	<u>(15,029)</u>	<u>(15,901)</u>
Loss for the period and total comprehensive loss for the period attributable to:			
Owners of the Company		(14,944)	(15,778)
Non-controlling interests		(85)	(123)
		<u>(15,029)</u>	<u>(15,901)</u>
		HK cents	HK cents
Loss per share — basic	8	<u>(4.98)</u>	<u>(5.26)</u>

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	NOTES	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	165,415	116,172
Prepaid lease payments		97,596	98,661
Deposits for acquisition of land and buildings	10	33,171	33,171
		<u>296,182</u>	<u>248,004</u>
Current assets			
Inventories		1,673	29
Trade and other receivables	11	1,908	1,623
Prepaid lease payments		2,128	2,128
Prepayments and deposits		408	595
Pledged bank deposit	13	6,818	6,818
Bank balances and cash		33,663	45,216
		<u>46,598</u>	<u>56,409</u>
Current liabilities			
Other payables	12	64,315	6,791
Amount due to a minority shareholder of subsidiaries	17(a)	9,881	8,327
Bank loans	14	68,636	11,818
		<u>142,832</u>	<u>26,936</u>
Net current (liabilities) assets		<u>(96,234)</u>	<u>29,473</u>
Total assets less current liabilities		<u>199,948</u>	<u>277,477</u>
Non-current liability			
Bank loans	14	—	62,500
Net assets		<u>199,948</u>	<u>214,977</u>
Capital and reserves			
Share capital	15	1,499	1,499
Reserves		398,631	398,631
Accumulated losses		(200,742)	(185,798)
Equity attributable to owners of the Company		<u>199,388</u>	<u>214,332</u>
Non-controlling interests		<u>560</u>	<u>645</u>
Total equity		<u>199,948</u>	<u>214,977</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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”.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group’s loss of approximately HK\$15,029,000 for the six months ended 30 June 2010 and net current liabilities of approximately HK\$96,234,000 as at 30 June 2010. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the completion of the warehouse construction and commencement of its operation in July 2010 (see note 18). In addition, the Group is in the process of obtaining a new bank loan amounting to RMB100,000,000 (equivalent to HK\$113,600,000) to finance the project development and repayment of its financial obligations and the directors are of the opinion that such bank loan will be granted to the Group in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for the Group’s changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) is applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leasehold asset have been transferred to the lessee.

This change in policy has had no material effect on the condensed consolidated financial statements of the Group.

The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs, 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures, except for partial exemption of paragraph 25-27 ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30 June 2010 (unaudited)

	Fertilizers and chemicals <i>HK\$'000</i>	Industrial property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>949</u>	<u>—</u>	<u>949</u>
Segment results	(1,188)	(9,257)	(10,445)
Central administration costs			(4,433)
Interest expenses paid to a minority shareholder of subsidiaries			<u>(151)</u>
Loss for the period			<u>(15,029)</u>

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>
Segment revenue	<u>638</u>	<u>—</u>	<u>638</u>
Segment results	(834)	(10,338)	(11,172)
Unallocated 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>

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

Segment result represents the post-tax loss of the Company and its subsidiaries engaged in respective segment activities without allocation of some bank interest income, central administration costs and interest expenses paid to a minority shareholder of subsidiaries. This is the measure reported to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's segment assets by operating segment:

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Fertilizers and chemicals	12,646	14,201
Industrial property development	297,433	253,125
	<hr/>	<hr/>
Total segment assets	310,079	267,326
	<hr/> <hr/>	<hr/> <hr/>

4. FINANCE COSTS

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	2,388	508
Other borrowings	151	150
	<hr/>	<hr/>
	2,539	658
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSE

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 25% for the periods under review. Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2010 (six months ended 30.6.2009: 25%).

No provision for Hong Kong Profits Tax has been made as the subsidiaries operating in Hong Kong incurred tax loss 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 22%, 24% and 25% for the year ending 31 December 2010, 2011, 2012 respectively for the subsidiary of the Company. The applicable tax rate for the subsidiary of the Company during the period is 22% (six months ended 30.6.2009: 20%).

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

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	1,064	1,473
Depreciation of property, plant and equipment	1,549	1,594
Allowance for doubtful debts	—	227
Cost of inventories recognised as an expense	665	193
	<u>665</u>	<u>193</u>

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors do not declare the payment of interim dividend in respect of the interim period.

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	
	30.6.2010	30.6.2009
	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>(14,944)</u>	<u>(15,778)</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>

No diluted loss per share has been presented because 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\$51,104,000 of which HK\$44,437,000 has not been paid at the reporting date and has been included in “other payables” (six months ended 30.6.2009: HK\$31,962,000).

10. DEPOSITS FOR ACQUISITION OF LAND AND BUILDINGS

The balance represents deposits paid for acquiring land use rights on a piece of land located in Taicang, the PRC.

11. TRADE AND OTHER RECEIVABLES

Included in the balance are trade receivables of HK\$689,000 (31.12.2009: HK\$415,000), net of allowance for doubtful debt of HK\$ Nil (31.12.2009: 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 based on invoice date of the Group at the end of reporting period:

	30.6.2010 <i>HK\$'000</i> (unaudited)	31.12.2009 <i>HK\$'000</i> (audited)
0 - 60 days	682	415
61 - 91 days	7	—
	689	415

12. OTHER PAYABLES

Included in the balance are accruals for the cost of construction of warehouse of HK\$44,437,000 (31.12.2009: Nil). The construction of warehouse is completed subsequently in July 2010 (see note 18).

Also included in the balance are deposits of HK\$11,364,000 (31.12.2009: Nil) received from third parties for potential participations of the industrial project development of the Group. The deposits will be repaid to the third parties if they do not participate the projects.

13. PLEDGED BANK DEPOSIT

The pledged bank deposit carried fixed interest rate of 2.25% per annum. It will be released upon the settlement of relevant short-term bank borrowing.

14. BANK LOANS

During the six months ended 30 June 2010, the Group repaid a bank loan of approximately HK\$5,682,000 (RMB5,000,000). All bank loans are denominated in Renminbi and secured by pledge of prepaid lease payments with an aggregate carrying amount of approximately HK\$82,993,000 and bank deposit amounted to HK\$6,818,000. The loans carry effective interest at fixed rates ranged from 5.31% to 6.48% per annum and are repayable within 1 year. The proceeds were used to finance the project development.

15. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.005 each At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	<u>421,978,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.005 each At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	<u>22,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.005 each At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	<u>299,847</u>	<u>1,499</u>

16. CAPITAL COMMITMENTS

	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
Commitments in respect of the acquisition and construction of property, plant and equipment contracted for but not provided	<u>74,592</u>	<u>132,824</u>

17. RELATED PARTY DISCLOSURES

(a) The amount due to a minority shareholder of subsidiaries include a balance of approximately HK\$6,532,000 (31.12.2009: HK\$6,381,000) 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\$151,000 (six month ended 30.6.2009: HK\$150,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period is HK\$1,966,000 (six months ended 30.6.2009: HK\$2,024,000).

18. SUBSEQUENT EVENTS

Included in the property, plant and equipment is warehouse under construction of HK\$154,430,000. The warehouse under construction as at 30 June 2010 represented warehouse in Taicang, the PRC for the Group's own use. The construction of warehouse is completed in July 2010 and the Group has started its warehouse operation since then.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2010, turnover of the Group amounted to HK\$949,000 (30 June 2009: HK\$638,000). Net loss for the period was HK\$15,029,000 (30 June 2009: HK\$15,901,000) and loss per share was HK4.98 cents (30 June 2009: HK5.26 cents).

During the period under review, the revenue from the production and sale of fertilizers, which represented the entire revenue of the Group, indicated an improvement as compared to the same period in last year due to the gradual recovery in the economic environment. However, due to the keen competition, the margin is dropped and a segmental loss of HK\$1,188,000 (30 June 2009: HK\$834,000) was resulted during the period as a consequence.

Financial Review

Liquidity and Financial Resources

As at 30 June 2010, the gearing ratio of the Group was 0.39. The calculation of gearing ratio was based on the total borrowings of HK\$78,517,000 (31 December 2009: HK\$82,645,000) and the equity attributable to equity holders of HK\$199,388,000 as at 30 June 2010 (31 December 2009: HK\$214,332,000). The gearing ratio remained the same as compared to the gearing ratio as at 31 December 2009.

Capital commitment as at 30 June 2010 was HK\$74,592,000 as certain bank loans granted to the Group as at 31 December 2009.

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 2010, prepaid lease payments of HK\$82,993,000 (31 December 2009: HK\$83,875,000) are pledged against bank loans granted to the Group.

The Group has also pledged bank deposits of HK\$6,818,000 to secure certain bank loans granted to the Group as at 30 June 2010 and 31 December 2009.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2010.

Employees and Remuneration Policies

As at 30 June 2010, 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 completed during the period under review and commenced business in July 2010. The operation of the warehouse are expected to generate stable income and contribute positive cashflow to the Group which will help to improve the overall revenue and profitability 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 2010 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, 27 August 2010