



# 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 2008

### 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 2008, together with the figures for the six months ended 30 June 2007 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended	
		30.6.2008	30.6.2007
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		1,565	5,260
Cost of sales		<u>(1,202)</u>	<u>(1,736)</u>
Gross profit		363	3,524
Other income		1,960	3,859
Gain on disposals of subsidiaries	6	—	4,588
Selling and distribution costs		(209)	(178)
Administrative expenses		(20,444)	(18,920)
Finance costs	4	<u>(593)</u>	<u>(3,642)</u>
Loss for the period	7	<u><u>(18,923)</u></u>	<u><u>(10,769)</u></u>
Attributable to:			
Equity holders of the Company		(18,901)	(10,097)
Minority interests		<u>(22)</u>	<u>(672)</u>
		<u><u>(18,923)</u></u>	<u><u>(10,769)</u></u>
		HK cents	HK cents
Loss per share — basic	9	<u><u>(6.30)</u></u>	<u><u>(3.53)</u></u>

\* For identification purpose only

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2008**

	<b>30.6.2008</b> <i>HK\$'000</i> (unaudited)	31.12.2007 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>		
Property, plant and equipment	37,199	9,538
Land lease prepayment	33,410	31,822
Prepayments	35,258	15,714
	<u>105,867</u>	<u>57,074</u>
<b>Current assets</b>		
Inventories	299	57
Trade and other receivables	6,831	26,826
Land lease prepayment	803	756
Prepayments and deposits	4,915	2,927
Amount due from a minority shareholder of a subsidiary	109	103
Bank balances and cash	173,776	206,289
	<u>186,733</u>	<u>236,958</u>
<b>Current liabilities</b>		
Other payables	5,506	4,134
Amount due to a minority shareholder of a subsidiary	7,154	7,003
Bank loans	2,273	2,139
	<u>14,933</u>	<u>13,276</u>
<b>Net current assets</b>	<u>171,800</u>	<u>223,682</u>
<b>Total assets less current liabilities</b>	<u>277,667</u>	<u>280,756</u>
<b>Non-current liability</b>		
Deferred taxation	1,239	1,166
<b>Net assets</b>	<u>276,428</u>	<u>279,590</u>
<b>Capital and reserves</b>		
Share capital	1,499	1,499
Reserves	273,815	278,091
Equity attributable to equity holders of the Company	275,314	279,590
<b>Minority interests</b>	1,114	—
<b>Total equity</b>	<u>276,428</u>	<u>279,590</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 Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### 2. PRINCIPAL 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 2007.

In the current interim period, the Group has applied, for the first time, new interpretations (“new Interpretations”) issued by the HKICPA that are effective for the Group’s financial year beginning 1 January 2008. The adoption of the new Interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments have been required.

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

### 3. SEGMENT INFORMATION

The Group is organised into fertilizers and chemicals, investment holding and industrial property development with focus on port infrastructure divisions during the period. The Group also operated property investment segment, which was discontinued in July 2007.

The Group’s revenue and contribution to loss for the period analysed by business segments are as follows:

#### Business Segments

#### For the six months ended 30 June 2008

	<b>Fertilizers and chemicals <i>HK\$’000</i></b>	<b>Investment holding <i>HK\$’000</i></b>	<b>Industrial property development <i>HK\$’000</i></b>	<b>Consolidated <i>HK\$’000</i></b>
Revenue	<u>1,565</u>	<u>—</u>	<u>—</u>	1,565
Segment results	(1,413)	(29)	(12,944)	(14,386)
Unallocated other income				1,539
Unallocated corporate expenses				(5,483)
Finance costs				<u>(593)</u>
Loss for the period				<u>(18,923)</u>

For the six months ended 30 June 2007

	Fertilizers and chemicals <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Industrial property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>2,606</u>	<u>2,654</u>	<u>—</u>	<u>—</u>	5,260
Segment results	1,116	1,987	(4,799)	(4,699)	(6,395)
Unallocated other income					3,253
Unallocated corporate expenses					(8,573)
Gain on disposals of subsidiaries					4,588
Finance costs					<u>(3,642)</u>
Loss for the period					<u>(10,769)</u>

#### 4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on:		
Bank borrowings	<b>443</b>	3,492
Other borrowings	<b>150</b>	150
	<u><b>593</b></u>	<u>3,642</u>

#### 5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the individual group entities have no assessable profit in Hong Kong for both periods.

Pursuant to the relevant laws and regulations in 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. A subsidiary established in Zhuhai Special Administrative Region in the PRC is entitled to preferential rate of 15%. No provision for PRC income tax has been made as all of the PRC subsidiaries are not making profit for both periods.

In 2007, the National People's Congress of the PRC approved the new PRC enterprise income tax law. 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, on 6 December 2007, 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 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 respectively for the subsidiary of the Company.

## 6. DISPOSALS OF SUBSIDIARIES

For the six months ended 30 June 2007

On 20 March 2007, the Group disposed of a subsidiary, China Faith Limited, which is engaged in property investment, for a consideration of HK\$440 million. Details of disposal are set out in the circular dated 31 January 2007.

On 8 June 2007, the Group also disposed of another subsidiary Bornwise Technology Limited and its subsidiaries, which are inactive, for a consideration of HK\$1,000.

The aggregate net assets of subsidiaries at the date of disposal were as follows:

	2007 HK\$'000
Net assets disposal of:	
Investment properties	440,000
Trade and other receivables	426
Prepayments and deposits	857
Other payables	(5,361)
Rental deposits	(3,931)
Taxation	(14,687)
	<hr/>
	417,304
Directly attributable costs	18,109
Gain on disposals	4,588
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Total consideration	<u>440,001</u>
Cash consideration	440,001
Directly attributable costs	(18,109)
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Net cash consideration	<u>421,892</u>
Net cash inflow arising on disposals:	
Net cash consideration	421,892
Consideration receivable	(5,000)
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	<u>416,892</u>

## 7. LOSS FOR THE PERIOD

The loss for the period has been arrived at after charging the total depreciation and amortisation of approximately HK\$1,165,000 (six months ended 30.6.2007: HK\$1,032,000) in respect of property, plant and equipment and land lease prepayment.

## 8. DIVIDENDS

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

## 9. LOSS PER SHARE — BASIC

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

	Six months ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share	<u>(18,901)</u>	<u>(10,097)</u>
	'000	'000
<b>Number of shares</b>		
Number of shares	<u>299,847</u>	<u>285,989</u>

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

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2008, turnover of the Group amounted to HK\$1,565,000 (30 June 2007: HK\$5,260,000). Net loss for the period was HK\$18,923,000 (30 June 2007: HK\$10,769,000) and loss per share was HK6.30 cents (30 June 2007: HK3.53 cents).

Revenue from the production and sale of fertilizers of HK\$1,565,000 (30 June 2007: HK\$2,606,000) represented the entire revenue of the Group as the business segment of property investment was discontinued in 2007. The significant drop in the business of production and sale of fertilizers are due to the intense competition in the industry as more and more new comers entered the market with various type of fertilizers. As a result, a loss of HK\$1,413,000 (30 June 2007: profit of HK\$1,116,000) was resulted in this segment during the period. Apart from this segmental loss, the non-recurrence of a gain on disposals of subsidiaries of HK\$4,588,000 for the previous corresponding period further explained the significant increase in the net loss of the Group under the current reporting period.

For the period under review, finance costs dropped significantly from HK\$3,642,000 to HK\$593,000 as all bank loans obtained in Hong Kong was repaid in full subsequent to the completion of disposal of the investment properties of the Group in 2007.

## **Financial Review**

### ***Liquidity and Financial Resources***

As at 30 June 2008, the Group has current ratio of approximately 12.50 compared to that of 17.85 as at 31 December 2007 and the gearing ratio was 0.03 compared to that of 0.03 as at 31 December 2007. The calculation of gearing ratio was based on the total borrowings of HK\$9,427,000 (31 December 2007: HK\$9,142,000) and the equity attributable to equity holders of HK\$276,428,000 (31 December 2007: HK\$279,590,000) as at 30 June 2008.

Capital commitment as at 30 June 2008 was HK\$83,003,000 as compared to that of HK\$24,790,000 as at 31 December 2007.

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 2008, property, plant and equipment of HK\$7,035,000 (31 December 2007: HK\$7,127,000) 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 2008.

### ***Employees and Remuneration Policies***

As at 30 June 2008, the Group has approximately 62 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**

Following the acquisition of the entire equity interest of a subsidiary engaged in the industrial property development with focus on port infrastructure in Taicang, the People’s Republic of China (the “PRC”) in 2007, the Group is able to exercise a direct control of the development of the project.

The progress of the development of the depot infrastructure operations was closely monitored and the construction work is at the final stage under the current period and is expected to commence business by the end of 2008. The management of the Group believed that the operation of the depot infrastructure will contribute positively to the profitability and financial position of the Group in the near future.

In the meantime, the Board will continue to monitor the existing operations and identify new opportunity and strive to maximize the returns to the shareholders.

## **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 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.

## **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 2008 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 Ruei Min (“Mr. Lin”) and Mr. Shu Wa Tung, Laurence (“Mr. Shu”).



## **REMUNERATION COMMITTEE**

The Board has established a remuneration committee which currently comprises 3 Executive Directors, namely, Ms. Ma, Ms. Chan Siu Mun and 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, 26 September 2008