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CORPORATE INFORMATION

Executive Directors

Ms. Ma Xiaoling (*Chairman*)
Ms. Chan Siu Mun

Non-executive Director

Mr. Chan Sze Hon

Independent Non-executive Directors and Audit Committee

Mr. Ching Men Ky, Carl
Mr. Lin Rwei Min
Mr. Shu Wa Tung, Laurence

Company Secretary

Ms. Chan Siu Mun

Auditors

HLM & Co.
Certified Public Accountants

Principal Bankers

Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

Legal Advisors

Sit, Fung, Kwong & Shum
Michael Cheuk, Wong & Kee

Head Office and Principal Place of Business

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Registered Office

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Bermuda

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
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Pembroke
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26/F Tesbury Centre
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Wanchai
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Stock Code

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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TO THE BOARD OF DIRECTORS OF GREATER CHINA HOLDINGS LIMITED

大中華實業控股有限公司

(Incorporated in the Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 5 to 28, which comprise the condensed consolidated statement of financial position of Greater China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to note 1 in the condensed consolidated financial statements which indicates that the Group incurred a net loss of HK\$20,013,000 during the six-month period ended 30 June 2012 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$117,588,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

In addition, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

HLM & Co.

Certified Public Accountants

Hong Kong,

30 August 2012



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	36,795	3,727
Cost of sales		(33,029)	–
Other income, gains and losses	5	3,766	3,727
Selling and distribution costs		407	35,717
Administrative and other operating expenses		(106)	–
Finance costs	6	(15,911)	(20,188)
		(8,169)	(5,860)
(Loss) profit for the period from continuing operations	9	(20,013)	13,396
Discontinued operation			
Profit for the period from discontinued operation	8	–	3,104
(Loss) profit for the period		(20,013)	16,500
Other comprehensive income:			
Exchange differences on translation of foreign operations			
Exchange differences arising during the period		1,079	3,483
Reclassification adjustments relating to foreign operations disposed of during the period		–	(1,967)
		1,079	1,516
Total comprehensive (expense) income for the period		(18,934)	18,016



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
(Loss) profit for the period attributable to:			
Owners of the Company		(19,954)	16,574
Non-controlling interests		(59)	(74)
		(20,013)	16,500
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(18,877)	18,084
Non-controlling interests		(57)	(68)
		(18,934)	18,016
(Loss) earnings per share		HK cents	HK cents
– basic and diluted	11		
From continuing and discontinued operations		(6.65)	5.53
From continuing operations		(6.65)	4.49



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	165,306	169,167
Prepaid lease payments	13	97,460	98,011
Deposits for acquisition of leasehold land	14	35,891	35,689
		298,657	302,867
Current assets			
Inventories		–	1,732
Trade and other receivables	15	3,609	2,022
Prepaid lease payments	13	2,211	2,198
Prepayments and deposits	16	16,032	31,396
Pledged bank deposits	17	74,282	12,061
Bank balances and cash		37,047	35,077
		133,181	84,486
Current liabilities			
Trade payables	18	1,055	1,970
Other payables and accruals	19	31,298	41,948
Bills payables		–	74,337
Bank loans	20	210,408	61,132
Tax payables		8,008	7,963
		250,769	187,350
Net current liabilities		(117,588)	(102,864)
Net assets		181,069	200,003



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Capital and reserves			
Share capital	21	1,499	1,499
Reserves		412,461	411,384
Accumulated losses		(233,190)	(213,236)
Equity attributable to owners of the Company			
		180,770	199,647
Non-controlling interests			
		299	356
Total equity			
		181,069	200,003



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2011 (audited)	1,499	379,281	25,639	(215,742)	190,677	468	191,145
Exchange differences on translation of foreign operations	-	-	3,477	-	3,477	6	3,483
Reclassification adjustment on disposal of subsidiaries	-	-	(1,967)	-	(1,967)	-	(1,967)
Profit (loss) for the period	-	-	-	16,574	16,574	(74)	16,500
Total comprehensive income (expense) for the period	-	-	1,510	16,574	18,084	(68)	18,016
At 30 June 2011, as restated (unaudited)	1,499	379,281	27,149	(199,168)	208,761	400	209,161
Exchange differences on translation of foreign operations	-	-	4,954	-	4,954	11	4,965
Loss for the period	-	-	-	(14,068)	(14,068)	(55)	(14,123)
Total comprehensive income (expense) for the period	-	-	4,954	(14,068)	(9,114)	(44)	(9,158)
At 31 December 2011 and 1 January 2012 (audited)	1,499	379,281	32,103	(213,236)	199,647	356	200,003
Exchange differences on translation of foreign operations	-	-	1,077	-	1,077	2	1,079
Loss for the period	-	-	-	(19,954)	(19,954)	(59)	(20,013)
Total comprehensive income (expense) for the period	-	-	1,077	(19,954)	(18,877)	(57)	(18,934)
At 30 June 2012 (unaudited)	1,499	379,281	33,180	(233,190)	180,770	299	181,069



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTE	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Net cash used in operating activities		(84,921)	(39,285)
Investing activities			
Net cash outflow on disposal of subsidiaries	8	–	(567)
Increase of pledged bank deposits		(62,221)	(65,476)
Purchase of property, plant and equipment		(423)	(258)
Proceeds from disposal of port infrastructure project		–	35,714
Other investing activities		403	(20,824)
Net cash used in investing activities		(62,241)	(51,411)
Financing activities			
Bank loans raised		218,996	190,476
Repayment of bank loans		(69,828)	(64,706)
Net cash generated from financing activities		149,168	125,770
Net increase in cash and cash equivalents		2,006	35,074
Cash and cash equivalents at 1 January		35,077	18,344
Effect of foreign exchange rate changes		(36)	620
Cash and cash equivalents at 30 June, represented by bank balances and cash		37,047	54,038



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 34 (HKAS 34) *Interim Financial Reporting* issued by the HKICPA.

In preparing the condensed consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group’s loss of approximately HK\$20,013,000 for the six-month period ended 30 June 2012 and net current liabilities of approximately HK\$117,588,000 as at 30 June 2012. 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 of the following:

- (i) the undrawn banking facilities of HK\$115,333,000 (equivalent to RMB93,800,000);
- (ii) the substantial shareholder, Keenlead Holdings Limited, agreed to provide continuous financial support to the Group; and
- (iii) On 26 March 2012, the Group entered into a non-legally binding letter of intent (“LOI”) with Jiangsu Nantong No. 3 Construction Group Company Limited Taicang Branch (“Jiangsu Nantong”) and the LOI had been automatically lapsed on 25 April 2012. Afterwards, the Group signed an agency agreement with Jiangsu Nantong on 23 May 2012 and appointed Jiangsu Nantong to facilitate the completion of the injection of a parcel of land located in Taicang City, Jiangsu Province, the PRC (the “Land”) into Taicang Yongtuo Investment Company Limited (“Taicang Yongtuo”), a wholly-owned subsidiary of the Group, by the way of increase of registered capital (the “Injection”).

After the completion of the Injection, the Group agreed to transfer the equity interest in Taicang Yongtuo to the specific nominees directed by Jiangsu Nantong. Equity transfer framework agreement will be entered into between the Group and Jiangsu Nantong if the obligation of the equity transfer crystallises. The consideration had not yet been determined and the market value of the Land will be used as a reference for the consideration. As at 30 June 2012, no binding agreement in relation to the possible disposal of the equity interest of Taicang Yongtuo associated with the Land included in prepaid lease payments with carrying value amounted to HK\$55,883,000 and has been pledged for the bank loan with an outstanding balance of approximately HK\$36,887,000 (equivalent to RMB30,000,000).

Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.



2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
HKFRS 7 (Amendments)	Disclosures – transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



The Group has not early applied new or revised standards that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 – 2011 cycle ²
HKFRS 1 (Amendments)	Government loan ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition (Amendments) Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation financial statements, joint arrangements and disclosure of interests in other entities: transition guidance ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The potential impacts on the applications of the above new and revised HKFRSs are disclosed in the Group's annual financial statements for the year ended 31 December 2011.



3. REVENUE

Revenue represents revenue arising on sales of goods and warehouse storage income.

4. SEGMENT INFORMATION

The Group's operations are organised into industrial property development business and trading business. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group's reportable and operating segments comprise industrial property development and general trading.

- Industrial property development segment represented the operation of warehouse in Taicang, the People's Republic of China (the "PRC") and also the development of industrial property.
- General trading segment included trading of fuels, metal materials and electronic parts. Currently, the Group's general trading activities are carried out in the PRC.

For the six months ended 30 June 2011, there is a change of business plan regarding the fertilizers and chemicals segment. The Group disposed of its entire 51% equity interest in Lucky Green Limited and its subsidiary ("Lucky Green"). Lucky Green is principally engaged in the production and sale of fertilizers and chemicals (see note 8).



Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 June 2012 (unaudited)

	Continuing Operations			Discontinued Operation	Total HK\$'000
	Industrial property development HK\$'000	General trading HK\$'000	Subtotal HK\$'000	Fertilizers and chemicals HK\$'000	
SEGMENT REVENUE	3,956	32,839	36,795	–	36,795
SEGMENT RESULTS	(9,426)	(6,987)	(16,413)	–	(16,413)
Unallocated corporate income			4	–	4
Unallocated corporate expenses			(3,604)	–	(3,604)
Loss before tax			(20,013)	–	(20,013)
Income tax			–	–	–
Loss for the period			(20,013)	–	(20,013)



For the six months ended 30 June 2011 (unaudited)

	Continuing Operations			Discontinued Operation	Total HK\$'000 (restated)
	Industrial property development HK\$'000	General trading HK\$'000	Subtotal HK\$'000	Fertilizers and chemicals HK\$'000 (restated)	
SEGMENT REVENUE	3,727	–	3,727	907	4,634
SEGMENT RESULTS	17,714	–	17,714	(682)	17,032
Gain on disposal of subsidiaries			–	3,937	3,937
Unallocated corporate expenses			(4,318)	–	(4,318)
Interest expenses paid to a minority shareholder of subsidiaries			–	(151)	(151)
Profit before tax			13,396	3,104	16,500
Income tax			–	–	–
Profit for the period			13,396	3,104	16,500

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



Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

At 30 June 2012 (unaudited)

	Continuing Operations			Discontinued Operation	Total HK\$'000
	Industrial property development HK\$'000	General trading HK\$'000	Subtotal HK\$'000	Fertilizers and chemicals HK\$'000	
ASSETS					
Segment assets	333,751	87,369	421,120	–	421,120
Unallocated bank balances and cash					9,847
Unallocated property, plant and equipment					394
Unallocated other receivables, prepayments and deposits					477
Consolidated total assets					431,838
LIABILITIES					
Segment liabilities	70,514	180,066	250,580	–	250,580
Unallocated other payables					189
Consolidated total liabilities					250,769



At 31 December 2011 (audited)

	Continuing Operations			Discontinued Operation	Total HK\$'000
	Industrial property development HK\$'000	General trading HK\$'000	Subtotal HK\$'000	Fertilizers and chemicals HK\$'000	
ASSETS					
Segment assets	321,469	51,097	372,566	–	372,566
Unallocated bank balances and cash					14,274
Unallocated property, plant and equipment					139
Unallocated other receivables, prepayments and deposits					374
Consolidated total assets					387,353
LIABILITIES					
Segment liabilities	69,916	116,775	186,691	–	186,691
Unallocated other payables					659
Consolidated total liabilities					187,350



5. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Continuing operations		
Gain on disposal of port infrastructure project	–	35,714
Interest income	403	3
Sundry income	4	–
	407	35,717

6. FINANCE COSTS

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Continuing operations		
Interest on bank loans and other borrowing wholly repayable within five years	8,169	5,860

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the subsidiaries operating in Hong Kong incurred tax loss for both periods.

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



8. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION)

On 1 June 2011, the Company entered into a sale agreement with Greenice Group Limited, a third party to the Group, to dispose of its entire 51% equity interest in Lucky Green, which is principally engaged in the production and sale of fertilizers and chemicals in Zhuhai, the PRC, for a cash consideration of HK\$300,000. The disposal was completed on 9 June 2011, on which date the Group lost control of Lucky Green. Since then Lucky Green ceased to be a subsidiary of the Group and the Group's production and sale of fertilizers and chemicals operation is treated as a discontinued operation. The results of the Group's production and sale of fertilizers and chemicals operation for the current and prior periods is analysed as follows:

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Revenue	–	907
Cost of sales	–	(877)
Selling and distribution costs	–	(214)
Administrative expenses	–	(498)
Finance costs – Interest expenses paid to a non-controlling shareholders of subsidiaries	–	(151)
Loss for the period	–	(833)
Gain on disposal of subsidiaries	–	3,937
Profit for the period from discontinued operation	–	3,104

Loss for the period from discontinued operation was arrived at after charging the following items:

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	–	44
Depreciation of property, plant and equipment	–	319



The net liabilities of Lucky Green at the date of disposal were as follows:

	HK\$'000 (restated)
<hr/>	
Net liabilities disposed of:	
Property, plant and equipment	5,880
Prepaid lease payments	3,645
Inventory	600
Trade and other receivables	420
Bank balances and cash	867
Other payables and accruals	(2,336)
Translation reserve released	(1,967)
Amounts due to a minority shareholder of subsidiaries	(10,746)
	<hr/>
	(3,637)
Gain on disposal of subsidiaries	3,937
	<hr/>
Total consideration	300
<hr/>	
Satisfied by:	
Cash	300
<hr/>	
Net cash (outflow) arising on disposal:	
Total cash consideration received	300
Bank balances and cash disposed of	(867)
	<hr/>
	(567)
<hr/>	

9. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging the following items:

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
Continuing operations		
Amortisation of prepaid lease payments	1,107	1,070
Depreciation of property, plant and equipment	5,201	5,028
Staff costs including directors' emoluments	3,700	5,683
	<hr/>	<hr/>



10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period.

11. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(19,954)	16,574
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	299,847	299,847



From continuing operations

The calculation of basic (loss) earnings per share from continuing operations is based on the following data:

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
(Loss) profit for the period attributable to owners of the Company	(19,954)	16,574
Less: Profit for the period from discontinued operation	–	3,104
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations	(19,954)	13,470

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operation

Basic earnings per share from discontinued operation is HKNil cents per share (restated six months ended 30 June 2011: HK1.04 cents per share), based on the profit for the period from discontinued operation of HK\$Nil (restated six months ended 30 June 2011: HK\$3,104,000) and the denominators detailed above for basic earnings per share.

The amounts of diluted (loss) earnings per share are the same as basic (loss) earnings per share because the Company has no potential ordinary shares outstanding for both periods.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount and a loss on disposal of approximately HK\$47,000 (year ended 31 December 2011: HK\$Nil).

In addition, during the current interim period, the Group incurred additions to property, plant and equipment amounting to approximately HK\$423,000 (year ended 31 December 2011: approximately HK\$13,707,000).



13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent payment for medium-term land use rights in the PRC and are charged to the profit or loss in the condensed consolidated statement of comprehensive income on a straight-line basis over the lease term.

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Cost		
Balance at beginning of the period/year	109,241	108,894
Exchange realignment	618	4,170
Derecognised on disposal of subsidiaries	–	(3,823)
Balance at end of the period/year	109,859	109,241
Accumulated amortisation		
Balance at beginning of the period/year	9,032	6,751
Exchange realignment	49	294
Amortisation for the period/year	1,107	2,165
Eliminated on disposal of subsidiaries	–	(178)
Balance at end of the period/year	10,188	9,032
Carrying value		
Balance at end of the period/year	99,671	100,209
Analysed for reporting purposes as:		
Current assets	2,211	2,198
Non-current assets	97,460	98,011
	99,671	100,209

The Group agreed to transfer the equity interest in Taicang Yongtuo associated with the Land which consists of prepaid lease payments with carrying value amounted to HK\$55,883,000 at the consideration determined by reference of the market value. Details are disclosed in note 1.



14. DEPOSITS FOR ACQUISITION OF LEASEHOLD LAND

At 30 June 2012, the amount represented deposits paid for acquiring the land use rights in Taicang, the PRC, in the sum of approximately HK\$35,891,000 (year ended 31 December 2011: approximately HK\$35,689,000) (equivalent to RMB29,190,000 in both periods) for industrial development project of the Group. The deposits paid represented approximately 41% of the total cost of acquisition of the land use rights. Due to certain environmental issues, the land use rights acquired will not be able to serve the proposed usage of the land. The management is negotiating with the PRC government for a mutually satisfactory solution to both the parties. Based on the negotiation, the directors are of the opinion that the Group would not suffer any loss on the deposits made.

15. TRADE AND OTHER RECEIVABLES

Included in the balance are trade receivables of approximately HK\$2,837,000 (year ended 31 December 2011: approximately HK\$989,000). 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:

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
0 – 60 days	1,843	989
61 – 90 days	–	–
Over 90 days	994	–
	2,837	989

16. PREPAYMENTS AND DEPOSITS

Included in the prepayments are an amount of approximately HK\$14,137,000 (year ended 31 December 2011: approximately HK\$24,927,000) for the purchase of inventory paid to the largest supplier of the Group. The remaining balance of approximately HK\$878,000 (year ended 31 December 2011: HK\$5,835,000) is the prepayments for the purchase of inventory paid to the independent parties.



17. PLEDGED BANK DEPOSITS

The pledged bank deposits carried fixed interest rate of 3.3% per annum. It will be released upon the settlement of relevant bills payables and short-term bank borrowings.

18. TRADE PAYABLES

The average credit period on purchases of certain goods is 3 months.

The following is an analysis of trade payables by age based on the invoice date.

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	57	–
Over 90 days	998	1,970
	1,055	1,970

19. OTHER PAYABLES AND ACCRUALS

Included in the balance are payables for the cost of construction of warehouse of approximately HK\$20,643,000 (year ended 31 December 2011: approximately HK\$23,889,000). The construction of warehouse was completed in July 2010. Also included in the balance are refundable deposit of approximately HK\$3,689,000 (year ended 31 December 2011: HK\$Nil) received from Jiangsu Nantong in relation to the transfer of equity interest in Taicang Yongtuo associated with the Land. The remaining balance are the accrued expenses and other payables.



20. BANK LOANS

During the six months ended 30 June 2012, the Group repaid bank loans of approximately HK\$69,828,000 (equivalent to RMB56,700,000) and raised short-term bank borrowings of approximately HK\$218,996,000 (equivalent to RMB177,825,000). All bank loans are denominated in Renminbi and secured by pledge of warehouse with an aggregate carrying amount of approximately HK\$162,130,000, prepaid lease payments with aggregate carrying amount of approximately HK\$85,799,000 and bank deposits amounting to approximately HK\$74,282,000. The loans carrying an effective interest at fixed rates ranging from 6.56% to 8.20% per annum and are repayable within one year.

21. SHARE CAPITAL

	Number of shares	Nominal amount
	'000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.005 each		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	421,978,000	2,109,890
Preference shares of HK\$0.005 each		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	22,000	110
Issued and fully paid:		
Ordinary shares of HK\$0.005 each		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	299,847	1,499



22. CAPITAL COMMITMENTS

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Commitments in respect of the acquisition and construction of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	63,914	63,555

23. RELATED PARTY DISCLOSURES

- (a) The amount of interest expense payable to a non-controlling shareholder of subsidiaries incurred during the period is HK\$Nil (six months ended 30 June 2011: approximately HK\$151,000).
- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period is approximately HK\$1,755,000 (six months ended 30 June 2011: approximately HK\$2,144,000).

24. COMPARATIVE FIGURES

The directors of the Company consider that reclassification adjustment on disposal of subsidiaries of approximately HK\$1,967,000 from exchange differences on translation of foreign operation to gain on disposal of subsidiaries in the condensed consolidated statement of comprehensive income is more appropriate. As a result, certain comparative figures have been reclassified to conform to current period's presentation.

The comparative condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed by HLM & Co..



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2012, turnover of the Group from the continuing operations amounted to HK\$36,795,000 (2011: HK\$3,727,000) which comprised of revenue from general trading segment of HK\$32,839,000 (2011: nil) and revenue from industrial property development segment of HK\$3,956,000 (2011: HK\$3,727,000).

The Group commenced its general trading business in the second half of last year and was still working on building a stronger customer base and long-term co-operation. As a result, the margin was slim and a segment loss of HK\$6,987,000 (2011: nil) was resulted.

The industrial property development segment remained stable. A segment loss of HK\$9,426,000 (2011: profit of HK\$17,714,000) was resulted. The profit from previous year was mainly contributed by a gain of the completion of the port infrastructure co-operative agreement of HK\$35,714,000 and such profit was non-recurring during the period under review.

Financial Review

Liquidity and Financial Resources

As at 30 June 2012, the gearing ratio of the Group was 1.16 (31 December 2011: 0.68). The calculation of gearing ratio was based on the total borrowings of HK\$210,408,000 (31 December 2011: HK\$135,469,000) and the equity attributable to equity holders of HK\$180,770,000 (31 December 2011: HK\$199,647,000).



Capital commitment in respect of the acquisition and construction of property, plant and equipment as at 30 June 2012 was HK\$63,914,000 (31 December 2011: HK\$63,555,000).

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 2012, prepaid lease payments and warehouse with the aggregate carrying amounts of HK\$85,799,000 (31 December 2011: HK\$86,302,000) and HK\$162,130,000 (31 December 2011: HK\$165,689,000) respectively were pledged against bank loans granted to the Group.

The Group has also pledged bank deposits of HK\$74,282,000 to secure certain bank loans granted to the Group as at 30 June 2012 (31 December 2011: HK\$12,061,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2012.

Employees and Remuneration Policies

As at 30 June 2012, the Group has approximately 40 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

On 26 March 2012, the Group entered into a letter of intent with a third party pursuant to which both parties will negotiate to enter into a formal agreement to transfer the economic benefits and business risks associated with a parcel of land with total site area of approximately 200,000 square meters in Taicang City, Jiangsu Province, the PRC owned by the Group. The management is still actively negotiating with that third party with the objective to conclude the transaction by this year. The proceeds from such disposal, if concluded and completed, will be used to reduce the existing bank borrowings of the Group and improve its financial position.

For the industrial property development segment, the management will continue to look into the opportunity to provide additional services and thus increase revenue generated from the operation.

The management will also strive to improve the profitability of the general trading business and review the direction and strategy adopted from time to time.

DIRECTORS' INTEREST IN SHARES

As at 30 June 2012, the interests of the Directors and Chief Executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:



Long positions

Name	Nature of interest	Number of shares held	Percentage to issued share capital
Ms. Ma Xiaoling ("Ms. Ma")	Corporate interests (Note)	120,212,256	40.09%

Note: Ms. Ma is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the Directors nor Chief Executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

Under the terms of the share option scheme adopted by the Company, the Board may, at their discretion, grant options to the employees of the Group, including Executive Directors of the Company, to subscribe for shares in the Company.

During the period under review, there is no outstanding share option and no share options were granted or exercised.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 30 June 2012, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Note(s)	No. of shares held	Percentage to issued share capital
Keenlead Holdings Limited	1	120,212,256	40.09%
Ms. Ma	1	120,212,256	40.09%

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 30 June 2012.

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 2012 have been reviewed by our auditors, HLM & Co., 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. The remuneration committee, currently comprising executive directors, Ms. Ma and Ms. Chan Siu Mun, non-executive director, Mr. Chan Sze Hon, and independent non-executive directors, Mr. Ching, Mr. Lin and Mr. Shu, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management members, as well as review and determine the remuneration of all executive directors and senior management members with reference to the Company's objectives from time to time.



NOMINATION OF DIRECTORS

The Board considers the determination of the appointment and removal of directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code on Corporate Governance to set up a Nomination Committee. Instead, however, the Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a board meeting will then be convened to consider and discuss the nominated candidates(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

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, 30 August 2012