



Interim Report 2006




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

CONTENTS

	<i>Pages</i>
CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED INCOME STATEMENT	3
CONDENSED CONSOLIDATED BALANCE SHEET	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7
INDEPENDENT INTERIM REVIEW REPORT	12
INTERIM DIVIDEND	13
MANAGEMENT DISCUSSION AND ANALYSIS	13
PROSPECTS	14
DIRECTORS' INTEREST IN SHARES	14
SHARE OPTIONS	15
INTERESTS OF SUBSTANTIAL SHAREHOLDERS	15
PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY	16
CORPORATE GOVERNANCE	16
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	17
AUDIT COMMITTEE	17
REMUNERATION COMMITTEE	17
APPRECIATION	18

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Ma Xiaoling (*Chairman*)
Mr. Chan Sze Hon

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Sze Hon

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China
Dah Sing Bank
Industrial and Commercial 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

Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

431

WEBSITE

<http://www.irasia.com/listco/hk/greaterchina/index.htm>

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
		HK cents	HK cents
(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
		377,175	341,869
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
		27,913	26,940
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
		41,978	38,426
Net Current Liabilities		(14,065)	(11,486)
Total Assets less Current Liabilities		363,110	330,383
Non-Current Liabilities			
Bank borrowings	13	156,630	123,350
Deferred taxation	14	7,528	6,709
		164,158	130,059
		198,952	200,324
Capital and Reserves			
Share capital	15	1,430	1,430
Reserves		197,522	198,894
		198,952	200,324
Equity attributable to equity holders of the Company		198,952	200,324

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company					Minority interests	Total
	Share capital	Share premium	Translation Reserve	Deficit	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
1 January 2005	1,192	348,091	-	(215,774)	133,509	184	133,693
Profit (loss) for the period	-	-	-	38,877	38,877	(184)	38,693
At 30 June 2005 and 1 July 2005	1,192	348,091	-	(176,897)	172,386	-	172,386
Exchange differences arising on translations of operations outside Hong Kong recognised directly in equity	-	-	153	-	153	-	153
Profit for the period	-	-	-	4,464	4,464	-	4,464
Total recognised income and expenses for the period	-	-	153	4,464	4,617	-	4,617
Issue of ordinary shares	238	23,083	-	-	23,321	-	23,321
At 31 December 2005 and 1 January 2006	1,430	371,174	153	(172,433)	200,324	-	200,324
Loss for the period and total recognised expense for the period	-	-	-	(1,372)	(1,372)	-	(1,372)
At 30 June 2006	1,430	371,174	153	(173,805)	198,952	-	198,952

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended	
	30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(5,536)	13,361
Net cash used in investing activities		
Deposit paid for acquisition of subsidiaries	(29,055)	–
Other investing cash flows	(1,418)	(4,185)
	(30,473)	(4,185)
Net cash from (used in) financing activities		
Bank loans raised	56,000	–
Repayment of bank loans	(19,647)	(5,000)
Other financing cash flows	451	2,965
	36,804	(2,035)
Net increase in cash and cash equivalents	795	7,141
Cash and cash equivalents at 1 January	24,192	4,080
Cash and cash equivalents at 30 June, represented by bank balances and cash	24,987	11,221

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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 HKAS 29 Financial Reporting in 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 HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Revenue	1,287	4,937	–	6,224
Segment results	(526)	9,035	(24)	8,485
Unallocated other income				82
Unallocated corporate overheads				(4,776)
Finance costs				(4,344)
Loss before taxation				(553)

For the six months ended 30 June 2005

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

4. FINANCE COSTS

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

5. INCOME TAX EXPENSE

The charge for the period represents the recognition of deferred tax (note 14).

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 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	(1,372)	38,877
Number of shares		
Number of shares	285,989	238,389

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 (note 18). 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 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
0 – 60 days	611	298
61 – 90 days	–	647
Over 90 days	–	8
	<u>611</u>	<u>953</u>

12. TRADE AND OTHER PAYABLES

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

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

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 (note 18).

14. DEFERRED TAXATION

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2006	685	6,132	(108)	6,709
(Credit) charge to income statement for the period	<u>(4)</u>	<u>1,175</u>	<u>(352)</u>	<u>819</u>
At 30 June 2006	<u>681</u>	<u>7,307</u>	<u>(460)</u>	<u>7,528</u>

15. SHARE CAPITAL

	Number of shares	Nominal amount
	'000	HK\$'000
Ordinary shares of HK\$0.005 each		
Issued and fully paid:		
At 30 June 2006 and 31 December 2005	<u>285,989</u>	<u>1,430</u>

16. PLEDGED ASSETS

- (a) All the Group's investment properties and the issued shares of a subsidiary of the Company are pledged and the rental income in respect of the investment properties under operating leases are assigned to banks against the bank loans granted to the Group.
- (b) At 31 December 2005, property, plant and equipment and land lease prepayment of HK\$7,063,000 (30.6.2006: Nil) were pledged against a bank loan granted to the Group.

17. RELATED PARTY DISCLOSURES

- (a) The amount due to a minority shareholder of a subsidiary is unsecured, interest bearing at 6% per annum and repayable on demand. The amount of interest paid during the period is approximately HK\$127,000 (six months ended 30.6.2005: HK\$24,000).
- (b) At 31 December 2005, a minority shareholder provided a guarantee, at no charge to the Group, to a bank for a bank loan of HK\$962,000 (30.6.2006: Nil) granted to a subsidiary.
- (c) The remuneration of directors and other members of key management during the period was HK\$1,822,000 (six months ended 30.6.2005: HK\$2,011,000).

18. EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group has completed the acquisition of a 51% interest in Keycharm Investments Limited ("Keycharm"), a company incorporated in British Virgin Islands (the "Acquisition") on 20 September 2006. The Group is in the process of assessing the fair values of the identifiable assets and liabilities of the acquiree, it is therefore impracticable to present the financial effects of the Acquisition in the interim financial report.



INDEPENDENT INTERIM REVIEW REPORT TO THE BOARD OF DIRECTORS OF GREATER CHINA HOLDINGS LIMITED

大中華實業控股有限公司

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by Greater China Holdings Limited to review the interim financial report set out on pages 3 to 11.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group’s management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 September 2006

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.

DIRECTORS' INTEREST IN SHARES

As at 30 June 2006, 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:

Interests in the Company

Name	Nature of Interest	No. of shares held	Percentage to issued share capital
Ms. Ma Xiaoling	Corporate interest (Note)	120,212,256	42.03%

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares as at 30 June 2006

Save as disclosed above, as at 30 June 2006, none of the Directors and 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 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 employee of the Group, including Executive Directors of the Company, to subscribe for shares in the Company.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2006, the following persons 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	<i>Notes</i>	No. of shares held	Percentage to issued share capital
Keenlead Holdings Limited	<i>1</i>	120,212,256	42.03%
Ms. Ma Xiaoling	<i>1</i>	120,212,256	42.03%
China Main Investment (H.K.) Company Limited	<i>2,3</i>	32,000,000	11.19%
Centre Mark Development Limited	<i>2,3</i>	32,000,000	11.19%
Sino Elite International Limited	<i>2,3</i>	32,000,000	11.19%
China Main Group Company Limited	<i>2,3</i>	32,000,000	11.19%
Mr. Chen Dacheng	<i>2,3</i>	32,000,000	11.19%
Shenzhen Venture Capital (BVI) Company Limited	<i>2,3</i>	32,000,000	11.19%
Mr. Mei Jian	<i>2,3</i>	32,000,000	11.19%
Mr. Zhang Minlong	<i>2,3</i>	32,000,000	11.19%

Notes:

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

2. China Main Investment (H.K.) Company Limited ("China Main") is owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Company Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Company Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Company Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming.
3. On 14 April, 2003, Shenzhen Venture Capital (BVI) Company Limited ("Shenzhen Venture Capital") reported that it has a security interest in 32,000,000 shares. Shenzhen Venture Capital is owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.

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 2006.

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