THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Greater China Holdings Limited (the "Company"), you should at once hand this circular accompanying the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

MAJOR AND CONNECTED TRANSACTION

Financial adviser to the Company

博大資本國際有限公司

Partners Capital International Limited

Independent financial adviser

第一上海

FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A letter from the independent board committee of the Company is set out on page 17 of this circular. A letter from First Shanghai Capital Limited containing its advice to the independent board committee and the shareholders of the Company is set out on pages 18 to 32 of this circular.

A notice convening the special general meeting of the Company to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 27 September 2007 at 10:00 a.m. is set out on pages 108 to 109 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

11 September 2007

* *For identification purpose only*

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In this circular, the following expressions have the following meanings, unless the context otherwise requires:–

"Acquisition"	the acquisition of the Sale Shares and the Sale Loans by the Purchaser pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Company"	Greater China Holdings Limited, a company incorporated in Bermuda, the shares of which are currently listed on and dealt in the Stock Exchange
"Completion"	the completion which is to take place within 14 days after the date on which all the conditions of the Sale and Purchase Agreement shall have been fulfilled and/or waived, or such other date as shall be agreed between the Purchaser and the Sellers in writing
"Consideration Shares"	new Shares to be issued, allotted and credited as fully paid upon Completion
"Directors"	directors of the Company
"Enlarged Group"	the Group has been enlarged by the Acquisition
"First Shanghai"	First Shanghai Capital Limited, a licenced corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Acquisition
"Group"	the Company and its subsidiaries
"Independent Board Committee"	the independent board committee of the Company comprising independent non-executive Directors, namely Mr. Ching Men Ky Carl, Mr. Lin Ruei-min, Mr. Shu Wa Tung Laurence
"JV Company"	太倉中化國際興業石化開發建設有限公司(Taicang Sinochem International Xingye Petrochemical Development Company Limited), a sino-foreign joint venture company incorporated in the PRC
"Keycharm"	Keycharm Investments Limited, a company incorporated in the British Virgin Islands and owned as to 51% by the Purchaser, as to 40% by Mr. Wang Yuhui and as to 9% by Mr. Lin Jie

"Keycharm Group"	Keycharm and its subsidiaries
"Land"	a parcel of land located at the southern part of Gang Qu Wei Road, western part of Jing Er Road and northern part of Bei Huan Road, Fuqiao Town, Taicang Port Development Zone, Taicang City, Jiangsu Province, the PRC
"Latest Practicable Date"	7 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"PRC Party"	江蘇省太倉港港口開發建設投資公司 (Jiangsu Taicang Port Development Construction Investment Company Limited), a state-owned enterprise in the PRC
"Purchaser"	Profit Capital Limited, a company incorporated in British Virgin Islands with limited liability and wholly owned by the Company
"Sale and Purchase Agreement"	the sale and purchase agreement dated 27 July 2007 entered into between the Purchaser and the Sellers in relation to the Acquisition
"Sale Loans"	RMB58,800,000 (approximately HK$60,788,000), being the sum of (i) the interest free unsecured loan in the amount of RMB48,000,000 (approximately HK$49,623,000) due from Keycharm to Mr. Wang Yuhui and (ii) the interest free unsecured loan in the amount of RMB10,800,000 (approximately HK$11,165,000) due from Keycharm to Mr. Lin Jie
"Sale Shares"	49 shares of US$1.00 each of Keycharm, representing 49% of the issued share capital of Keycharm
"Sellers"	Mr. Wang Yuhui and Mr. Lin Jie
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for approving the Sale and Purchase Agreement

"Share(s)"	share(s) of HK$0.005 each in the share capital of the Company
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars
"RMB"	Renminbi
"sq.m."	square metres
"%"	per cent.

For the purpose of this circular, all amounts in RMB are translated into HK$ at an exchange rate of RMB0.9673:HK$1 unless otherwise stated.

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

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

Independent Non-Executive Directors:
Mr. Ching Men Ky Carl
Mr. Lin Ruei-min
Mr. Shu Wa Tung Laurence

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business:
Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

11 September 2007

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

On 31 July 2007, the Board announces that on 27 July 2007, the Purchaser entered into the Sale and Purchase Agreement with the Sellers pursuant to which the Purchaser agreed to acquire the Sale Shares, representing 49% of the issued share capital of Keycharm, and the Sale Loans from the Sellers at an aggregate consideration of RMB63,300,000 (approximately HK$65,440,000), RMB53,300,000 (approximately HK$55,102,000) of which shall be paid in cash and the balance of RMB10,000,000 (approximately HK$10,338,000) to be satisfied by the issue and allotment of the Consideration Shares to the Sellers. Under the Sale and Purchase Agreement, the consideration for the Sale Shares is RMB4,500,000 (approximately HK$4,652,000) and the consideration for the Sale Loans is RMB58,800,000 (approximately HK$60,788,000).

* *For identification purpose only*

As the applicable percentage ratio for the Acquisition under the Listing Rules is more than 25% and less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules. As the Sellers are connected persons of the Company, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to approval by the Shareholders at the SGM by poll in accordance with the requirements of Rule 14A.48 of the Listing Rules. As no Shareholders are interested or involved in the Acquisition, no Shareholders will abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

The Independent Board Committee has been appointed by the Board to give recommendation to the Shareholders in respect of the Acquisition. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this circular is to give you further information on the Acquisition, the recommendation from the Independent Board Committee, the advice of First Shanghai to the Independent Board Committee and the Shareholders and a notice to convene the SGM to consider and, if thought fit, pass the resolution to approve the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT DATED 27 JULY 2007

Parties

Purchaser: Profit Capital Limited, a company incorporated in British Virgin Islands with limited liability and wholly owned by the Company

Sellers: Mr. Wang Yuhui and Mr. Lin Jie, being directors and the shareholders holding the aggregate of 49% of Keycharm

As the Sellers are directors and shareholders of Keycharm, they are connected persons of the Company.

Assets to be acquired

Sale Shares: 49 shares of US$1.00 each of Keycharm, of which 40 shares are owned by Mr. Wang Yuhui and 9 shares are owned by Mr. Lin Jie, representing 49% of the issued share capital of Keycharm

Sale Loans: RMB58,800,000 (approximately HK$60,788,000), being the sum of (i) the interest free unsecured loan in the amount of RMB48,000,000 (approximately HK$49,623,000) due from Keycharm to Mr. Wang Yuhui and (ii) the interest free unsecured loan in the amount of RMB10,800,000 (approximately HK$11,165,000) due from Keycharm to Mr. Lin Jie

Consideration

The total consideration of RMB63,300,000 (approximately HK$65,440,000) for the acquisition of the Sale Shares and the Sale Loans was arrived at after arm's length negotiations between the Company and the Sellers and also represents a discount of approximately 1.20% to the sum of (i) the audited net asset value of Keycharm Group of RMB5,258,000 (approximately HK$5,436,000) attributable to 49% equity interest in Keycharm Group as at 30 June 2007 after adjustment for the revaluation surplus of the Land (being 49% of the sum of (i) the net liabilities attributable to equity holders of Keycharm of approximately RMB21,419,000 as at 30 June 2007 and the revaluation surplus of the Land attributable to Keycharm of approximately RMB32,151,000; and (ii) RMB58,800,000 (approximately HK$60,788,000), being the amount of the Sale Loans.

Under the Sale and Purchase Agreement, the consideration for the Sale Shares is RMB4,500,000 (approximately HK$4,652,000) and the consideration for the Sale Loans is RMB58,800,000 (approximately HK$60,788,000). The aggregate consideration for the Sale Shares and the Sale Loans of RMB63,300,000 (approximately HK$65,440,000) is to be satisfied in the following manners:

(a) as to RMB9,000,000 (approximately HK$9,304,000) payable to Sellers (of which RMB7,346,939 (approximately HK$7,595,000) payable to Mr. Wang Yuhui and of which RMB1,653,061 (approximately HK$1,709,000) payable to Mr. Lin Jie) in cash upon signing of the Sale and Purchase Agreement;

(b) as to RMB44,300,000 (approximately HK$45,798,000) payable to Sellers (of which RMB36,163,265 (approximately HK$37,386,000) payable to Mr. Wang Yuhui and of which RMB8,136,735 (approximately HK$8,412,000) payable to Mr. Lin Jie) in cash upon Completion; and

(c) as to RMB10,000,000 (approximately HK$10,338,000) (of which RMB8,163,265 (based on an exchange rate of RMB0.9673: HK$1, equivalent to HK$8,439,228) payable to Mr. Wang Yuhui and of which RMB1,836,735 (based on an exchange rate of RMB0.9673: HK$1, equivalent to HK$1,898,827) to be satisfied by the issue and allotment of 11,312,637 Consideration Shares and 2,545,344 Consideration Shares to Mr. Wang Yuhui and Mr. Lin Jie respectively) upon Completion.

The funding of RMB53,300,000 (approximately HK$55,102,000) will be financed by the internal resources of the Company. As at the Latest Practicable Date, the Company has paid RMB9,000,000 to the Sellers. The funding of RMB9,000,000 was financed by the internal resources of the Company.

Consideration Shares

Based on an exchange rate of RMB0.9673: HK$1, RMB10,000,000 (approximately HK$10,338,000) will be satisfied by the issue and allotment of 13,857,981 Consideration Shares at an issue price of HK$0.746, being the average closing price of HK$0.746 per Share for the last five trading days up to 26 July 2007, being the trading date immediately prior to the date of the Sale and Purchase Agreement.

The issue price of HK$0.746 per Consideration Share represents:–

(a) a discount of approximately 0.53% to the closing price of HK$0.75 per Share as quoted on the Stock Exchange on 27 July 2007 (being the last trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the announcement of the Company dated 31 July 2007);

(b) a discount of approximately 0.53% to the average closing price of HK$0.75 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including 27 July 2007;

(c) a premium of approximately 1.91% over the average closing price of HK$0.732 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 27 July 2007;

(d) a discount of approximately 32.49% to the audited consolidated net asset value per Share of approximately HK$1.105 as at 31 December 2006; and

(e) a premium of approximately 6.57% over the closing price of HK$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on 285,989,133 Shares in issue as at the Latest Practicable Date, the aggregate of 13,857,981 Consideration Shares represent approximately 4.85% of the existing issued share capital of the Company and approximately 4.62% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued under a special mandate to be approved in the SGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Consideration Shares. The Acquisition will not result in a change of control of the Company.

Conditions

Completion is conditional, amongst other things, on the following conditions:

(a) all representations, warranties and undertakings given by the Seller pursuant to the Sale and Purchase Agreement are true and accurate on the date of the Sale and Purchase Agreement and remain true and accurate upon Completion;

(b) all necessary consents and approval in relation to the Acquisition and the transactions contemplated therein having been obtained by the Purchaser including the consents or approvals from the relevant governmental departments, the Stock Exchange and regulatory authorities and/or other third parties;

(c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Consideration Shares; and

(d) the Sale and Purchase Agreement and the transactions contemplated therein having been approved by the Shareholders at the SGM pursuant to the Listing Rules.

The above conditions (except conditions (b), (c) and (d)) may be waived by the Purchaser at its sole absolute discretion. If any of the conditions of the Sale and Purchase Agreement is not fulfilled or waived by the Purchaser on or before six months from the date of the Sale and Purchase Agreement, i.e. 26 January 2008 or such other date as shall be determined by the Purchaser, the Sale and Purchase Agreement shall terminate save in respect of any antecedent breach of the Sale and Purchase Agreement and the Sellers shall return the partial consideration paid by the Purchaser with interest (which is calculated based on the prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited) within two business days from the date of the written notice given by the Purchaser to the Sellers.

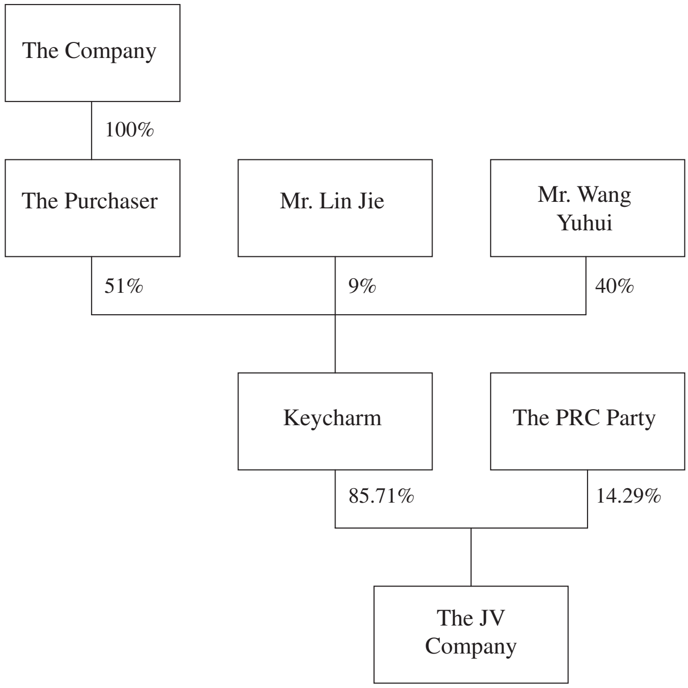
Completion

Completion shall take place within 14 days after the date on which all the conditions of the Sale and Purchase Agreement have been fulfilled and/or waived, or such other date as shall be agreed between the Purchaser and the Seller in writing.

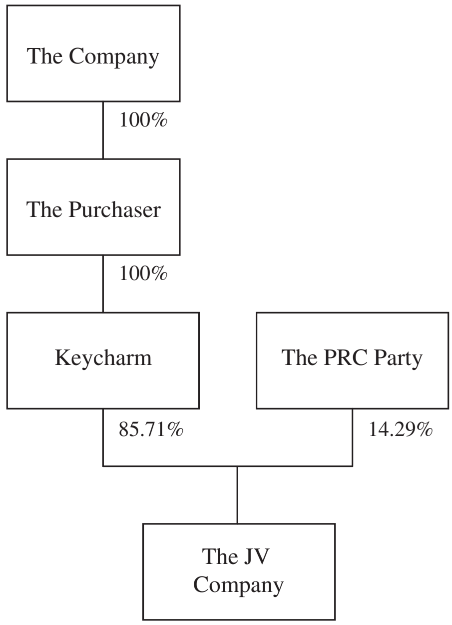
SHAREHOLDING STRUCTURE

The diagram below shows the current corporate and shareholding structure of the Group and the Keycharm Group:

Before the Acquisition



Upon completion of the Acquisition



INFORMATION OF KEYCHARM AND THE JV COMPANY

Keycharm is a company incorporated in the British Virgin Islands on 8 July 2005. As at the Latest Practicable Date, Keycharm has an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which 100 shares of Keycharm were issued and allotted and are fully paid or credited as fully paid. As at the Latest Practicable Date, Keycharm is legally and beneficially owned as to 51% by the Purchaser, as to 9% by Mr. Lin Jie and as to 40% by Mr. Wang Yuhui. Each of the Purchaser, Mr. Lin Jie and Mr. Wang Yuhui has advanced RMB61,200,000, RMB10,800,000 and RMB48,000,000 to Keycharm respectively as interest free unsecured loans. Upon Completion, Keycharm will become a wholly owned subsidiary of the Company.

The sole asset of Keycharm is its approximately 85.71% equity interest in the JV Company and the remaining 14.29% equity interest in the JV Company is owned by the PRC Party. As the PRC Party is a substantial shareholder of the JV Company, being a subsidiary of the Company, the PRC Party and its ultimate beneficial owners are connected persons of the Company.

The JV Company is a sino-foreign equity joint venture incorporated in the PRC on 12 August 2004. The operating period of the JV Company is 50 years commencing on 12 August 2004. The registered capital and the total investment amount of the JV Company are RMB140 million (approximately HK$144,733,000), which has been fully paid, and RMB240 million (approximately HK$248,113,000) respectively. It is expected that the difference between the registered capital and the total investment amount of RMB100 million (approximately HK$103,381,000) will be funded by bank financing. Pursuant to the business license of the JV Company dated 12 March 2007, the scope of business of the JV Company includes construction of port infrastructure, development of petrochemical industry projects and operation and development of transportation related logistic facilities (excluding dangerous goods) (subject to granting of relevant operating permits). It is the intention of the Directors that the JV Company will be engaged in industrial property development with focus on depot infrastructure.

The JV Company currently holds the Land which is situated at the southern part of Gang Qu Wei Road, western part of Jing Er Road and northern part of Bei Huan Road, Fuqiao Town, Taicang Port Development Zone, Taicang City, Jiangsu Province, the PRC. The Land is in a rectangular shape and having a site area of approximately 94,793.5 sq.m. and is subject to a right to use the land for a term of 50 years from 1 January 2001 to 31 December 2050 for industry and warehouse composite usage. The land and property interests of the Land are valued by BMI Appraisals Limited, the independent valuer, based on the market approach, at the amount of RMB65,000,000 (approximately HK$67,197,000) as at 31 August 2007. The valuation report of the Land is set out in Appendix IV to this circular.

The Land is planned to be developed into an industrial/storage area with total construction area of 60,000 sq.m. with six deports occupying about 8,277 sq.m. each. The acquisition costs of the Land was approximately RMB28,438,000 (approximately HK$29,399,000) and the estimated construction costs and professional fees for the property will be approximately RMB68,917,000 (approximately HK$71,247,000) which will be financed by the registered capital of the JV Company. It is expected that the construction of the property will be completed in early 2008 and commence operation after completion of the construction. It is expected that revenue to be derived from the property is expected to comprise rental income and other income such as logistic services.

Financial Review for the period from 8 July 2005 (date of incorporation) to 31 December 2005

Accountants' report of the Keycharm Group is set out in Appendix I to this circular. All the financial statements of Keycharm Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards.

Based on the audited financial statement of the Keycharm Group for the period from 8 July 2005 (date of incorporation) to 31 December 2005, Keycharm Group recorded bank interest income of RMB294,000 (approximately HK$303,000). For this period, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB3,224,000 (approximately HK$3,333,000) which was mainly attributable to the impairment loss of approximately RMB1,218,000 (approximately HK$1,259,000) in relation to the goodwill arising on acquisition of a subsidiary which recorded the administrative expenses in connection with a potential port infrastructure project and the administrative expenses of approximately RMB2,632,000 (approximately HK$2,721,000) as a result of commencement of the JV Company's operation. No geographical segment information is presented as all the activities of the Keycharm Group during the period were carried out in the PRC and no business segment information is presented for the period as the Keycharm Group was only engaged in industrial property development during the period.

The net deficit of Keycharm Group as at 31 December 2005 amounted to approximately RMB3,224,000 (approximately HK$3,333,000). Without taking into account the shareholders' loans amounting to RMB90,000,000 (approximately HK$93,042,000) as at 31 December 2005, the net assets of Keycharm Group as at 31 December 2005 were approximately RMB86,776,000 (approximately HK$89,709,000).

The total liabilities of Keycharm Group as at 31 December 2005 mainly comprised loans from shareholders' of RMB90,000,000 (approximately HK$93,042,000), of which RMB48,000,000 (approximately HK$49,623,000) was due to Mr. Wang Yuhui and RMB42,000,000 (approximately HK$43,420,000) was due to Mr. Lin Jie, and RMB30,000,000 (approximately HK$31,014,000) was due to a minority shareholder, i.e. the PRC Party. All amounts were unsecured, interest free and repayable on demand.

The gearing ratio of Keycharm Group as at 31 December 2005 was approximately 0.88 (total liabilities of approximately RMB120,323,000 divided by total assets of approximately RMB136,564,000) and there was no interest-bearing bank borrowing as at 31 December 2005.

Keycharm Group did not have any material contingent liabilities as at 31 December 2005.

Keycharm Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were mainly conducted in RMB which was relatively stable throughout the year. Employees were remunerated according to the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. As at 31 December 2005, Keycharm Group had approximately 20 employees. Keycharm Group provided staff welfare and bonuses for its employees in accordance with the prevailing labour law.

Financial Review for the year ended 31 December 2006

Based on the audited financial statement of the Keycharm Group for the year ended 31 December 2006, Keycharm Group recorded bank interest income of RMB364,000 (approximately HK$376,000). For this period, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB14,250,000 (approximately HK$14,731,000) which was mainly attributable to the impairment loss of approximately RMB8,323,000 (approximately HK$8,604,000) for the prepayments made to various developers in connection with the potential port infrastructure project and the administrative expenses of approximately RMB8,641,000 (approximately HK$8,933,000) for the JV Company's operation. No geographical segment information is presented as all the activities of the Keycharm Group during the period were carried out in the PRC and no business segment information is presented for the period as the Keycharm Group was only engaged in industrial property development during the period.

The net deficit of Keycharm Group as at 31 December 2006 amounted to approximately RMB17,472,000 (approximately HK$18,063,000). Without taking into account the shareholders' loans amounting to RMB120,000,000 (approximately HK$124,057,000) as at 31 December 2006, the net assets of Keycharm Group as at 31 December 2006 were approximately RMB102,528,000 (approximately HK$105,994,000).

The total liabilities of Keycharm Group as at 31 December 2006 mainly comprised loans from shareholders' of RMB120,000,000 (approximately HK$124,057,000), of which RMB48,000,000 (approximately HK$49,623,000) was due to Mr. Wang Yuhui, RMB10,800,000 (approximately HK$11,165,000) was due to Mr. Lin Jie and RMB61,200,000 (approximately HK$63,269,000) was due to the Purchaser. All amounts were unsecured, interest free and repayable on demand.

The gearing ratio of Keycharm Group as at 31 December 2006 was approximately 1.00 (total liabilities of approximately RMB120,495,000 divided by total assets of approximately RMB120,137,000) and there was no interest-bearing bank borrowing as at 31 December 2006.

Keycharm Group did not have any material contingent liabilities as at 31 December 2006.

Keycharm Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were mainly conducted in RMB which was relatively stable throughout the year. Employees were remunerated according to the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. As at 31 December 2006, Keycharm Group had approximately 20 employees. Keycharm Group provided staff welfare and bonuses for its employees in accordance with the prevailing labour law.

Financial Review for the six months ended 30 June 2007

Based on the audited financial statement of the Keycharm Group for the six months ended 30 June 2007, Keycharm Group recorded bank interest income of RMB194,000 (approximately HK$201,000). For this period, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB3,947,000 (approximately HK$4,080,000) which was mainly attributable to the administrative expenses for the JV Company's operation. No geographical segment information is presented as all the activities of the Keycharm Group during the period were carried out in the PRC and no business segment information is presented for the period as the Keycharm Group was only engaged in industrial property development during the period.

The net deficit of Keycharm Group as at 30 June 2007 amounted to approximately RMB21,419,000 (approximately HK$22,143,000). Without taking into account the shareholders' loans amounting to RMB120,000,000 (approximately HK$124,057,000) as at 30 June 2007, the net assets of Keycharm Group as at 30 June 2007 were approximately RMB98,581,000 (approximately HK$101,914,000).

The total liabilities of Keycharm Group as at 30 June 2007 mainly comprised loans from shareholders' of RMB120,000,000 (approximately HK$124,057,000), of which RMB48,000,000 (approximately HK$49,623,000) was due to Mr. Wang Yuhui, RMB10,800,000 (approximately HK$11,165,000) was due to Mr. Lin Jie and RMB61,200,000 (approximately HK$63,269,000) was due to the Purchaser. All amounts were unsecured, interest free and repayable on demand.

The gearing ratio of Keycharm Group as at 30 June 2007 was approximately 1.04 (total liabilities of approximately RMB121,102,000 divided by total assets of approximately RMB116,139,000) and there was no interest-bearing bank borrowing as at 30 June 2007.

Keycharm Group did not have any material contingent liabilities as at 30 June 2007.

Keycharm Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were mainly conducted in RMB which was relatively stable throughout the year. Employees were remunerated according to the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. As at 30 June 2007, Keycharm Group had approximately 20 employees. Keycharm Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law.

REASONS FOR THE ACQUISITION

The Group is principally engaged in investment holding, production and sale of organic fertilizers and industrial property development with focus on depot infrastructure.

As mentioned in the 2006 annual report of the Company, after completion of the disposal of the investment properties at 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Hong Kong in March 2007, the Board considers that the Group is in a strong position to capture any valuable investment opportunity should it arise as the Group will have adequate cash resources on hand. The Board will continue to look for investments with reasonable return by investing on quality property projects in Hong Kong or the PRC.

The Board noted that (i) the net deficit of Keycharm Group as at 30 June 2007 amounted to approximately RMB21,419,000 (approximately HK$22,143,000); (ii) Keycharm had recorded an impairment loss of RMB1,218,000 (approximately1,259,000) in relation to the potential port infrastructure project for the period from 8 July 2005 (date of incorporation) to 31 December 2005; and (iii) Keycharm had also recorded the impairment loss of approximately RMB8,323,000 (approximately HK$8,604,000) in relation to the potential port infrastructure project for the year ended 31 December 2006. The management of Keycharm re-assessed the status of the potential port infrastructure project and decided to put the potential port infrastructure project on hold. The Directors do not expect that Keycharm will incur further expenses for the potential port infrastructure project.

Given that the net assets of Keycharm Group attributable to the 49% equity interest to be acquired under the Acquisition as at 30 June 2007 were approximately RMB49,305,000 (approximately HK$50,972,000) without taking into account the Sale Loans amounting to RMB58,800,000 (approximately HK$60,788,000) as at 30 June 2007, the appreciation of the market value of the Land, as well as the growth potential of the import and export trading in the PRC and the future earnings potential of the JV Company upon commencement of the operations of the logistics services by mid-2008, the Board is of the view that the Acquisition is in line with the business strategy of the Group and will enable the Group to further increase its exposure in the industrial property development with focus on depot infrastructure. The Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement are of normal commercial terms and fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the 2006 annual report of the Company, for the year ended 31 December 2006, turnover of the Group amounted to HK$13,576,000 (2005: HK$38,679,000). Net profit for the year attributable to the equity holders of the Company was HK$98,422,000 (2005: HK$43,341,000) and earnings per share was HK34.41 cents (2005: HK17.32 cents). During the reporting period, revenue from production and sale of fertilizers amounted to HK$3,298,000 (2005: HK$5,796,000), representing approximately 24.3% of the Group's total revenue. Rental income from 1 Lyndhurst Tower amounted to HK$10,278,000 (2005: HK$9,557,000), representing approximately 75.7% of the Group's total revenue and over 80% of the total gross floor area was leased out. Following the blossoming of the property market, the revaluation of the investment properties contributed to a profit of HK$121,400,000, and the property investment business remained as the largest profit contributor to the Group.

This year was a turning point of the Group. During December 2006, a provisional sale and purchase agreement to dispose of the Group's investment properties was signed with an independent third party (the "Buyer"). On March 2007, the Buyer exercised the option to acquire a wholly-owned subsidiary of the Group, which held the investment properties (the "Disposal"). The selling price represented a premium of over 30% as compared to that of the valuation of the investment properties on June 2006. The Disposal was completed on March 2007, while it released the pressure of the high debt ratio of the Group.

After the completion of the Disposal, the Board considers that the Group is in a strong position to capture any valuable investment opportunity should it arise as the Group will have adequate cash resources on hand. 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.

It is expected that the construction of the transportation related logistic facilities on the Land will be completed in early 2008 and commence operation after completion of the construction and the revenue to be derived from the facilities will comprise rental income and other income such as logistic services. The Directors are positive about the future prosperity of the logistic industry in the PRC and expect that the JV Company will bring positive effect on the Company upon commencement of operations of the logistics services by mid-2008.

Financial Review for the year ended 31 December 2006

Liquidity and Financial Resources

As at 31 December 2006, the Group had current ratio of approximately 1.89 compared to that of 0.70 as at 31 December 2005 and the gearing ratio was 0.83 compared to that of 0.68 as at 31 December 2005. The calculation of gearing ratio was based on the total borrowings of HK$246,946,000 (2005: HK$135,970,000), and the net assets of HK$298,988,000 as at 31 December 2006 (2005: HK$200,324,000).

There were no significant capital commitments as at 31 December 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.

Charges on Assets

As at 31 December 2006, all the Group's investment properties and the issued shares of a wholly owned subsidiary of the Company were pledged and the rental income in respect of the investment properties under operating leases was assigned to banks against bank loans granted to the Group.

Property, plant and equipment of HK$7,005,000 (2005: HK$7,063,000) were pledged against a bank loan granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2006.

Employees and Remuneration Policies

As at 31 December 2006, the Group had approximately 51 employees. Remuneration was 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 included contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP

Upon Completion, Keycharm will become a wholly owned indirect subsidiary of the Company and the accounts of which had already been consolidated into those of the Company.

As at 31 December 2006, the audited consolidated total assets of the Group amounted to approximately HK$615,510,000. Based on the unaudited pro forma assets and liabilities statement of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma adjusted consolidated total assets of the Enlarged Group is approximately HK$562,210,000. As at 31 December 2006, the audited consolidated total liabilities of the Group amounted to approximately HK$298,711,000. Based on the unaudited pro forma assets and liabilities statement of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma adjusted consolidated total liability of the Enlarged Group is approximately HK$239,911,000. It is expected that there will be no material adverse financial effect on the earnings of the Enlarged Group upon Completion.

SGM

A notice convening the SGM at which resolution will be proposed to consider, and if thought fit, to approve the Acquisition and the Sale and Purchase Agreement to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong, on Thursday, 27 September 2007 at 10:00 a.m. is set out on pages 108 to 109 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

PROCEDURES TO DEMAND A POLL

Pursuant to Bye-law 69 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) the chairman;

(ii) at least 3 members present in person or by proxy or representative for the time being entitled to vote at the meeting;

(iii) any members or members present in person or by proxy or representative and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

(iv) any member or members present in person or by proxy or representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and First Shanghai which set out their recommendations in relation to the Acquisition and the principal factors considered by them in arriving at their recommendations. The letter from the Independent Board Committee is set out on page 17 of this circular and the letter from First Shanghai is set out from pages 18 to 32 of this circular.

The Board believes that the Acquisition is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders vote in favour of the resolution in relation to the Acquisition to be proposed in the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

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

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

To the Shareholders

Dear Sirs,

11 September 2007

MAJOR AND CONNECTED TRANSACTION

We refer to this circular dated 11 September 2007 issued by the Company of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Sale and Purchase Agreement and to advise you as to whether, in our opinion, the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Sale and Purchase Agreement.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from First Shanghai; and (iii) the additional information set out in the appendices to this circular.

Having considered the terms of the Sale and Purchase Agreement, and having taken into account the opinion of First Shanghai and, in particular, the factors, reasons and recommendations as set out in the letter from First Shanghai on pages 18 to 32 of this circular, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned, and Sale and Purchase Agreement is in the interests of the Shareholders. Accordingly, we recommend the Shareholders to vote in favour of the relevant resolution which will be proposed at the SGM to approve Sale and Purchase Agreement.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Ching Men Ky Carl **Lin Ruei-min** **Shu Wa Tung Laurence**
Independent non-executive Directors

* *For identification purpose only*

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed major and connected transaction regarding the acquisition of the Sale Shares and the Sale Loans by the Purchaser pursuant to the Sale and Purchase Agreement for inclusion in this circular.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

11 September 2007

To the Independent Board Committee and the Independent Shareholders

Greater China Holdings Limited
Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the circular of the Company dated 11 September 2007 (the "**Circular**") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 31 July 2007, on 27 July 2007, the Purchaser entered into the Sale and Purchase Agreement with the Sellers pursuant to which the Purchaser agreed to acquire the Sale Shares, representing 49% of the issued share capital of Keycharm, and the Sale Loans from the Sellers at an aggregate consideration of RMB63,300,000 (approximately HK$65,440,000), RMB53,300,000 (approximately HK$55,102,000) of which shall be paid in cash and the balance of RMB10,000,000 (approximately HK$10,338,000) shall be satisfied by the issue and allotment of the Consideration Shares to the Sellers.

Under the Sale and Purchase Agreement, the consideration for the Sale Shares is RMB4,500,000 (approximately HK$4,652,000) and the consideration for the Sale Loans is RMB58,800,000 (approximately HK$60,788,000).

As the applicable percentage ratio for the Acquisition under the Listing Rules is more than 25% and less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules. As the Sellers are Mr. Wang Yuhui and Mr. Lin Jie, being directors and the shareholders holding the aggregate of 49% of the issued share capital of Keycharm, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM by poll in accordance with the requirements of Rule 14A.48 of the Listing Rules. As no Shareholders are interested or involved in the Acquisition, no Shareholders will be required to abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Ching Men Ky Carl, Mr. Lin Ruei-min and Mr. Shu Wa Tung Laurence, has been established to consider the Acquisition and the transactions contemplated under the Sale and Purchase Agreement and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Acquisition and the transactions contemplated thereunder. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions are conducted on normal commercial terms; (ii) whether the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Acquisition pursuant to the Sale and Purchase Agreement are fair and reasonable; and (iv) how the Shareholders should vote in respect of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also relied on the information and representations provided by Deloitte Touche Tohmatsu regarding the accountants report on the Keycharm Group, and the valuation report of the land and property prepared by BMI Appraisals Limited, an independent valuer (the “Valuer”). We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the Enlarged Group. We have taken the reasonable steps as required under Rule 13.80 of the Listing Rules in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the terms of the Acquisition pursuant to the Sale and Purchase Agreement, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in investment holding, production and sale of organic fertilizers and industrial property development with focus on depot infrastructure.

According to the annual report of the Company for the year ended 31 December 2006 ("Annual Report 2006"), revenue of the Group for the year ended 31 December 2006 was approximately HK$13,576,000, representing a decrease of approximately 64.9% as compared to that of approximately HK$38,679,000 of the previous financial year. The decrease was mainly due to the worsen performance on the Group's investment in the production and sale of organic fertilizers, and the one-off income on disposal of all the Company's equity investments listed in Hong Kong in 2005, which amounted to approximately 60.3% of the Group's total revenue in the previous financial year. During the year, revenue from production and sale of fertilizers amounted to approximately HK$3,298,000, representing approximately 24.3% of the Group's total revenue, whereas rental income from investment properties amounted to approximately HK$10,278,000, representing approximately 75.7% of the Group's total revenue. In spite of the above, net profit for the year attributable to the equity holders of the Company increased by approximately 127.1% from approximately HK$43,341,000 in 2005 to approximately HK$98,422,000 in 2006, which was mainly contributed by a gain on change in fair value of investment properties.

In December 2006, a provisional sale and purchase agreement to dispose of the Group's investment properties at 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Hong Kong at a consideration of HK$440.0 million was entered into between the Group and an independent third party with a selling price of over 30% premium as compared to that of the valuation of the investment properties in June 2006. The disposal was subsequently completed in March 2007. The net proceeds from the disposal had already been received by the Group upon completion thereof.

As stated in the Annual Report 2006, after completion of the disposal of the investment properties in March 2007, the Board considers that the Group is in a strong position to capture any valuable investment opportunity should it arise as the Group will have adequate cash resources on hand. The Board will continue to look for investments with reasonable return by investing on quality property projects in Hong Kong or the PRC.

2. Reasons for and benefits of the Acquisition

The Board considers that the Acquisition is in line with the Group's current business strategy which will provide the Group with a good opportunity to invest in a quality property project in the PRC. The Directors are confident of the future prospects of the logistics business in the PRC, and are of the view that the Acquisition represents a good opportunity for the Group to further increase its exposure in the industrial property development with focus on deport infrastructure.

According to an article published on China Economic News (No.47) in December 2006, steady and high-speed economic growth, improvement in the commercial environment and rapid expansion of infrastructure facilities have all combined to establish a good macro-environment as well as a micro-foundation for the development of the logistics industry in China. Experts predict that the period of high-speed growth of China's demand for logistics will last for 10 to 15 years, especially in the "11th Five-Year Programme" period (i.e. 2006 to 2010). If the average annual growth of gross domestic products reaches 8.5% during the period, the total amount of goods transported may grow at an average annual rate of 16.7%. Thus, by 2010, the total amount of goods transported will reach approximately RMB90 trillion and the capacity of China's logistics market will reach approximately RMB1,197.2 billion.

Enterprises in Jiangsu Province, the PRC are integrating into the global production chain. In 2006, imports and exports of the entire province achieved approximately US$284 billion, a 26.4% growth, of which exports amounted to US$160.4 billion, an approximately 30.5% growth as disclosed in an article published on the 江蘇新聞網 (www.js.chinanews.com.cn).

In addition, with reference to an article published on China Daily in March 2007, according to industry players and consultants, China's industrial real estate market is likely to see massive growth in the coming years, driven by strong manufacturing and retail activities. With about 800 million people living in China's vast central and western region where such logistics infrastructure is to be improved, it represents a huge potential in this market. In Shanghai, a city surrounded by Jiangsu Province, the PRC, the rental yield from industrial property has reached approximately 7.5% to 10.0% higher than the approximately 6.5% to 9.0% achieved in commercial property rentals at the end of March 2007.

The Board noted that (i) the net deficit of Keycharm Group as at 30 June 2007 amounted to approximately RMB21,419,000 (approximately HK$22,143,000); (ii) Keycharm had recorded an impairment loss of approximately RMB1,218,000 (approximately1,259,000) and RMB8,323,000 (approximately HK$8,604,000) respectively in relation to the potential port infrastructure project for the period from 8 July 2005 (being the date of incorporation) to 31 December 2005 and the full financial year ended 31 December 2006. The management of Keycharm re-assessed the status of the potential port infrastructure project and decided to put it on hold. The Directors do not expect that Keycharm will incur further expenses for the potential port infrastructure project.

Given that (i) the net assets of Keycharm Group attributable to the 49% equity interest to be acquired under the Acquisition as at 30 June 2007 were approximately RMB49,305,000 (approximately HK$50,972,000) without taking into account the Sale Loans amounting to RMB58,800,000 (approximately

HK$60,788,000) as at 30 June 2007; (ii) the appreciation of the market value of the Land; and (iii) the growth potential of the import and export trading in the PRC and the future earnings potential of the JV Company upon commencement of the operations of the logistics services by mid-2008, the Board is of the view that the Acquisition is in line with the business strategy of the Group and will enable the Group to further increase its exposure in industrial property development with focus on depot infrastructure. Nevertheless, we are of the view that concrete contribution to the profitability and operating cash inflow from Keycharm Group will depend on whether the Group's business plan can be carried out successfully.

The Board considers that the terms of the Sale and Purchase Agreement are of normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Having considered the reasons for the Acquisition and the prospects of the logistic market and the industrial property market in the PRC and Jiangshu Province in particular, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole in the long run as it could better secure the Group's fixed asset investments for its future business expansion.

3. Background of the Keycharm Group

Keycharm is a company incorporated in the British Virgin Islands on 8 July 2005. As at the Latest Practicable Date, Keycharm has an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which 100 shares of Keycharm were issued and allotted and are fully paid or credited as fully paid. As at the Latest Practicable Date, Keycharm is legally and beneficially owned as to 51% by the Purchaser, as to 9% by Mr. Lin Jie and as to 40% by Mr. Wang Yuhui. Each of the Purchaser, Mr. Lin Jie and Mr. Wang Yuhui has advanced RMB61,200,000, RMB10,800,000 and RMB48,000,000 to Keycharm respectively as interest free unsecured loans. Upon Completion, Keycharm will become a wholly owned subsidiary of the Company.

The sole asset of Keycharm is its approximately 85.71% equity interest in the JV Company and the remaining 14.29% equity interest in the JV Company is owned by the PRC Party. As the PRC Party is a substantial shareholder of the JV Company, being a subsidiary of the Company, the PRC Party and its ultimate beneficial owners are connected persons of the Company.

The JV Company is a sino-foreign equity joint venture incorporated in the PRC on 12 August 2004. The operating period of the JV Company is 50 years commencing on 12 August 2004. The registered capital and the total investment amount of the JV Company are RMB140 million (approximately HK$144,733,000), which has been fully paid, and RMB240 million (approximately HK$248,113,000) respectively. It is expected that the difference between the registered capital and the total investment amount of RMB100 million (approximately HK$103,381,000) will be funded by bank financing. Pursuant to the business license of the JV Company dated 12 March 2007, the scope of business of the JV Company includes construction of port infrastructure, development of petrochemical industry projects and operation and development of transportation related logistic facilities (excluding dangerous goods) (subject to granting of relevant operating permits). It is the intention of the Directors that the JV Company will be engaged in industrial property development with focus on depot infrastructure.

The JV Company currently holds the Land which is situated at the southern part of Gang Qu Wei Road, western part of Jing Er Road and northern part of Bei Huan Road, Fuqiao Town, Taicang Port Development Zone, Taicang City, Jiangsu Province, the PRC. The Land is in a rectangular shape and having a site area of approximately 94,793.5 sq.m. and is subject to a right to use the land for a term of 50 years from 1 January 2001 to 31 December 2050 for industry and warehouse composite usage.

The land and property interests of the Land were valued by the Valuer based on the market approach, at the amount of RMB65,000,000 (approximately HK$67,197,000) as at 31 August 2007. The Land is planned to be developed into an industrial/storage area with total construction area of 60,000 sq.m. with six depots occupying about 8,277 sq.m. each. The acquisition costs of the Land was approximately RMB28,438,000 (approximately HK$29,399,000) and the estimated construction costs and professional fees for the property will be approximately RMB68,917,000 (approximately HK$71,247,000) which will be financed by the registered capital of the JV Company. It is expected that the construction of the property will be completed in early 2008 and commence operation after completion of the construction. It is expected that revenue to be derived from the property is expected to comprise rental income and other income such as logistic service income.

Based on the audited financial statements of the Keycharm Group for the period ended 31 December 2005, the year ended 31 December 2006 and the six months ended 30 June 2007, net deficit of Keycharm Group amounted to approximately RMB3,224,000 (approximately HK$3,333,000), approximately RMB17,472,000 (approximately HK$18,063,000) and approximately RMB21,419,000 (approximately HK$22,143,000).

For the period from 8 July 2005 (being the date of incorporation) to 31 December 2005, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB3,224,000 (approximately HK$3,333,000). For the year ended 31 December 2006, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB14,250,000 (approximately HK$14,731,000). For the six months ended 30 June 2007, Keycharm Group recorded loss after minority interest before and after taxation of approximately RMB3,947,000 (approximately HK$4,080,000).

4. Consideration and valuation of the Consideration Shares

Basis for determining the Consideration

The total consideration of RMB63,300,000 (approximately HK$65,440,000) for the acquisition of the Sale Shares and the Sale Loans was arrived at after arm's length negotiations between the Company and the Sellers and also represents a discount of approximately 1.20% to the adjusted net asset value, which is the sum of (i) the audited net asset value of Keycharm Group of RMB5,258,000 (approximately HK$5,436,000) attributable to 49% equity interest in Keycharm Group as at 30 June 2007 after adjustment for the revaluation surplus of the Land (being 49% of the sum of (1) the net liabilities attributable to equity holders of Keycharm of approximately RMB21,419,000 and (2) the revaluation surplus of the Land attributable to Keycharm of approximately RMB32,151,000); and (ii) RMB58,800,000 (approximately HK$60,788,000), being the amount of the Sale Loans.

Sale Shares

Under the Sale and Purchase Agreement, the consideration for the Sale Shares is RMB4,500,000 (approximately HK$4,652,000) and the consideration for the Sale Loans is RMB58,800,000 (approximately HK$60,788,000). The aggregate consideration for the Sale Shares and the Sale Loans of RMB63,300,000 (approximately HK$65,440,000) is to be satisfied in the following manners:

(a) as to RMB9,000,000 (approximately HK$9,304,000) payable to the Sellers (of which RMB7,346,939 (approximately HK$7,595,000) payable to Mr. Wang Yuhui and of which RMB1,653,061 (approximately HK$1,709,000) payable to Mr. Lin Jie) in cash upon signing of the Sale and Purchase Agreement;

(b) as to RMB44,300,000 (approximately HK$45,798,000) payable to the Sellers (of which RMB36,163,265 (approximately HK$37,386,000) payable to Mr. Wang Yuhui and of which RMB8,136,735 (approximately HK$8,412,000) payable to Mr. Lin Jie) in cash upon Completion; and

(c) as to RMB10,000,000 (approximately HK$10,338,000) (of which RMB8,163,265 (based on an exchange rate of RMB0.9673: HK$1, equivalent to HK$8,439,228) payable to Mr. Wang Yuhui and of which RMB1,836,735 (based on an exchange rate of RMB0.9673: HK$1, equivalent to HK$1,898,827) to be satisfied by the issue and allotment of 11,312,637 Consideration Shares and 2,545,344 Consideration Shares to Mr. Wang Yuhui and Mr. Lin Jie respectively) upon Completion.

The funding of RMB53,300,000 (approximately HK$55,102,000) will be financed by the internal resources of the Company. As at the Latest Practicable Date, the Company has paid RMB9,000,000 to the Sellers, which was financed by internal resources of the Company.

As discussed with the Valuer, we understand that the land and properties held by the Keycharm Group is vacant and pending for future development use which were valued by the Valuer on an open market basis by making reference to comparable market transactions in the localities, but have not taken into account the construction costs that will be expended to complete the development to reflect the quality of the proposed developments. As advised by the Directors, the estimated construction costs and professional fees to be incurred for the development will be approximately RMB68,917,000. It is expected that the construction of the development will be completed in early 2008. We consider that the valuation methodology adopted by the Valuer is in line with common market practice.

We also consider that although the Sellers are the minority shareholders of Keycharm, both of whom are founders and have board seats at the board of directors thereof, they therefore are able to exercise significant influence over the management and daily operations of the Keycharm Group. The acquisition of the remaining 49% equity interests in Keycharm by the Group would terminate any future possible influence from the Sellers, and as a result the Group will have absolute control over the financial and operating policies of the Keycharm Group and in turn the JV Company. Accordingly, the Acquisition would bring to the Group much greater flexibility to deal with its investment in Keycharm and ultimately the JV Company in the future. In view of such consideration, we concur with the Directors' view that the aggregate consideration under the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Having discussed with the management of the Company, we understand that Keycharm was incorporated in July 2005 and has not commenced its operations of the logistic services so far until by mid-2008, revenue (i.e. only bank interest income) generated therefrom was not sufficient to cover the administrative expenses incurred by it during the start-up periods. We noted that (i) the net deficit of Keycharm Group as at 30 June 2007 amounted to approximately RMB21,419,000 (approximately HK$22,143,000); (ii) Keycharm had recorded an impairment loss of approximately RMB1,218,000 (approximately HK$1,259,000) and RMB8,323,000 (approximately HK$8,604,000) respectively in relation to the potential port infrastructure project for the period from 8 July 2005 (being the date of incorporation) to 31 December 2005 and the full financial year ended 31 December 2006. As a consequence, the Keycharm Group had recorded considerable net losses since its incorporation in July 2005. However, the management of Keycharm re-assessed the status of the potential port infrastructure project and decided to put it on hold. The Directors do not expect that Keycharm will incur further expenses for the potential port infrastructure project. In addition, the Directors expected that the construction of the transportation related logistic facilities on the Land will be completed in early 2008 and operation would commence after completion of the construction. It is expected that revenue to be derived from the facilities would comprise rental income and other income such as logistic service income. The Directors are positive about the future prosperity of the logistic industry in the PRC and expect that the JV Company will bring in positive effect on and operating cash inflow to the Group upon the commencement of the operations of the logistics services by mid-2008.

Since the Keycharm Group has been loss-making since it incorporation, comparison in terms of price-earnings ratio with other similar business is not practicable. As the Keycharm Group's assets substantially consist of land and properties to be developed, we consider that it would be more meaningful for us to consider the adjusted net asset value of approximately RMB64,058,000 (approximately HK$66,224,000) rather than to make reference to the past financial and operating performance of the Keycharm Group. As such, the adjusted net asset value is an appropriate valuation of the Keycharm Group.

Sale Loans

In addition, upon the date of Completion, the Sale Loans in aggregate of MB58,800,000 (approximately HK$60,788,000), being the sum of (i) the interest free unsecured loan in the amount of RMB48,000,000 (approximately HK$49,623,000) due from Keycharm to Mr. Wang Yuhui and (ii) the interest free unsecured loan in the amount of RMB10,800,000 (approximately HK$11,165,000) due from Keycharm to Mr. Lin Jie, will be assigned to the Purchaser.

Since the assignment of the Sale Loans is based on the face value of the balances of the amounts due to the Sellers which is part and parcel of the transactions contemplated under the Sale and Purchase Agreement, we are of the view that the assignment of the Sale Loans under the Acquisition is fair and reasonable, and the terms of which are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the consideration is at a slight discount of approximately 1.20% to the adjusted net asset value of Keycharm Group as at 30 June 2007; (ii) the methodologies adopted by the Valuer in valuing the relevant land and properties are in line with market practices; (iii) the Acquisition is in line with the Group's business strategy of future development; (iv) the Acquisition can strengthen the Group's management position in Keycharm and enable it to consolidate a full control over Keycharm and in turn a greater control over the JV Company; and (v) the Sale Loans will be assigned by the Sellers to the Purchaser at face value at the date of Completion pursuant to the Sale and Purchase Agreement as being part and parcel of the transactions contemplated under the Sale and Purchase Agreement, we are of the view that the basis for determining the consideration is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Valuation of the Consideration Shares

Part of the consideration of RMB10,000,000 (approximately HK$10,338,000) will be satisfied by the issue and allotment of 13,857,981 Consideration Shares at an issue price of HK$0.746 (the "Issue Price"), being the average closing price for the five trading days up to 26 July 2007, being the trading date immediately prior to the date of the Sale and Purchase Agreement, i.e. 27 July 2007 (the "Last Trading Day").

(a) Comparison with historical trading price of the Shares

The Issue Price represents:

		Price/value per Share approximately *HK$*	**Premium/ (discount) approximately** *%*
(i)	Closing price per Share as quoted on the Stock Exchange on the Last Trading Day	0.750	(0.53)
(ii)	Average closing price per Share as quoted on the Stock Exchange for the last 5 trading days to the Last Trading Day	0.750	(0.53)
(iii)	Average closing price per Share as quoted on the Stock Exchange for the last 10 trading days to the Last Trading Day	0.732	1.91
(iv)	The audited consolidated net asset value per Share as at 31 December 2006	1.105	(32.49)
(v)	Closing price per Share as quoted on the Stock Exchange as at the Latest Practicable Date	0.700	6.57

As indicated in the above, we noted that the Issue Price (i) is equivalent to the average closing price of HK$0.746 per Share for the last five trading days up to 26 July 2007; and (ii) generally represents a similar level to the recent trading price of the Shares as quoted from the Stock Exchange. Set out below is the average monthly closing prices of the Shares from 1 August 2006 to the Last Trading Day:

(b) Share price performance

	Month/period end closing price	Average daily closing price
	HK$	*HK$*
2006		
August	0.270	0.273
September	0.290	0.273
October	0.250	0.248
November	0.233	0.238
December	0.300	0.274
2007		
January	0.290	0.298
February	0.340	0.329
March	0.430	0.378
April	0.580	0.501
May	0.710	0.608
June	0.750	0.833
July (up to the Last Trading Day)	0.750	0.721

Source: Bloomberg

As shown above, prices of the Shares have generally been in a rising trend during the period under review, whereas the average daily closing price per Share had risen from approximately HK$0.238 in November 2006 to approximately HK$0.833 in June 2007.

Based on the above, the Issue Price is generally at considerable premium over month/period end closing prices and average daily closing prices over the past year. In respect of the considerable discount to the net asset value, we are of the view that, in itself, this may be unfavourable to the Company and the Independent Shareholders. It is however noted that discounts to net asset value are common in the valuations of property-based investment companies whose businesses are similar to the Group.

(c) Comparison with similar transactions

In assessing the fairness and reasonableness of the Issue Price, we have identified, on a best effort basis, seven transactions (the "Consideration Shares Comparables") announced during the period from 4 July 2007 to the Last Trading Day by companies listed on the Main Board of the Stock Exchange involving (i) acquisition of assets and/or equity interests in target companies; and (ii) allotment and issue of shares to satisfy all or part of the consideration for the relevant acquisitions, details of which are as follows:

Date of announcement	**Company name (stock code)**	**Issue price**	**Premium/ (discount) of issue price over/to closing price immediately before the suspension of trading in the shares pending for the release of announcement**
		HK$	*%*
27/7/2007	Fortune Telecom Holdings Limited (110)	2.191	(21.77)
24/7/2007	Uni-Bio Science Group Limited (690)	5.500	(17.40)
20/7/2007	Aurora Global Investment Holdings Limited (353)	0.500	(41.18)
16/7/2007	Paliburg Holdings Limited (617)	0.375	1.40
13/7/2007	Geely Automobile Holdings Limited (175)	1.250	(14.38)
11/7/2007	Texhong Textile Group Limited (2678)	1.450	3.57
4/7/2007	China Resources Power Holdings Company Limited (836)	17.110	(8.30)
	Highest		**3.57**
	Lowest		**(41.18)**
	Average		**(14.01)**
	The Company	**0.746**	**(0.53)**

Based on the above table, the premium/(discounts) represented by the closing prices of the Consideration Shares Comparables over/(to) their respective closing prices (i) on the last trading day before the suspension of trading in the shares pending for the release of announcement range from a discount of approximately 41.18% to a premium of approximately 3.57%. Upon comparison, we note that the relevant discount of the Company represented by the Issue Price per Consideration Share over the closing price of HK$0.750 per Share on the Last Trading Day of approximately 0.53% falls within the range of the Consideration Shares Comparables, and is very close to the closing price of the Shares on the Last Trading Day.

Based on the above, we consider that the Issue Price of the Consideration Shares is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Acquisition on the Group

Earnings

Based on our discussion with the management of the Company, we understand that the land and properties currently held by the JV Company are still under development and it will commence the operations of the logistics services by mid-2008. Therefore, upon Completion, there is no significant immediate effect to the earnings of the Group as a result of the Acquisition. Nevertheless, (i) the Group's effective interest in the Keycharm Group will be increased from 51% to 100% of the issued share capital of Keycharm; and (ii) additional share of the financial results of the Keycharm Group is expected to be consolidated into the Group after the Completion. The Directors consider that the Acquisition will further contribute to the earnings base of the Group in the long run, but the quantification of such impact will depend on the future performance of the Keycharm Group since it had not yet recorded profits for the period from 8 July 2005 (i.e. being the date of incorporation) to 30 June 2007. However, since part of the aggregate consideration will be satisfied at Completion by the allotment and issue of 13,857,981 Consideration Shares, the issued share capital of the Company will increase from 285,989,133 Shares to 299,847,114 Shares. As a result, the earnings per share will drop from approximately 34.41 HK cents per Share to approximately 32.82 HK cents per Share immediately after Completion, based on the profit attributable to equity holders of the Company for the year ended 31 December 2006.

Net asset value

According to the Annual Report 2006, the audited net asset value of the Group was approximately HK$316.1 million as at 31 December 2006. Since the Company intends to finance the cash portion of the consideration under the Acquisition of approximately RMB53.3 million (approximately HK$55.1 million) by internal resources, upon Completion, the current assets of the Group will be reduced by the payment of the cash consideration which will be offset by the corresponding elimination of minority interests of the Group immediately following Completion as a result of the Acquisition.

According to the unaudited pro forma financial information of the Enlarged Group in Appendix III to the Circular, the unaudited pro forma consolidated net asset value of the Enlarged Group will increase from approximately HK$316.1 million as at 31 December 2006 to HK$321.6 million upon Completion, taking into consideration the assets and liabilities of Keycharm Group as at 31 December 2006 and the other pro forma adjustments. However, the net asset value per Share will decrease from approximately HK$1.10 per Share, based on 285,989,133 Shares outstanding as at 31 December 2006, to approximately HK$1.07 per Share, based on 299,847,114 Shares outstanding upon Completion.

Working capital

A substantial part of the aggregate consideration, being RMB53.3 million (approximately HK$55.1 million), will be financed by internal resources of the Company and the remaining balance of RMB10.0 million (approximately HK$10.3 million) consideration will be satisfied by the issue of the Consideration Shares. According to the Annual Report 2006, the Group had cash and bank balance of approximately HK$57.4 million, current assets of HK$563.1 million and current liabilities of HK$298.7 million as at 31 December 2006. This represents a current ratio of approximately 1.89 times. The Acquisition would have resulted in a decrease in net current assets by approximately RMB53.3 million (approximately HK$55.1 million) if it would be settled by the Group's internal cash resources. As a result, the current ratio would be reduced to 1.71, represents a decrease of about 10.1%. Furthermore, taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Group as enlarged after the Acquisition will have sufficient working capital to satisfy its present requirement and the requirements for the next twelve months from the date of the Circular. Based on the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix III to the Circular, we noted that the working capital of the Enlarged Group will increase to approximately HK$269.9 million upon Completion, taking into consideration the assets and liabilities of the Keycharm Group as at 31 December 2006 and other pro forma adjustments.

Gearing

As at 31 December 2006, the Group had aggregate interest-bearing borrowings of approximately HK181.5 million, representing a gearing ratio (which is calculated as total bank loans divided by the net assets value of the Group) of approximately 57.4% thereof. Based on the unaudited pro forma financial information of the Enlarged Group following Completion as set out in Appendix III to the Circular, the pro forma gearing ratio would reduce to approximately 56.4% upon Completion.

In light of the foregoing effect of the Acquisition on the earnings, net asset value, working capital as well as gearing position of the Group and the Enlarged Group, we are of the view that the Acquisition would have no significant adverse impact on the Group's financial position save and except for the reduction in working capital which is inevitable as the Group intends to finance the substantial part of the aggregate consideration of approximately HK$53.3 million under the Acquisition by its internal cash resources. Therefore, we are of the view that while the Group's cash resources would be reduced, the Acquisition is an effective utilisation of its cash resources which is aimed at positioning the Group for better growth in the future which, in the long run, is expected to benefit the Company and the Shareholders as a whole.

6. Dilution effect to the public Shareholders

Part of the aggregate consideration of RMB10.0 million (approximately HK$10.3 million) will be satisfied at Completion by the allotment and issue of 13,857,981 Consideration Shares at the issue price of HK$0.746 per Consideration Share. The Consideration Shares represent (i) approximately 4.85% of the existing issued share capital of the Company; and (ii) approximately 4.62% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. As at the Latest Practicable Date, the public Shareholders were interested in 133,776,877 Shares or approximately 46.78% of the issued share capital of the Company. Assuming there is no change in the issued share capital during the period from the Latest Practicable Date to the date of Completion, such corresponding shareholding will be slightly diluted to approximately 44.62% after the Completion. While the dilution effect on earnings per Share and shareholding is inevitable for issuance of new Shares to satisfy part of the aggregate consideration under the Acquisition, we consider that (i) the Acquisition corresponds with the overall business objective of the Group and may enhance its future development; and (ii) by satisfying part of the aggregate consideration by issue of Consideration Shares to the Sellers, the Group can, to certain extent, lessen its cash outflow and preserve its cash position while at the same time strengthen its equity and shareholder base, we consider that the benefits of the issue of the Consideration Shares might outweigh the dilution effect on the shareholding of the Company. Overall, we consider that such dilution effect to public Shareholders is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above principal factors, in particular, (i) the long-term benefits of the Acquisition to the Group; (ii) the basis for determination of the aggregate consideration for the Acquisition; and (iii) the overall financial effects of the Acquisition to the Group and that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition and the transactions contemplated under or in connection with the Sale and Purchase Agreement at the SGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee *Managing Director*

Eric Lee *Executive Director*

Deloitte.
德勤

11 September 2007

The Directors
Greater China Holdings Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") relating to Keycharm Investments Limited ("Keycharm") and its subsidiary (hereinafter collectively referred to as the "Keycharm Group") for the period from 8 July 2005 (date of incorporation) to 31 December 2005, the year ended 31 December 2006 and the six months ended 30 June 2007 (hereinafter collectively referred to as "the Relevant Period") for inclusion in the circular dated 11 September 2007 ("the Circular") issued by Greater China Holdings Limited in connection with the acquisition of the 49% share capital in Keycharm.

Keycharm was incorporated under the British Virgin Islands International Business Companies Act as an International Business Company with limited liability on 8 July 2005 and its principal activity is investment holding. As at the date of this report, Keycharm holds 85.71% direct interest in 太倉中化國際興業石化開發建設有限公司 ("Taicang Sinochem") which was established as a sino-foreign joint venture company in the People's Republic of China ("the PRC"). Taicang Sinochem is engaged in industrial property development with focus on port infrastructure.

We have acted as auditors of the Keycharm for each of the period from 8 July 2005 (date of incorporation) to 31 December 2005 and the year ended 31 December 2006. Audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") for each of the period from 8 July 2005 (date of incorporation) to 31 December 2005 and the year ended 31 December 2006. For the purpose of this report, we have carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing issued by HKICPA on the consolidated financial statements of the Keycharm Group for the six months ended 30 June 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA.

The Financial Information set out in this report has been prepared from the consolidated financial statements of the Keycharm Group ("Underlying Financial Statements") for the purpose of preparing our report for inclusion in the Circular. We have examined the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Keycharm who approve their issue. The directors of Greater China Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Keycharm Group and of Keycharm as at 31 December 2005 and 2006, and 30 June 2007 and of the consolidated results and cash flows of the Keycharm Group for the Relevant Period.

The comparative consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Keycharm Group for the six months ended 30 June 2006, together with the notes thereto have been extracted from the Keycharm Group's financial information for the same period (the "30 June 2006 Financial Information") which was prepared by the directors of Keycharm solely for the purpose of this report. We have reviewed the 30 June 2006 Financial Information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 30 June 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied. 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 30 June 2006 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modification that should be made to the 30 June 2006 Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Notes	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
		RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Bank interest income		293,533	363,990	247,230	194,429
Impairment loss on goodwill	*9*	(1,218,016)	–	–	–
Impairment loss on prepayments	*15*	–	(8,322,890)	–	(493,353)
Administrative expenses		(2,631,762)	(8,640,832)	(3,473,991)	(4,306,186)
Loss for the period/year	*10*	(3,556,245)	(16,599,732)	(3,226,761)	(4,605,110)
Attributable to:					
Equity holders of Keycharm		(3,223,763)	(14,249,513)	(2,764,704)	(3,946,842)
Minority interests		(332,482)	(2,350,219)	(462,057)	(658,268)
		(3,556,245)	(16,599,732)	(3,226,761)	(4,605,110)

CONSOLIDATED BALANCE SHEET

		As at 31 December		As at 30 June
		2005	2006	2007
	Notes	*RMB*	*RMB*	*RMB*
NON-CURRENT ASSETS				
Plant and equipment	*12*	1,585,243	1,466,507	1,287,164
Prepaid lease payments	*13*	27,806,093	27,174,136	26,858,158
Project developments costs	*14*	10,000,000	10,164,250	10,716,296
Prepayments	*15*	7,459,698	–	–
		46,851,034	38,804,893	38,861,618
CURRENT ASSETS				
Other receivables		206,710	74,802	165,519
Prepaid lease payments	*13*	631,957	631,957	631,957
Amount due from a former shareholder of a subsidiary	*16*	29,900,000	–	–
Amount due from a minority shareholder of subsidiary	*16*	29,900,000	40,687,110	40,687,110
Amount due from directors	*16*	–	–	1,953,754
Bank balances and cash	*17*	29,073,838	39,937,840	33,838,614
		89,712,505	81,331,709	77,276,954
CURRENT LIABILITIES				
Other payables		217,414	397,900	1,002,432
Amount due to a minority shareholder of subsidiary	*16*	30,000,000	–	–
Amounts due to shareholders of Keycharm	*16*	105,292	96,872	99,420
Loans from shareholders of Keycharm	*16*	90,000,000	120,000,000	120,000,000
		120,322,706	120,494,772	121,101,852
NET CURRENT LIABILITIES		(30,610,201)	(39,163,063)	(43,824,898)
NET ASSETS (LIABILITIES)		16,240,833	(358,170)	(4,963,280)
CAPITAL AND RESERVES				
Share capital	*19*	81	810	810
Deficit		(3,223,763)	(17,473,276)	(21,420,118)
Equity attributable to equity holders of Keycharm		(3,223,682)	(17,472,466)	(21,419,308)
Minority interests		19,464,515	17,114,296	16,456,028
TOTAL EQUITY (DEFICIENCY IN EQUITY)		16,240,833	(358,170)	(4,963,280)

BALANCE SHEET OF KEYCHARM

		As at 31 December		As at 30 June
		2005	2006	2007
	Notes	*RMB*	*RMB*	*RMB*
Non-current assets				
Investment in a subsidiary	*18*	120,000,000	120,000,000	120,000,000
Current assets				
Amount due from a subsidiary	*16*	84,818	84,818	84,818
Bank balances and cash	*17*	9,705	3,814	9,127
		94,523	88,632	93,945
Current liabilities				
Amount due to a minority shareholder of a subsidiary	*16*	30,000,000	–	–
Amounts due to shareholders of Keycharm	*16*	105,292	246,872	249,420
Loans from shareholders of Keycharm	*16*	90,000,000	120,000,000	120,000,000
		120,105,292	120,246,872	120,249,420
Non-current liabilities		(120,010,769)	(120,158,240)	(120,155,475)
		(10,769)	(158,240)	(155,475)
Capital and reserves				
Share capital	*19*	81	810	810
Deficit	*20*	(10,850)	(159,050)	(156,285)
		(10,769)	(158,240)	(155,475)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of Keycharm				
	Share capital	**Deficit**	**Total**	**Minority interests**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Issue of shares at date of incorporation	81	–	81	–	81
Acquisition of a subsidiary *(note 21)*	–	–	–	19,715,796	19,715,796
Effect on additional capital contribution in Taicang Sinochem	–	–	–	81,201	81,201
Loss and total recognised expenses for the period	–	(3,223,763)	(3,223,763)	(332,482)	(3,556,245)
At 31 December 2005 and 1 January 2006	81	(3,223,763)	(3,223,682)	19,464,515	16,240,833
Issuance of shares	729	–	729	–	729
Loss and total recognised expenses for the year	–	(14,249,513)	(14,249,513)	(2,350,219)	(16,599,732)
At 31 December 2006 and 1 January 2007	810	(17,473,276)	(17,472,466)	17,114,296	(358,170)
Loss and total recognised expenses for the period	–	(3,946,842)	(3,946,842)	(658,268)	(4,605,110)
At 30 June 2007	810	(21,420,118)	(21,419,308)	16,456,028	(4,963,280)
At 1 January 2006	81	(3,223,763)	(3,223,682)	19,464,515	16,240,833
Issuance of shares	729	–	729	–	729
Loss and total recognised expenses for the period (Unaudited)	–	(2,764,704)	(2,764,704)	(462,057)	(3,226,761)
At 30 June 2006 (Unaudited)	810	(5,988,467)	(5,987,657)	19,002,458	13,014,801

CONSOLIDATED CASH FLOW STATEMENTS

	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
OPERATING ACTIVITIES				
Loss for the period/year	(3,556,245)	(16,599,732)	(3,226,761)	(4,605,110)
Adjustments for:				
Amortisation on prepaid lease payments	–	631,957	315,978	315,978
Depreciation of plant and equipment	93,219	375,066	181,437	194,993
Impairment loss on goodwill	1,218,016	–	–	–
Impairment loss on prepayments	–	8,322,890	–	493,353
Bank interest income	(293,533)	(363,990)	(247,230)	(194,429)
Operating cash flows before movements in working capital	(2,538,543)	(7,633,809)	(2,976,576)	(3,795,215)
(Increase) decrease in other receivables	(28,447)	131,908	(366,451)	(90,717)
(Decrease) increase in other payables	(1,465)	180,486	(6,073)	604,532
Increase (decrease) in amounts due to shareholders of Keycharm	105,292	(8,420)	–	–
NET CASH USED IN OPERATING ACTIVITIES	(2,463,163)	(7,329,835)	(3,349,100)	(3,281,400)
INVESTING ACTIVITIES				
Acquisition of prepaid lease	(28,438,050)	–	–	–
Acquisition of a subsidiary *(note 21)*	(19,991,642)	–	–	–
Payments on project development costs	(10,000,000)	(164,250)	–	(552,046)
Purchase of plant and equipment	(298,405)	(256,330)	(248,329)	(15,650)
Payments to developers for a potential port infrastructure project	(28,516)	(863,192)	(432,560)	(493,353)
Repayment from a former shareholder of a subsidiary	–	29,900,000	–	–
Advance to directors	–	–	–	(1,953,754)
Advance to a minority shareholder of a subsidiary	–	(40,787,110)	–	–
Interest received	293,533	363,990	247,230	194,429
NET CASH USED IN INVESTING ACTIVITIES	(58,463,080)	(11,806,892)	(433,659)	(2,820,374)
FINANCING ACTIVITIES				
Proceeds on issue of shares	81	729	729	–
Advance from shareholders of Keycharm	90,000,000	30,000,000	42,785	–
CASH FROM FINANCING ACTIVITIES	90,000,081	30,000,729	43,514	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,073,838	10,864,002	(3,739,245)	(6,101,774)
Exchange realignment	–	–	–	2,548
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	–	29,073,838	29,073,838	39,937,840
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, representing bank balances and cash	29,073,838	39,937,840	25,334,593	33,838,614

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Keycharm is a private limited company incorporated in the British Virgin Islands (the "BVI") on 8 July 2005. The address of the registered office of Keycharm is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands and the address of the principal place of business of Keycharm is Room 1301, 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Central, Hong Kong.

The Keycharm Group's principal operations are conducted in the People's Republic of China (the "PRC"), Accordingly, the Keycharm Group's consolidated financial statements have been prepared in Renminbi which represents the functional currency of the Company.

The principal activity of Keycharm is that of investment holding. The principal activity of its subsidiary is industrial property development with focus on port infrastructure.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the consolidated financial statements of the Keycharm Group for the six months ended 30 June 2007, the directors of Keycharm have given careful consideration to the future liquidity of the Keycharm Group in light of its net current liabilities and net liabilities of RMB43,824,898 and RMB4,963,280 respectively at 30 June 2007. The Financial Information for the six months ended 30 June 2007 has been prepared on a going concern basis because the shareholder of Keycharm has agreed to provide adequate funds to enable the Keycharm Group to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF NEW AND REVISED OF HONG KONG FINANCIAL REPORTING STANDARDS

The Keycharm Group has not early applied the following new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The directors of Keycharm anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Keycharm Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies, which conform with HKFRSs issued by HKICPA and are consistent with those adopted by Greater China Holdings Limited, set out below.

Basis of consolidation

The Financial Information incorporates the financial information of Keycharm and entity controlled by Keycharm (its subsidiary). Control is achieved where Keycharm has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of a subsidiary acquired during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiary to bring its accounting policies in line with those used by Keycharm.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiary are presented separately from the Keycharm Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Keycharm Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of a subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Keycharm Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3 Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Keycharm Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Keycharm Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Keycharm Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Keycharm Group's cash-generating units which are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Plant and equipment

Plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at 20% per annum.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land held for owner-occupied purpose

The leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term.

Project development costs

Project development costs are stated at cost less accumulated impairment losses.

These costs represent amounts incurred for professional services, salaries, permits and other costs directly related to construction. The continued capitalisation of such costs is subject to on-going risks related to successful completion, including those related to government approvals, siting, financing, construction, permitting and contract compliance. These costs are reclassified as investment properties or other properties as the case may be upon completion of the development.

Impairment of tangible assets

At each balance sheet date, the Keycharm Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Keycharm Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Operating leases

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of Keycharm and its subsidiary, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Keycharm Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are dealt with similar to payments to defined contribution plans where the Keycharm Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The payment are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the Keycharm Group's consolidated balance sheet when the Keycharm Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amount due from a former shareholder of a subsidiary, amount due from a minority shareholder of a subsidiary, amount due from directors, amount due from a subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Keycharm Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Keycharm Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities include other payables, amount due to a minority shareholder of a subsidiary, amount due to a shareholder of Keycharm and loan from shareholders of Keycharm are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Keycharm are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Keycharm Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to carrying amount of the assets and liabilities within the next financial year, are discussed below.

Impairment loss on non-current prepayments

Determining whether non-current prepayments are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Keycharm Group's major financial instruments include amount due form a former shareholder of a subsidiary, amount due from/to a minority shareholder of a subsidiary, bank balances, amounts due to a shareholder and loan from shareholders. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Keycharm Group has minimal currency exposure as majority of the Keycharm Group's transactions were denominated in the functional currency of the relevant group entities. The management conducted review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arises.

(ii) Credit risk

The Keycharm Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Keycharm Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Keycharm consider that the Keycharm Group's credit risk is significantly reduced.

The Keycharm Group has significant concentration of credit risk, with exposure spread over a few number of counterparties. If the relationship with these parties is terminated, it could materially and adversely affect the Keycharm Group's result.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(iii) Liquidity risk

The Keycharm Group managed the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs. Management comprising executive directors monitored the liquidity position of the Keycharm Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Keycharm Group's financial resources.

b. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements at the balance sheet date approximate their corresponding fair values.

c. Capital risk management

Keycharm Group manages its capital to ensure that entities in Keycharm Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of equity balance.

The capital structure of Keycharm Group consists of equity attributable to equity holders of Keycharm, comprising share capital and deficit.

Keycharm's directors review the capital structure on a semi-annual basis. As a part of this review, the directors consider the cost of capital and the associated risks. Based on recommendations of the directors of Keycharm, Keycharm Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt.

7. SEGMENTAL INFORMATION

No geographical segment information is presented as all the activities of the Keycharm Group during the Relevant Periods were carried out in the PRC and all assets and liabilities of the Keycharm Group were located in the PRC at the balance sheet dates.

No business segment information is presented for the Relevant Periods as the Keycharm Group only engaged in industrial property development during the Relevant Periods.

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

(a) Directors' emoluments

The Keycharm Group

During the Relevant Periods, no remuneration was paid or payable to any of the directors of Keycharm.

(b) Employees' remunerations

The Keycharm Group

The emoluments of the five highest paid individuals are as follows:

	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Employees:				
Salaries and allowances	1,128,369	1,833,314	896,457	936,857
Retirement benefits scheme contributions	13,404	13,404	6,702	6,702
	1,141,773	1,846,718	903,519	943,559

During the Relevant Periods, no emoluments were paid by the Keycharm Group to any of the directors or the five highest paid employees as an inducement to join or upon joining the Keycharm Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Relevant Periods.

9. IMPAIRMENT LOSS ON GOODWILL

During the period ended 31 December 2005, the Keycharm Group recognised an impairment loss of RMB1,218,016 in relation to the goodwill arising on acquisition of a subsidiary amounted to RMB1,136,815 (note 21) and the effect on additional capital contribution of RMB81,201 (note 21).

Upon the acquisition of the subsidiary on 19 August 2005, the management of Keycharm anticipated profitability of the potential port infrastructure project to be developed by the subsidiary and thus goodwill was arisen. At 31 December 2005, the management of Keycharm Group reassessed the status of the relevant project and was uncertain as to whether future cash inflows would rise from this potential port infrastructure project. An impairment loss of RMB1,218,016 was recognised in the consolidated income statement.

10. LOSS FOR THE PERIOD/YEAR

	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Loss for the period/year has been arrived at after charging:				
Amortisation of prepaid lease payments	–	631,957	315,978	315,978
Depreciation of plant and equipment	93,219	375,066	181,437	194,993
Amortisation and depreciation	93,219	1,007,023	497,415	510,971
Auditors' remuneration	24,000	25,000	12,500	18,000
Directors' emoluments	–	–	–	–
Other staff costs excluding retirement benefit scheme contributions	1,287,879	2,970,275	1,486,501	1,779,363
Retirement benefit scheme contributions	19,000	53,000	29,000	24,000

11. TAXATION

No provision for income tax has been made in the consolidated financial statements as the Keycharm Group has no assessable profit for the Relevant Period in the jurisdiction in which it operates.

The tax charge for the period/year can be reconciled to the loss for the period/year per the consolidated income statement as follows:

	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Loss for the period/year	(3,556,245)	(16,599,732)	(3,226,761)	(4,605,110)
Tax at the domestic tax rate of 33%	(1,173,561)	(5,477,912)	(1,064,831)	(1,529,686)
Tax effect of expenses not deductible for tax purpose	401,945	–	–	1,529,686
Tax effect of income not taxable for tax purpose	(96,866)	–	–	–
Tax effect of tax losses not recognised	868,482	5,477,912	1,064,831	–
Tax expense for the period/year	–	–	–	–

At 31 December 2005, 31 December 2006 and 30 June 2007, Keycharm Group has unused tax losses of approximately RMB2,632,000, RMB19,232,000 and RMB23,837,000 respectively. No deferred tax asset has been recognised in relation to the tax losses as it is not probable that future taxable profit will be available against which the tax losses can be utilised. All unused tax losses will expire in 2011.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the PRC, which will change the tax rate from 33% to 25% for the subsidiary from 1 January 2008.

12. PLANT AND EQUIPMENT

The Keycharm Group

	Furniture and fixtures	Motor vehicles	Total
	RMB	*RMB*	*RMB*
COST			
At 8 July 2005 (date of incorporation)	–	–	–
Acquisition of a subsidiary	165,167	1,214,890	1,380,057
Additions	47,650	250,755	298,405
At 31 December 2005 and 1 January 2006	212,817	1,465,645	1,678,462
Additions	23,100	233,230	256,330
At 31 December 2006 and 1 January 2007	235,917	1,698,875	1,934,792
Additions	15,650	–	15,650
At 30 June 2007	251,567	1,698,875	1,950,442
DEPRECIATION			
At 8 July 2005 (date of incorporation)	–	–	–
Provided for the period	10,707	82,512	93,219
At 31 December 2005 and 1 January 2006	10,707	82,512	93,219
Provided for the year	46,652	328,414	375,066
At 31 December 2006 and 1 January 2007	57,359	410,926	468,285
Provided for the period	25,247	169,746	194,993
At 30 June 2007	82,606	580,672	663,278
NET BOOK VALUE			
At 30 June 2007	168,961	1,118,203	1,287,164
At 31 December 2006	178,558	1,287,949	1,466,507
At 31 December 2005	202,110	1,383,133	1,585,243

13. PREPAID LEASE PAYMENTS

The Keycharm Group's land prepaid lease payments represent payment for medium-term land use rights in the PRC and is charged to the consolidated income statement on a straight-line basis.

	As at 31 December		As at 30 June
	2005	**2006**	**2007**
	RMB	*RMB*	*RMB*
Analysed as:			
Current assets	27,806,093	27,174,136	26,858,158
Non-current assets	631,957	631,957	631,957
	28,438,050	27,806,093	27,490,115

14. PROJECT DEVELOPMENT COSTS

The Keycharm Group

The amount represents the costs incurred in connection with a port infrastructure project.

15. PREPAYMENTS

The Keycharm Group

At 31 December 2005, the amount represented prepayments made to various developers in connection with a potential port infrastructure project ("Potential Project"). At 31 December 2006, the management of Keycharm reassessed the status of the Potential Project and an impairment loss of RMB8,322,890 in respect to the prepayment for this project was recognised.

16. AMOUNT DUE FROM (TO) A FORMER SHAREHOLDER OF A SUBSIDIARY/A MINORITY SHAREHOLDER OF A SUBSIDIARY/DIRECTORS/SHAREHOLDERS OF KEYCHARM AND LOANS FROM SHAREHOLDERS OF KEYCHARM/A SUBSIDIARY

The Keycharm Group and Keycharm

The amounts are unsecured, interest-free and repayable on demand.

17. BANK BALANCES AND CASH

All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Keycharm Group and Keycharm bank balances ranged from 1.71% to 2.25% per annum for the period/year.

18. INVESTMENT IN A SUBSIDIARY

	As at 31 December		As at 30 June
	2005	2006	2007
	RMB	*RMB*	*RMB*
Unlisted investment, at cost	120,000,000	120,000,000	120,000,000

Details of Keycharm's subsidiary are as follows:

Name of subsidiary	Country of registration/ operation	Registered capital	Proportion of registered capital held by Keycharm	Principal activities
太倉中化國際興業石化開發建設有限公司	The PRC	RMB140,000,000	85.71%	Industrial property development with foucs on port infrastructure

Taicang Sinochem is a sino-foreign joint venture establishment in the PRC.

The subsidiary did not have any debt securities during the Relevant Period and at the balance sheet dates.

19. SHARE CAPITAL

The Keycharm Group and Keycharm

	Number of shares	*US$*
Authorised:		
Ordinary shares of US$1 each at 31 December 2005 and 2006, and 30 June 2007	50,000	50,000
Issued and fully paid:		
Ordinary shares of US$1 each at 31 December 2005	10	10
Issue of shares	90	90
Ordinary shares of US$1 each at 31 December 2006 and 30 June 2007	100	100

The share capital shown in the consolidated financial statements at 31 December 2005, 2006 and 30 June 2007 are RMB81, RMB810 and RMB810 respectively.

20. DEFICIT OF KEYCHARM

	Deficit
	RMB
Loss and total recognised expenses for the period	(10,850)
At 31 December 2005 and 1 January 2006	(10,850)
Loss and total recognised expenses for the year	(148,200)
At 31 December 2006 and 1 January 2007	(159,050)
Profit and total recognised income for the period	2,765
At 30 June 2007	(156,285)

21. ACQUISITION OF A SUBSIDIARY

On 19 August 2005, Keycharm acquired RMB80 million of the registered capital of Taicang Sinochem for a consideration of RMB80 million. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction and the goodwill arising were as follows:

	Acquiree's carrying amount before combination and the fair value
	RMB
Net assets acquired:	
Plant and equipment	1,380,057
Prepayments	7,431,182
Other receivables	178,263
Amount due from a former shareholder of a subsidiary	29,900,000
Amount due from a minority shareholder	29,900,000
Bank balances and cash	30,008,358
Other payables	(218,879)
	98,578,981
Less: Minority interests	(19,715,796)
Add: Goodwill	1,136,815
Total consideration	80,000,000
Satisfied by:	
Cash	50,000,000
Amount due to a minority shareholder	30,000,000
	80,000,000
Net cash outflow arising on acquisition:	
Cash consideration paid	50,000,000
Cash and cash equivalents acquired	(30,008,358)
	19,991,642

Taicang Sinochem did not contribute any revenue but incurred expenses amounting to RMB2,327,000 during the period between the date of acquisition and 31 December 2005.

If the acquisition had been completed on 8 July 2005, loss for the Keycharm Group for the period from 8 July 2005 to 31 December 2005 would have been approximately RMB2,700,000. No revenue would be contributed by Taicang Sinochem as Taicang Sinochem had not yet commence its revenue generating activities.

On 15 September 2005, Keycharm injected RMB40 million as additional registered capital of Taicang Sinochem. Goodwill arising on this additional capital contribution amounted to RMB81,201.

22. OPERATING LEASE COMMITMENTS

As lessee

	For the period from 8 July 2005 (date of incorporation) to 31 December 2005	**Year ended 31 December 2006**	**Six months ended 30 June 2006**	**Six months ended 30 June 2007**
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Minimum lease payments under operating leases in respect of office properties and staff quarters	–	105,354	36,600	25,263

At the balance sheet date, the Keycharm Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2005	**As at 31 December 2006**	**As at 30 June 2007**
	RMB	*RMB*	*RMB*
Within one year	–	51,200	111,200
In second to fifth year inclusive	–	24,000	–
	–	75,200	111,200

Operating lease payments represent rentals payable by the Keycharm Group for certain of its office properties and staff quarters. Leases are negotiated for a term of one to two years.

23. CAPITAL COMMITMENTS

The Keycharm Group

	As at 31 December		As at 30 June
	2005	**2006**	**2007**
	RMB	*RMB*	*RMB*
Commitments in respect of the property development costs	8,490,000	8,490,000	8,528,000

Keycharm

Keycharm had no capital commitment at 31 December 2005 and 2006, and 30 June 2007.

24. RELATED PARTY BALANCES AND TRANSACTIONS

The Keycharm Group and Keycharm maintained certain balances with related parties, details of which are set out in note 16.

Compensation of key management personnal

The remuneration of key management during the Relevant Periods was set out in note 8 which is determined by having regard to the performance and market trends.

II. SUBSEQUENT EVENTS

There were no significant events which had taken place subsequent to 30 June 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Keycharm Group, Keycharm or its subsidiary have been issued subsequent to 30 June 2007.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31 December 2006 as extracted from the respective published audited financial statements.

	Year ended 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	15,207	38,679	13,576
Profit before taxation	11,948	49,197	90,794
Income tax	113	(6,040)	6,040
Profit before minority interests	12,061	43,157	96,834
Minority interests	648	184	1,588
Profit for the year	12,709	43,341	98,422
Dividends	–	–	–
Earnings per share (cents)	5.74	17.32	34.41

ASSETS AND LIABILITIES

	As at 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	277,234	341,869	52,418
Current assets	26,324	26,940	123,092
Assets classified as held for sale	–	–	440,000
Total assets	303,558	368,809	615,510
Current liabilities	(169,208)	(38,426)	(276,711)
Liability associated with assets classified as held for sale	–	–	(22,000)
Non-current liabilities	(657)	(130,059)	(696)
Total liabilities	(169,865)	(168,485)	(299,407)
Minority interests	(184)	–	(17,115)
Shareholder funds	133,509	200,324	298,988

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes to the financial statements as extracted from the annual reports of the Company for the year ended 31 December 2006.

Consolidated Income Statement

For the year ended 31 December 2006

	NOTES	**2006** *HK$'000*	**2005** *HK$'000*
Revenue	*6*	13,576	38,679
Rental outgoings		(2,055)	(592)
Cost of sales		(2,366)	(23,117)
Gross profit		9,155	14,970
Other income	*7*	2,610	176
Gain on change in fair value of investment properties		121,400	52,600
Selling and distribution costs		(1,020)	(1,406)
Administrative expenses		(16,543)	(11,193)
Impairment loss on goodwill	*20*	(7,783)	–
Impairment loss on prepayments	*19*	(8,054)	–
Finance costs	*8*	(8,971)	(5,950)
Profit before taxation		90,794	49,197
Income tax (credit) charge	*9*	(6,040)	6,040
Profit for the year	*10*	96,834	43,157
Attributable to:			
Equity holders of the Company		98,422	43,341
Minority interests		(1,588)	(184)
		96,834	43,157
Earnings per share	*13*		
– Basic		34.41 cents	17.32 cents
– Diluted		N/A	N/A

Consolidated Balance Sheet
At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	14	8,794	5,447
Land lease prepayment	15	30,460	3,232
Investment properties	16	–	318,600
Available-for-sale investments	17	3,000	3,000
Deposit paid for acquisition of subsidiaries	18	–	11,590
Prepayments	19	10,164	–
Goodwill	20	–	–
		52,418	341,869
Current assets			
Inventories	21	69	533
Held-for-trading investment	22	–	48
Trade and other receivables	23	22,525	953
Land lease prepayment	15	707	72
Prepayments and deposits	24	1,743	1,142
Amount due from a minority shareholder of a subsidiary	36(a)	40,687	–
Bank balances and cash	24	57,361	24,192
		123,092	26,940
Assets classified as held for sale	25	440,000	–
		563,092	26,940
Current liabilities			
Trade and other payables	26	11,200	8,012
Amount due to minority shareholders of subsidiaries	36(b)	65,475	6,258
Rental deposits		3,878	3,107
Taxation		14,687	14,687
Bank loans	27	181,471	6,362
		276,711	38,426
Liability associated with assets classified as held for sale	25	22,000	–
		298,711	38,426

	NOTES	2006 HK$'000	2005 HK$'000
Net current assets (liabilities)		264,381	(11,486)
Total assets less current liabilities		316,799	330,383
Non-current liabilities			
Bank loans	27	–	123,350
Deferred taxation	28	696	6,709
		696	130,059
Total assets and liabilities		316,103	200,324
Capital and reserves			
Share capital	29	1,430	1,430
Reserves		297,558	198,894
Equity attributable to equity holders of the Company		298,988	200,324
Minority interests		17,115	–
Total equity		316,103	200,324

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Translation reserve**	**Deficit**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	1,192	348,091	–	(215,774)	133,509	184	133,693
Exchange differences arising on translation of operations outside Hong Kong recognised directly in equity	–	–	153	–	153	–	153
Profit (loss) for the year	–	–	–	43,341	43,341	(184)	43,157
Total recognised income and expense for the year	–	–	153	43,341	43,494	(184)	43,310
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
Arising on acquisition of subsidiaries	–	–	–	–	–	18,336	18,336
Exchange differences arising on translation of operations outside Hong Kong recognised directly in equity	–	–	242	–	242	367	609
Profit (loss) for the year	–	–	–	98,422	98,422	(1,588)	96,834
Total recognised income and expense for the year	–	–	242	98,422	98,664	(1,221)	97,443
At 31 December 2006	1,430	371,174	395	(74,011)	298,988	17,115	316,103

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		90,794	49,197
Adjustments for:			
Amortisation and depreciation		866	534
Loss on disposal of property, plant and equipment		–	11
Impairment loss on goodwill		7,783	–
Impairment loss on prepayments		8,054	–
Gain on change in fair value of investment properties		(121,400)	(52,600)
Interest income		(390)	(62)
Finance costs		8,971	5,950
Operating cash flows before movements in working capital		(5,322)	3,030
Decrease (increase) in inventories		485	(306)
Decrease in held-for-trading investment/investments in securities		48	19,166
Decrease in trade and other receivables		510	389
(Increase) decrease in prepayments and deposits		(501)	247
Increase (decrease) in trade and other payables		3,030	(1,986)
Increase (decrease) in rental deposits		771	(134)
Cash (used in) from operations		(979)	20,406
Interest paid		(8,971)	(5,950)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(9,950)	14,456
INVESTING ACTIVITIES			
Net cash outflow arising from acquisition of subsidiaries	*31*	(25,468)	(4,000)
Purchase of property, plant and equipment		(2,214)	(831)
Prepayments for a warehouse project		(164)	–
Deposit paid for acquisition of subsidiaries	*18*	–	(11,590)
Repayment from a minority shareholder of a subsidiary		18,139	–
Interest received		390	62
NET CASH USED IN INVESTING ACTIVITIES		(9,317)	(16,359)

	NOTES	2006 HK$'000	2005 HK$'000
FINANCING ACTIVITIES			
Bank loans raised		75,600	131,963
Advance from minority shareholders of subsidiaries		163	2,675
Proceeds from issue of shares		–	23,321
Repayment to directors		–	(3,268)
Repayment of bank loans		(23,841)	(132,676)
NET CASH FROM FINANCING ACTIVITIES		51,922	22,015
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,655	20,112
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,192	4,080
Effect of foreign exchange rate changes		514	–
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		57,361	24,192

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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

The Company acts as an investment holding company. Particulars of the Company's principal subsidiaries at 31 December 2006, are as follows:

Name	Place of incorporation and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
China Faith Limited	Hong Kong	Ordinary HK$10,000	–	100%	Property investment
Delight Link Enterprises Limited	Hong Kong	Ordinary HK$2	100%	–	Provision of administrative services to group companies
珠海經濟特區瑞農植保技術有限公司 Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co. Ltd.	PRC	Registered capital RMB8,000,324	–	51%	Production and sale of fertilizers and chemicals
Keycharm Investments Limited ("Keycharm") *	British Virgin Islands ("BVI")	Ordinary US$100	–	51%	Investment holding
太倉中化國際興業石化開發建設有限公司 Taicang Sinochem International Xingye Petrochemical Development Company Limited ("Taicang") *	PRC	Registered capital RMB140,000,000	–	44%	Industrial property development with focus on port infrastructure

* *These companies were acquired during the year ended 31 December 2006. Taicang is a subsidiary as it is indirectly held and controlled by the Company's subsidiary.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the balance sheet date.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, 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]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – Int 8	Scope of HKFRS 2[4]
HK(IFRIC) – Int 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.
[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Rental income is recognised on a straight-line basis over the relevant lease term.

Sales of goods are recognised when goods are delivered and title has passed.

Sale proceeds on trading of securities are recognised on a trade date basis when the sale and purchase agreement becomes unconditional.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, other than factory building under construction, are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than factory building under construction, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	5%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

Factory buildings under construction are stated at cost less any impairment losses, and are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready to use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasehold land held for owner-occupied purpose

The leasehold land component is classified as a land lease prepayment and is amortised on a straight-line basis over the lease term.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Impairment of tangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme which are defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

The Group's financial assets are mainly classified into financial assets at held-for-trading investments, loans and receivables or available for sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each of the categories of the Group's financial assets are set out below:

– Held-for-trading investments

  At each balance sheet date subsequent to initial recognition, held-for-trading investments are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

– Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale investments and are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets with fair value that cannot be measured reliably, such equity investments are measured at cost less impairment. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods through income statement.

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amount due from a minority shareholder of a subsidiary, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

– Financial liabilities

Financial liabilities include trade and other payables, amounts due to minority shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

– Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivables is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to carrying amount of the assets and liabilities within the next financial year, are discussed below.

Impairment loss on land lease prepayment and non-current prepayments

Determining whether land lease prepayment and non-current prepayments are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, deposits, trade and other payables, amount(s) due from/to minority shareholder(s) and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 27 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of fertilizers and chemicals, proceeds from securities trading and rental income. An analysis of the Group's revenue for the current and prior year is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Sales of goods	3,298	5,796
Proceeds from securities trading	–	23,326
Rental income	10,278	9,557
	13,576	38,679

Business segments

For management purposes, the Group is currently organised into fertilizers and chemicals, property investment, investment holding and industrial property development with focus on port infrastructure divisions, which are the basis on which the Group reports its primary segment information.

INCOME STATEMENT
For the year ended 31 December 2006

	Fertilizers and chemicals	**Property investment**	**Investment holding**	**Industrial property development**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	3,298	10,278	–	–	13,576
RESULTS					
Segment result	(1,186)	129,831	1,578	(11,281)	118,942
Unallocated corporate income					3
Unallocated corporate expenses					(19,245)
Unallocated finance costs					(8,906)
Profit before taxation					90,794
Income tax credit					(6,040)
Profit for the year					96,834

For the year ended 31 December 2005

	Fertilizers and chemicals *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE	5,796	9,557	23,326	38,679
RESULTS				
Segment result	(495)	61,381	2,661	63,547
Unallocated corporate income				32
Unallocated corporate expenses				(8,491)
Unallocated finance costs				(5,891)
Profit before taxation				49,197
Income tax charge				6,040
Profit for the year				43,157

BALANCE SHEET

At 31 December 2006

	Fertilizers and chemicals *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Industrial property development *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	12,176	477,591	4,026	120,136	613,929
Unallocated corporate assets					1,581
Consolidated total assets					615,510
LIABILITIES					
Segment liabilities	10,108	30,701	–	59,295	100,104
Unallocated corporate liabilities					199,303
Consolidated total liabilities					299,407

At 31 December 2005

	Fertilizers and chemicals *HK$'000*	**Property investment** *HK$'000*	**Investment holding** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	5,168	339,590	14,601	359,359
Unallocated corporate assets				9,450
Consolidated total assets				368,809
LIABILITIES				
Segment liabilities	1,742	7,658	–	9,400
Unallocated corporate liabilities				159,085
Consolidated total liabilities				168,485

OTHER INFORMATION

For the year ended 31 December 2006

	Fertilizers and chemicals *HK$'000*	**Investment holding** *HK$'000*	**Property investment** *HK$'000*	**Industrial property development** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Capital additions						
Acquisition of subsidiaries	–	–	–	28,949	–	28,949
Other additions	2,187	–	–	–	27	2,214
Amortisation and depreciation	518	–	–	255	93	866
Impairment loss on goodwill	–	–	–	7,783	–	7,783
Impairment loss on prepayments	–	–	–	8,054	–	8,054

For the year ended 31 December 2005

	Fertilizers and chemicals *HK$'000*	**Investment holding** *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Capital additions	410	–	–	421	831
Amortisation and depreciation	491	–	–	43	534

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong	10,278	32,883
Other regions in the People's Republic of China (the "PRC")	3,298	5,796
	13,576	38,679

The following is an analysis of the carrying amount of total assets and additions to property, plant and equipment, land lease prepayment, and goodwill, analysed by geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment, land lease prepayment and goodwill	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	481,617	354,191	27	421
Other regions in the PRC	132,312	5,168	31,136	410
	613,929	359,359	31,163	831

7. OTHER INCOME

	2006	**2005**
	HK$'000	*HK$'000*
Exchange gain	1,556	–
Bank interest income	390	62
Sundry income	282	19
Government grant	235	–
Scrap sales	147	95
	2,610	176

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings	8,685	5,721
Other advances	286	229
	8,971	5,950

9. INCOME TAX (CREDIT) CHARGE

The (credit) charge for the year is represented by changes in deferred tax (note 28).

No provision for taxation has been made in the financial statements as the subsidiaries operating in Hong Kong incurred tax loss for the both years.

Pursuant to the relevant laws and regulations in the PRC, subsidiaries in the PRC is entitled to exemption 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. No provision for PRC income tax has been made as the subsidiaries are not making profit in the year.

The income tax (credit) charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	90,794	49,197
Tax charge at Hong Kong profits tax rate of 17.5%	15,889	8,609
Tax effect of expenses not deductible for tax purpose	3,608	1,268
Tax effect of income not taxable for tax purpose	(21,590)	(1,340)
Overprovision of deferred taxation in prior year	(6,132)	–
Tax effect of tax losses not recognised	2,188	1,144
Tax effect of utilisation of tax assets not previously recognised	–	(3,648)
Others	(3)	7
Income tax (credit) charge for the year	(6,040)	6,040

10. PROFIT FOR THE YEAR

	2006 *HK$'000*	2005 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Amortisation of land lease payments	233	72
Depreciation of property, plant and equipment	633	462
	866	534
Auditors' remuneration	720	550
Loss on disposal of property, plant and equipment	–	11
Rental income less outgoings of HK$2,055,000 (2005: HK$592,000)	(8,223)	(8,965)
Realised gain on sale of investments	–	(4,159)
Staff costs including directors' emoluments	6,015	5,669

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2005: 11) directors were as follows:

	Ma Xiaoling *HK$'000*	Chan Sze Hon *HK$'000*	Carl, Ching Men Ky *HK$'000*	Lin Ruei Min *HK$'000*	Laurence Shu Wa Tung *HK$'000*	2006 *HK$'000*
Fees	–	–	240	240	240	720
Other emoluments						
Salaries and other benefits	1,826	770	–	–	–	2,596
Contribution to retirement benefits schemes	–	12	–	–	–	12
Total emoluments	1,826	782	240	240	240	3,328

	Xu Ying *HK$'000*	Liu Ming Hui *HK$'000*	Ma Xiaoling *HK$'000*	Chan Sze Hon *HK$'000*	Zhang Shuang *HK$'000*	Wang Xianjun *HK$'000*	Terence, Wan Tze Fan *HK$'000*	Liu Fengliang *HK$'000*	Carl, Ching Men Ky *HK$'000*	Lin Ruei Min *HK$'000*	Laurence Shu Wa Tung *HK$'000*	2005 *HK$'000*
Fees	–	–	–	–	10	72	72	73	100	100	100	527
Other emoluments												
Salaries and other benefits	1,074	1,074	662	273	–	–	–	–	–	–	–	3,083
Contribution to retirement benefits schemes	–	–	–	6	–	–	–	–	–	–	–	6
Total emoluments	1,074	1,074	662	279	10	72	72	73	100	100	100	3,616

No director waived any emoluments in the years ended 31 December 2006 and 2005.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: three) are directors of the Company whose emoluments are included in note 11 above. The aggregate emoluments of the remaining individual (2005: two) are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	403	885
Retirement benefit scheme contributions	5	9
	408	894

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$98,422,000 (2005: HK$43,341,000) and 285,989,000 shares (2005: weighted average of 250,300,000 shares) in issue during the year.

No diluted earnings per share has been presented because the Company has no potential ordinary shares issued in both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Factory building under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2005	4,771	924	129	114	–	5,938
Exchange difference	343	53	9	13	–	418
Additions	–	210	456	–	165	831
Disposals	–	–	(28)	–	–	(28)
At 31 December 2005 and 1 January 2006	5,114	1,187	566	127	165	7,159
Exchange difference	205	47	8	32	6	298
Acquisition of subsidiaries	–	–	187	1,346	–	1,533
Additions	–	–	91	–	2,123	2,214
At 31 December 2006	5,319	1,234	852	1,505	2,294	11,204
DEPRECIATION AND IMPAIRMENT						
At 1 January 2005	1,029	60	36	17	–	1,142
Exchange difference	70	36	7	12	–	125
Provided for the year	256	120	63	23	–	462
Eliminated on disposals	–	–	(17)	–	–	(17)
At 31 December 2005 and 1 January 2006	1,355	216	89	52	–	1,712
Exchange difference	54	9	1	1	–	65
Provided for the year	266	123	135	109	–	633
At 31 December 2006	1,675	348	225	162	–	2,410
NET BOOK VALUES						
At 31 December 2006	3,644	886	627	1,343	2,294	8,794
At 31 December 2005	3,759	971	477	75	165	5,447

The buildings are situated on a piece of land in the PRC held under a medium-term land use right.

15. LAND LEASE PREPAYMENT

The Group's land lease prepayment represents payment for medium-term land use rights in the PRC and is charged to the income statement on a straight-line basis for the usage of land.

	2006	**2005**
	HK$'000	*HK$'000*
Analysed as:		
Current assets	707	72
Non-current assets	30,460	3,232
	31,167	3,304

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	266,000
Increase in fair value	52,600
At 31 December 2005 and 1 January 2006	318,600
Increase in fair value	121,400
Transfer to assets classified as held for sale *(Note 25)*	(440,000)
At 31 December 2006	–

The fair value of the Company's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited (2005: LCH (Asia – Pacific) Surveyors Limited), a firm of qualified professional valuers. The director of DTZ Debenham Tie Leung Limited who carries out the valuation is a registered professional surveyor, and a valuer on the "List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in Hong Kong. The valuation, which conforms to HKIS Valuation Standards, was arrived at by reference to market evidence of recent transaction prices for similar properties.

The Group's investment properties are situated in Hong Kong and are held under a long lease. They are rented out under operating leases to earn rentals or for capital appreciation purpose.

17. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2006, the Group had unlisted equity interest in the following company:

Name of company	Country of incorporation/ operation	Class of capital held	Proportion of registered capital held in directly by the Company	Nature of business
Hunan Zhongrong Real Estate Development Company Limited 湖南中榮房地產開發有限公司	PRC	Registered capital	18%	Property development

The above investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The directors of the Company have performed impairment review on these unlisted equity securities and no impairment loss is considered necessary.

18. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

At 31 December 2005, the amount represented a payment for the acquisition of a 51% interest in Keycharm Investments Limited.

19. PREPAYMENTS

The amount represents prepayment paid to various developers in connection with potential port infrastructure and warehouse projects. At 31 December 2006, the management of Company reassessed the status of the port infrastructure project and an impairment loss of HK$8,054,000 in respect to the prepayment for port infrastructure was recognised at 31 December 2006.

20. GOODWILL

	HK$'000
At 1 January 2006	–
Arising on acquisition of subsidiaries *(Note 31)*	7,783
Impairment loss	(7,783)
At 31 December 2006	–

During the year ended 31 December 2006, the Group recognised an impairment loss of HK$7,783,000 in relation to the goodwill arising on acquisition of subsidiaries (note 31).

Upon entering into a conditional agreement to acquire the subsidiaries in February 2006, the management of Company anticipated that the underlying projects would be profitable and agreed to acquire the subsidiaries at a consideration of approximately HK$60,000,000. Goodwill of HK$7,783,000 arising from such acquisition was attributable to potential port infrastructure project. At 31 December 2006, the management of Company reassessed the status of the relevant projects and, except for an industrial depot project the land use right of which has been granted to the Group, was uncertain whether future cash inflows would arise from the potential port infrastructure projects. An impairment loss of HK$7,783,000 has been recognised in the income statement accordingly.

21. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials, at cost	69	174
Finished goods, at cost	–	359
	69	533

22. HELD-FOR-TRADING INVESTMENT

Held-for-trading investment as at 31 December 2005 represented unlisted unit trust outside Hong Kong. The fair value of the held-for-trading investment is determined based on the quoted market prices available from the financial institution.

23. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	424	953
Other receivables	101	–
Deposit receivable on disposal of investment properties	22,000	–
	22,525	953

Rentals receivable from tenants are payable 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 of the Group at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	343	298
61 – 90 days	81	647
Over 90 days	–	8
	424	953

The fair values of the Group's trade and other receivables at 31 December 2006 approximate to the corresponding carrying amounts.

24. PREPAYMENTS AND DEPOSITS/BANK BALANCES AND CASH

All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from 0.72% to 2.75% for both year.

The fair values of the Group's deposits, bank balances and cash at 31 December 2006 approximate to the corresponding carrying amounts.

25. ASSETS CLASSIFIED AS HELD FOR SALE/(LIABILITY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE)

	HK$'000
Investment properties	440,000
Deposit on disposal of investment properties	(22,000)
	418,000

Pursuant to an agreement dated 15 December 2006 (the "Provisional Agreement") and a supplemental agreement dated 22 January 2007 (the "Supplemental Agreement") entered into between China Faith Limited (the "Vendor") and GC Acquisitions III Limited (the "Purchaser"), a company incorporated in BVI with limited liability, the Vendor would dispose of the investment properties to the Purchaser. In addition, Sharp Star Investment Corporation, the immediate holding company of the Vendor, granted an option to the Purchaser to purchase the entire issued share capital of the Vendor. Details of those are set out in the Company's circular dated 31 January 2007. At 31 December 2006, it was uncertain whether the Purchaser would exercise the option as certain conditions precedent to the Provisional Agreement had not been satisfied. The Purchaser has paid an initial deposit of HK$22,000,000 at 31 December 2006.

The Provisional Agreement and Supplemental Agreement were approved by the shareholders of the Company on 22 February 2007 and the Purchaser exercised the option on 26 February 2007 to acquire the entire issued share capital of the Vendor. Details of those are set out in the Company's announcement dated 26 February 2007.

On 2 March 2007, Sharp Star Investment Corporation entered into a share agreement as amended by a supplemental share agreement with the Purchaser to purchase the entire share capital of China Faith Limited. Details of this are set out in the Company's announcement dated 6 March 2007. Disposal of the Vendor was completed on 20 March 2007 as disclosed in note 37.

26. TRADE AND OTHER PAYABLES

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

	2006	**2005**
	HK$'000	*HK$'000*
Trade payables aged within 60 days	–	59
Other payables	11,200	7,953
	11,200	8,012

The fair value of the Group's trade and other payables at 31 December 2006 approximated to the corresponding carrying amount.

27. BANK LOANS

	2006	2005
	HK$'000	*HK$'000*
The maturity of the bank loans is as follows:		
Repayable		
– on demand or within one year	29,167	6,362
– between one and two years	8,761	123,350
– between two and five years	123,929	–
– over five years	19,614	–
	181,471	129,712
Less: Amount due within one year shown under current liabilities *(Note)*	(181,471)	(6,362)
	–	123,350

Note: In the opinion of directors, the bank loans secured by investment properties will be repaid when the investment properties are disposed. All bank loans will be repaid within 12-month.

The range of effective interest rates on the Group's variable-rate bank loans are 4.74% to 6.73% (2005: 4% to 4.9%) per annum.

The bank loans are secured by:

(a) Building and plant and land lease prepayment with an aggregate carrying amount of HK$7,005,000 (2005: HK$7,063,000),

(b) the Group's investment properties and the Company's investment in shares of China Faith Limited, a subsidiary for the year end 31 December 2006, and

(c) the assignment of rental income in respect of the investment properties under operating leases for the year.

28. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are as follows:

	Property, plant and equipment	Investment properties	Unrealised holding gain on other investments	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	662	–	1,373	(1,378)	657
Exchange difference	12	–	–	–	12
Charge (credit) to income statement	11	6,132	(1,373)	1,270	6,040
At 31 December 2005 and 1 January 2006	685	6,132	–	(108)	6,709
Exchange difference	27	–	–	–	27
(Credit) charge to income statement	(8)	(6,132)	–	100	(6,040)
At 31 December 2006	704	–	–	(8)	696

At the balance sheet date, the Group has unused tax losses of HK$101,858,000 (2005: HK$89,922,000), available for offset against future profits. A deferred tax asset has been recognised in respect of HK$46,000 (2005: HK$611,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$101,812,000 (2005: HK$89,311,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares	Nominal amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2005, 31 December 2005 and 2006	421,978,000	2,109,890
Preference shares of HK$0.005 each at 1 January 2005, 31 December 2005 and 2006	22,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each		
At 1 January 2005	238,389	1,192
Issue of shares	47,600	238
At 31 December 2005 and 31 December 2006	285,989	1,430

30. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at a special general meeting of shareholders held on 22 April 2002, the Company adopted a share option scheme (the "Scheme") which enables the directors of the Company to grant options to employees (including directors) of the Group in recognition of their contribution to the Group. The Scheme will expire on 21 April 2012.

No option has been granted under the Scheme since its adoption.

31. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2006

In September 2006, the Group acquired a 51% interest in Keycharm, which holds a 85.71% interest in the registered capital of Taicang (collectively the "Keycharm Group"), for a total consideration of RMB61,200,001 (approximately HK$60,000,000). The consideration of RMB61,200,001 represents the acquisition of 51% interest in Keycharm for RMB1 and the settlement of shareholders loans advanced to the Keycharm Group of RMB61,200,000. This transaction has been accounted for using the purchase method of accounting.

	Carrying amount and fair value
	HK$'000
Net assets acquired	
Property, plant and equipment	1,533
Land lease prepayment	27,416
Prepayments	17,700
Prepayments and deposits	100
Amount due from a minority shareholder	58,826
Bank balances and cash	22,942
Other payables	(190)
Amounts due to shareholders	(57,774)
	70,553
Minority interests	(18,336)
Goodwill arising on acquisition	7,783
Consideration, satisfied by settlement of the shareholders' loans of HK$60,000,000	60,000
Net cash outflow arising on acquisition	
Cash consideration paid for shares	–
Settlement of shareholders' loan to the Keycharm Group, amount paid in 2006 (HK$11,590,000 was paid in 2005)	(48,410)
Bank balances and cash acquired	22,942
	(25,468)

The subsidiaries acquired in September 2006 contributed nil revenue and a loss of HK$9,535,000 to the Group in the year ended 31 December 2006.

If the acquisition had been completed on 1 January 2006, total Group's revenue for year would have been HK$13,576,000, and profit for the year would have been HK$64,993,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

For the year ended 31 December 2005

In 2005, HK$4,000,000 was paid to the vendor as the deferred consideration for the acquisition of a 51% interest in Lucky Green Limited in 2004.

32. MAJOR NON-CASH TRANSACTIONS

Upon signing the Provisional Agreement (note 25), the Purchaser paid an initial deposit of HK$22,000,000 to the Vendor. The amount was held by a lawyer on behalf of the Vendor as at 31 December 2006.

33. OPERATING LEASE ARRANGEMENTS

As lessor

At the balance sheet date, investment properties were leased out for periods ranging from 1 to 3 years and some of the leases have renewal options given to the lessees. The future minimum lease payments receivable by the Group under non-cancellable operating leases are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	10,428	7,846
In second to fifth year inclusive	4,591	5,015
Total	15,019	12,861

As lessee

	2006	**2005**
	HK$'000	*HK$'000*
Minimum lease payments under operating leases in respect of office properties and motor vehicles	403	190

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	155	538
In second to fifth year inclusive	24	184
	179	722

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Leases are negotiated for an average term of two years.

34. CAPITAL COMMITMENTS

	2006	**2005**
	HK$'000	*HK$'000*
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided	8,553	1,544

35. RETIREMENT BENEFITS SCHEMES

The Group is required to participate in the MPF Scheme in respect of its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Both the Group and its employees contribute 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Contributions to the retirement benefit schemes for the year amounted to HK$76,000 (2005: HK$71,000).

36. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The amount due from a minority shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand. The fair value of the balance at 31 December 2006 approximates to its fair value.

(b) Including in the amount due to minority shareholders of subsidiaries of HK$5,039,000 (2005: HK$4,238,000) is unsecured, interest-bearing at 6% per annum and is repayable on demand. The amount of interest paid during the year is approximately HK$286,000 (2005: HK$149,000). The remaining balance is unsecured, non-interest bearing and repayable on demand. The fair values of the balances at 31 December 2006 approximate to their corresponding carrying amounts.

(c) At the balance sheet date, a minority shareholder of a subsidiary provided a guarantee, at no charge to the Group, to a bank for a bank loan of HK$1,600,000 (2005: HK$962,000) granted to a subsidiary.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$3,736,000 (2005: HK$4,510,000) disclosed in notes 11 and 12.

37. POST BALANCE SHEET EVENTS

The disposal of China Faith Limited was completed on 20 March 2007 and the related assets and liabilities to be disposed at 31 December 2006 are as follow:

	HK$'000
Assets	
Investment properties	440,000
Rental and other receivables	22,424
Utility deposits	861
Bank balances and cash	14,306
	477,591
Liabilities	
Other payables	26,823
Rental deposits	3,878
Amount due to immediate holding company	84,317
Bank loans	179,871
	294,889
Net assets	182,702

3. INDEBTEDNESS

As at the close of business on 31 July 2007, being the latest practicable date for this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$69,419,000, comprising a secured bank loan of approximately HK$1,654,000 and unsecured loans from the minority shareholders of subsidiaries of approximately HK$67,765,000. The secured bank loans were secured by property and plant of the Enlarged Group with a carrying amount of HK$6,957,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 July 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

There was no material change in the indebtedness status of the Enlarged Group since 31 July 2007 up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that there was no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2006, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. WORKING CAPITAL

After taking into account the internally generated funds and available banking facilities of the Enlarged Group, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to satisfy its present requirement and the requirements for the next twelve months from the date of this circular.

The following is the text of a report from Deloitte Touche Tohmatsu, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Group as set out in this appendix:

1. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

We report on the unaudited pro forma assets and liabilities (the "Statement") of Greater China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III (the "Unaudited Pro Forma Financial Information") of the circular dated 11 September 2007 (the "Circular") in connection with the acquisition of additional 49% interest in Keycharm Investments Limited and its subsidiary (the "Keycharm Group"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the acquisition might have affected the financial information presented, for inclusion in Appendix III of the Circular. The Group with 100% interest in the Keycharm Group is hereinafter referred to as the "Enlarged Group".

The basis of preparation of the unaudited pro forma is set out on page 93 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as require by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the Statement with source documents, considering the evidence supporting the adjustments and discussing the Statement with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement has been properly compiled by the Directors on the basis stated, and such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Statement is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2006 or at any future date.

Opinion

In our opinion:

a) the Statement has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 September 2007

2. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE ENLARGED GROUP

(A) Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the acquisition of additional 49% interest in the Keycham Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the acquisition as if the acquisition took place on 31 December 2006.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based upon the audited consolidated balance sheet of the Group as at 31 December 2006, which has been extracted from the annual report of the Group for the year ended 31 December 2006 set out in Appendix II to this circular, after making pro forma adjustments resulting from the acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the acquisition been completed on 31 December 2006. The unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the acquisition.

For the purpose of presenting the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the audited balance sheet as at 31 December 2006 is translated at the exchange rate of HK$1 = RMB1.

UNADUITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE ENLARGED GROUP

	The Group as at 31 December 2006	Proforma adjustment related to the acquisition	Proforma Enlarged Group after the acquisition
	HK$'000	*HK$'000* *(note)*	*HK$'000*
Non-current assets			
Property, plant and equipment	8,794	–	8,794
Land lease prepayment	30,460	–	30,460
Available-for-sale investments	3,000	–	3,000
Prepayments	10,164	–	10,164
	52,418	–	52,418
Current assets			
Inventories	69	–	69
Trade and other receivables	22,525	–	22,525
Land lease prepayment	707	–	707
Prepayments and deposits	1,743	–	1,743
Amount due from a minority shareholder of a subsidiary	40,687	–	40,687
Bank balances and cash	57,361	(53,300)	4,061
	123,092	(53,300)	69,792
Assets classified as held for sale	440,000	–	440,000
	563,092	(53,300)	509,792
Current liabilities			
Trade and other payables	11,200	–	11,200
Amount due to minority shareholders of subsidiaries	65,475	(58,800)	6,675
Rental deposits	3,878	–	3,878
Taxation	14,687	–	14,687
Bank loans	181,471	–	181,471
	276,711	(58,800)	217,911
Liability associated with assets classified as held for sale	22,000	–	22,000
	298,711	(58,800)	239,911
Net current assets	264,381	5,500	269,881
Total assets less current liabilities	316,799	5,500	322,299
Non-current liability			
Deferred taxation	696	–	696
Net assets	316,103	5,500	321,603

Note: The Group acquires 49% of the shares in Keycharm for RMB4,500,000 and the shareholders' loans of RMB58,800,000. The total consideration of RMB63,300,000 (approximately HK$65,440,000) is to be settled by cash of RMB53,300,000 and the balance by the issue and allotment of 13,857,981 shares in the Company at an issue price of HK$0.746. For illustration of unaudited pro forma statement of assets and liabilities of the Enlarged Group, the issue price of HK$0.3 is applied, being the closing price as at 31 December 2006, to illustrate the effect of the Acquisition as if the Acquisition took place on 31 December 2006. Under this assumption, the total consideration on 31 December 2006 would be approximately HK$57,457,000.

The excess of net fair value of 49% interest in Keycharm's net assets over cost of approximately RMB6,601,000 arises from the Acquisition is calculated as (i) the fair value of total consideration of RMB57,457,000 less (ii) 49% of the fair values of the net assets of the Keycharm Group of RMB5,258,000 and (iii) shareholders' loans of RMB58,800,000 due by Keycharm to the Sellers.

The Directors assumed that the fair values of the Keycharm Group's net assets as at 31 December 2006 were the same as the fair values as at 30 June 2007 that includes a fair value adjustment on prepaid lease payments which represents the land use right held by the Keycharm Group.

The above unaudited pro forma adjustment has not taken into account of the disposal of the entire issued share capital of China Faith Limited for a consideration of HK$440,000,000, details of which are set out in the circular of the Company dated 31 January 2007.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the property located in the PRC held by the Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

11 September 2007

The Directors
Greater China Holdings Limited
Room 1301, 13th Floor
1 Lyndhurst Tower
No. 1 Lyndhurst Terrace
Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instructions for us to value the property held by Greater China Holdings Limited (the "Company") and/or its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 August 2007 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the concerned property has been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

We have valued the property on an open market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the subject property and the comparables in terms of time, location and other relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. Moreover, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuation, we have relied on the advice and information given by the Group and its PRC legal advisor, Chen & Co. (瑛明律師事務所), regarding the title of the PRC property. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

In valuing the property, we have relied on the advice given by the Group that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the property. During the course of our inspection, we did not note any serious defects. However, no structural surveys have been made and we are therefore unable to report as to whether the property is free from rot, infestation or other defects. No tests were carried out on any of the services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the property but have assumed that the site area shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the leases and other documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Value and the Valuation Certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Director

Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS(GP)
Director

Notes:

Dr. Tony C.H. Cheng is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and about 9 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUE

Property	Market Value in existing state as at 31 August 2007 *RMB*	Interest attributable to the Group after the acquisition	Value attributable to the Group as at 31 August 2007 *RMB*
A parcel of land located at the southern part of Gang Qu Wei Road, western part of Jing Er Road and northern part of Bei Huan Road, Fuqiao Town, Taicang Port Development Zone, Taicang City, Jiangsu Province, the PRC	65,000,000	85.71%	55,711,500
	Total: 65,000,000		**Total: 55,711,500**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2007 *RMB*
A parcel of land located at the southern part of Gang Qu Wei Road, western part of Jing Er Road and northern part of Bei Huan Road, Fuqiao Town, Taicang Port Development Zone, Taicang City, Jiangsu Province, the PRC	The property comprises a parcel of land (Land Plot No. 507-050-004-06) with a total site area of 94,793.5 sq.m. As per information provided by the Group, the property is planned to be developed into an industrial/storage area with a total construction area of 60,000 sq.m. with 6 depots occupying about 8,277 sq.m. each. The land use rights of the property have been granted for a term of 50 years expiring on 31 December 2050 for industrial and warehouse uses.	The property is vacant and held by the Group for future development use.	65,000,000 (85.71% interest attributable to the Group after the acquisition: 55,711,500)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, Tai Di Chu He (97) Zi Di No. 56, entered into between太倉市國土資源局 (Taicang City State-owned Land Resources Bureau) and 中遠國際城開發有限公司 (Zhong Yuan International City Development Co., Ltd.) ("Zhong Yuan") dated 23 December 1997, the former agreed to grant the land use rights of a land parcel with a site area of 2,277,518 sq.m. to Zhong Yuan for a term of 50 years commencing on 1 January 2001 at a consideration of RMB301,725,580 for industrial and warehouse uses.

2. Pursuant to an Approval Letter, Tai Tu Ji (2001) No. 440, dated 31 October 2001, Zhong Yuan agreed to change the owner name of the land parcel mentioned in Note 1 into 江蘇太倉港開發建設股份有限公司 (Jiangsu Taicang Port Development Construction Stock Company Limited) ("Jiangsu Taicang") for a term expiring on 31 December 2050 for industrial and warehouse uses.

3. Pursuant to a State-owned Land Use Rights Certificate, Tai Guo Yong (2001) Di No. 07050004-1, issued by 太倉市國土資源局 (Taicang City State-owned Land Resources Bureau) dated 1 November 2001, the land use rights of a land parcel with a site area of 495,134 sq.m. have been granted to Jiangsu Taicang for a term expiring on 31 December 2050 for industrial and warehouse uses.

4. Pursuant to a Stated-owned Land Use Rights Transfer Contract, Tai Tu Chu He (97) Zi Di No. 56, entered into between Jiangsu Taicang and 太倉中化國際興業石化開發建設有限公司 (Taicang Sinochem International Xingye Petrochemical Development Company Limited) (the "JV Company") dated 23 December 2005, Jiangsu Taicang agreed to transfer the land use rights of portion of the land parcel as mentioned in Note 3 with a site area of about 94,793.5 sq.m. to the JV Company at a consideration of RMB28,438,050.

5. Pursuant to a State-owned Land Use Rights Certificate, Tai Guo Yong (2005) Di No. 507000029, issued by 太倉市國土資源局 (Taicang City State-owned Land Resources Bureau) dated 23 December 2005, the land use rights of the property with a site area of 94,793.5 sq.m. have been granted to the JV Company for a term expiring on 31 December 2050 for industrial and warehouse uses.

6. Pursuant to a Business License, Qi He Su Tai Zong Zi Di No. 000997, issued by 江蘇省太倉市工商行政管理局(Jiangsu Province Taicang City Industrial and Commercial Administrative Management Bureau) dated 12 March 2007, the JV Company is a Sino-foreign equity joint venture which was established with a registered capital of RMB140,000,000 and was authorized to carry on the business from 12 August 2004 to 11 August 2054.

7. As advised by the Group, the estimated construction cost and professional fees for the development will be approximately RMB68,917,000. It is expected that the construction of the proposed development on the property will be completed in early 2008.

8. The opinion given by the PRC legal advisor to the Group, Chen & Co., contains, inter alia, the following:

   a. The JV Company was 14.29% owned by Jiangsu Taicang and 85.71% owned by Keycharm Investments Limited (基創投資有限公司);

   b. The risk and profit sharing bases are based on the capital contribution ratio;

   c. Zhong Yuan was entitled to transfer the State-owned land use rights of the land parcel mentioned in Note 1 to Jiangsu Taicang;

   d. Jiangsu Taicang was entitled to transfer the State-owned land use rights of the land parcel mentioned in Note 3 to the JV Company;

   e. All land premium has been settled in full; and

   f. Within the term of land use rights, the JV Company is entitled to transfer, lease and mortgage the property;

9. The JV Company is an indirect 85.71%-owned subsidiary of the Company after the acquisition.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

2. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:

421,978,000,000 Shares	HK$2,109,890,000

Issued and fully paid:

285,989,133 Shares in issue as at the Latest Practicable Date	HK$1,429,945.665
13,857,981 Consideration Shares to be issued	HK$69,289.905

All of the Shares currently in issue or to be issued rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

3. DISCLOSURE OF INTERESTS

Interests of Directors in the Company

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which 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 interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Nature of Interest	Number of Shares	Percentage of shareholding
Ms. Ma Xiaoling	Corporate interests *(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 the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders in the Company

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) has an 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 meetings of any member of the Group or had any options in respect of such capital:

Name of Shareholder	*Notes*	Number of Shares	Percentage of shareholding
Keenlead Holdings Limited	*1*	120,212,256	42.03%
Ms. Ma Xiaoling	*1*	120,212,256	42.03%
China Main Investment (H.K.) Company Limited	*2, 3*	32,000,000	11.19%
Centre Mark Development Limited	*2, 3*	32,000,000	11.19%
Sino Elite International Limited	*2, 3*	32,000,000	11.19%
China Main Group Company Limited	*2, 3*	32,000,000	11.19%
Mr. Chen Dacheng	*2, 3*	32,000,000	11.19%
Shenzhen Venture Capital (BVI) Company Limited	*2, 3*	32,000,000	11.19%
Mr. Mei Jian	*2, 3*	32,000,000	11.19%
Mr. Zhang Minlong	*2, 3*	32,000,000	11.19%

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma Xiaoling, an executive Director and Chairman of the Company. Ms. Ma Xiaoling is also the sole director of Keenlead Holdings Limited.

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 Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, 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 any other member of the Group or had any options in respect of such capital.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, there was no person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company.

Service contracts

There is no existing or proposed service contract between any of the Directors and the Company or any of its members (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Interests in other competing business

Each of the Directors has confirmed that he and their respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries (including Keycharm Group) is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries (including Keycharm Group).

5. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinion in this circular are as follows:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
BMI Appraisals Limited	Chartered Surveyors
First Shanghai	A licenced corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, BMI Appraisals Limited and First Shanghai has no shareholding in any company in the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Enlarged Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

Each of Deloitte Touche Tohmatsu, BMI Appraisals Limited and First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

(a) the Company entered into a placing agreement dated 5 September 2005 with Partners Capital Securities Limited for the placing of 47,600,000 new Shares at a placing price of HK$0.50 per Share. A summary of the terms of the placing agreement is set out in an announcement of the Company dated 5 September 2005;

(b) the memorandum of understanding dated 30 August 2005 as supplemented by a supplemental memorandum of understanding dated 29 November 2005, details of which are set out in an announcement of the Company dated 29 November 2005;

(c) the sale and purchase agreement dated 27 February 2006 entered into between Profit Capital Limited, Mr. Lin Jie and Mr. Wang Yuhui in relation to the acquisition of 51% of the equity interest of Keycharm Investments Limited, details of which are set out in an announcement of the Company dated 1 March 2006;

(d) the provisional agreement dated 15 December 2006 (as amended by a supplemental agreement dated 22 January 2007) entered into between the Company, China Faith Limited, Sharp Star Investment Corporation and GC Acquisition III Limited in relation to the disposal of the property situated at No.1 Lyndhurst Terrace, details of which are set out in an announcement of the Company dated 19 December 2006; and

(e) the Sale and Purchase Agreement.

7. GENERAL

(a) The secretary and qualified accountant of the Company is Mr. Chan Sze Hon, CPA (Practising).

(b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business in Hong Kong is situated at Room 1301, 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Central, Hong Kong.

(c) The Hong Kong share registrar of the Company is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong at Room 1301, 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Central, Hong Kong up to and including 14 days after circular date:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2006;

(c) the letter from First Shanghai to the Independent Board Committee and the Shareholders, the text of which is set out on pages 18 to 32 of this circular;

(d) the accountants' report of the Keycharm Group, the text of which is set out in Appendix I to this circular;

(e) the valuation report, the text of which is set out in Appendix IV to this circular;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(g) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and

(h) a circular of the Company dated 31 January 2007.

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the "Company") will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong, on Thursday, 27 September 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 27 July 2007 (a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) and entered into between Mr. Wang Yuhui and Mr. Lin Jie as sellers and Profit Capital Limited as purchaser and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of and granting permission to deal in 11,312,637 and 2,545,344 ordinary shares of HK$0.005 each in the share capital of the Company to be issued to Mr. Wang Yuhui and Mr. Lin Jie respectively (or their respective nominees) (the "**Consideration Shares**") under the Sale and Purchase Agreement, the issue and allotment of the Consideration Shares be and are hereby approved;

(c) the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder."

By order of the Board
Chan Sze Hon
Company Secretary

Hong Kong, 11 September 2007

* *For identification purpose only*

Head office and principal
place of business in Hong Kong:
Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited. 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or adjourned meeting.