

Interim Report 2008



大中華實業控股有限公司
GREATER CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 431

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Chan Siu Mun

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISORS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODE

431

WEBSITE

[http://www.irasia.com/listco/hk/greaterchina/
index.htm](http://www.irasia.com/listco/hk/greaterchina/index.htm)

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	37,199	9,538
Land lease prepayment		33,410	31,822
Prepayments	11	35,258	15,714
		105,867	57,074
Current assets			
Inventories		299	57
Trade and other receivables	12	6,831	26,826
Land lease prepayment		803	756
Prepayments and deposits		4,915	2,927
Amount due from a minority shareholder of a subsidiary	17(a)	109	103
Bank balances and cash		173,776	206,289
		186,733	236,958
Current liabilities			
Other payables		5,506	4,134
Amount due to a minority shareholder of a subsidiary	17(b)	7,154	7,003
Bank loans	13	2,273	2,139
		14,933	13,276
Net current assets		171,800	223,682
Total assets less current liabilities		277,667	280,756
Non-current liability			
Deferred taxation	14	1,239	1,166
Net assets		276,428	279,590
Capital and reserves			
Share capital	15	1,499	1,499
Reserves		273,815	278,091
Equity attributable to equity holders of the Company		275,314	279,590
Minority interests		1,114	—
Total equity		276,428	279,590

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company						Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation Reserve HK\$'000	Deficit HK\$'000	Total HK\$'000			
1 January 2007	1,430	371,174	395	(74,011)	298,988	17,115	316,103	
Exchange differences arising on translation of operations outside Hong Kong recognised directly in equity	–	–	(220)	–	(220)	350	130	
Loss for the period	–	–	–	(10,097)	(10,097)	(672)	(10,769)	
Total recognised income and expense for the period	–	–	(220)	(10,097)	(10,317)	(322)	(10,639)	
At 30 June 2007 and 1 July 2007	1,430	371,174	175	(84,108)	288,671	16,793	305,464	
Exchange differences arising on translation	–	–	4,846	–	4,846	973	5,819	
Loss for the period	–	–	–	(22,103)	(22,103)	(1,700)	(23,803)	
Total recognised income and expense for the period	–	–	4,846	(22,103)	(17,257)	(727)	(17,984)	
Acquisition of additional interest in subsidiaries	69	8,107	–	–	8,176	(16,066)	(7,890)	
At 31 December 2007 and 1 January 2008	1,499	379,281	5,021	(106,211)	279,590	–	279,590	
Exchange differences arising on translation	–	–	14,625	–	14,625	–	14,625	
Loss for the period	–	–	–	(18,901)	(18,901)	(22)	(18,923)	
Total recognised income and expense for the period	–	–	14,625	(18,901)	(4,276)	(22)	(4,298)	
Arising on establishment of a subsidiary	–	–	–	–	–	1,136	1,136	
At 30 June 2008	1,499	379,281	19,646	(125,112)	275,314	1,114	276,428	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTE	Six months ended	
		30.6.2008 HK\$'000 (unaudited)	30.6.2007 HK\$'000 (unaudited)
Net cash from (used in) operating activities		1,536	(17,516)
Net cash (used in) from investing activities			
Disposals of subsidiaries	6	—	416,892
Other investing cash flows		(44,909)	262
		(44,909)	417,154
Net cash used in financing activities			
Capital injection from minority shareholder of a subsidiary		1,136	—
Repayment of bank loans		—	(179,872)
Other financing cash flows		—	(271)
		1,136	(180,143)
Net (decrease) increase in cash and cash equivalents		(42,237)	219,495
Cash and cash equivalents at 1 January		206,289	57,361
Effect of foreign exchange rate changes		9,724	632
Cash and cash equivalents at 30 June, represented by bank balances and cash		173,776	277,488

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

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

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

3. SEGMENT INFORMATION

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

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

Business Segments

For the six months ended 30 June 2008

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

For the six months ended 30 June 2007

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

4. FINANCE COSTS

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

5. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation, followed by a 50% deduction for the next three years. A subsidiary established in Zhuhai Special Administrative Region in the PRC is entitled to preferential rate of 15%. No provision for PRC income tax has been made as all of the PRC subsidiaries are not making profit for both periods.

In 2007, the National People's Congress of the PRC approved the new PRC enterprise income tax law. With effect from 1 January 2008, the tax rate is unified for both domestic and foreign investment enterprises at the rate of 25%. In addition, on 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations change the tax rate of the subsidiary established in Zhuhai Special Administrative Region from 15% to 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 respectively for the subsidiary of the Company.

6. DISPOSALS OF SUBSIDIARIES

For the six months ended 30 June 2007

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

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

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

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

7. LOSS FOR THE PERIOD

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

8. DIVIDENDS

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

9. LOSS PER SHARE – BASIC

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

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

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred additions to property, plant and equipment, including construction in progress of warehouse, amounted to approximately HK\$27,891,000.

11. PREPAYMENTS

The amount represents prepayments paid to various developers in connection with port infrastructure and acquisition of a commercial office in Beijing. At 30 June 2008, the management of Company reassessed the status of the port infrastructure and office acquisition. No impairment loss is recognised for the year ended 30 June 2008 since the recoverable amounts of the cash generating units are higher than their carrying amounts.

12. TRADE AND OTHER RECEIVABLES

Included in the balance are trade receivables of HK\$1,606,000 (31.12.2007: HK\$129,000). The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
0 – 60 days	1,322	129
61 – 91 days	17	—
> 90 days	267	—
	1,606	129

13. BANK LOANS

At the balance sheet date, the loan carries effective interest at 7.56% and is repayable within one year. The loan is used to finance its daily operation.

14. DEFERRED TAXATION

The deferred tax liabilities recognised and movements thereon during the current and prior periods are as follows:

	Property, plant and equipment HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2007	704	(8)	696
Exchange difference	14	—	14
(Credit) charge to income for the period	(8)	8	—
At 30 June 2007 and 1 July 2007	710	—	710
Exchange difference	34	—	34
Effect of change in tax rate	422	—	422
Charge (credit) to income for the period	88	(88)	—
At 31 December 2007 and 1 January 2008	1,254	(88)	1,166
Exchange difference	73	—	73
Charge to income for the period	(3)	3	—
At 30 June 2008	1,324	(85)	1,239

15. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.005 each at 1 January 2007, 30 June 2007, 31 December 2007 and 30 June 2008	421,978,000	2,109,890
Preference shares of HK\$0.005 each at 1 January 2007, 30 June 2007, 31 December 2007 and 30 June 2008	22,000	110
Issued and fully paid:		
Ordinary shares of HK\$0.005 each		
At 1 January 2007 and 30 June 2007	285,989	1,430
Issue of shares	13,858	69
At 31 December 2007 and 30 June 2008	299,847	1,499

16. CAPITAL COMMITMENTS

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted not provided	83,003	24,790

17. RELATED PARTY DISCLOSURES

- (a) The amount due from a minority shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand.
- (b) The amount due to a minority shareholder of a subsidiary is unsecured, interest bearing at 6% per annum and repayable on demand. The amount of interest expense during the period is approximately HK\$150,000 (six months ended 30.6.2007: HK\$150,000).
- (c) At 30 June 2008, a minority shareholder of a subsidiary provided a guarantee, at no charge to the Group, to a bank for a bank loan of approximately HK\$2,273,000 (31.12.2007: HK\$2,139,000) granted to a subsidiary.
- (d) The remuneration of directors and other members of key management during the period was HK\$2,139,000 (six months ended 30.6.2007: HK\$4,864,000).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF GREATER CHINA HOLDINGS LIMITED

大中華實業控股有限公司

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 13 which comprises the condensed consolidated balance sheet of Greater China Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 September 2008

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Financial Review

Liquidity and Financial Resources

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

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

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars and Renminbi ("RMB")

Charges on assets

As at 30 June 2008, property, plant and equipment of HK\$7,035,000 (31 December 2007: HK\$7,127,000) are pledged against a bank loan granted to the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2008.

Employees and Remuneration Policies

As at 30 June 2008, the Group has approximately 62 employees. Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

PROSPECTS

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

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

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

DIRECTORS' INTEREST IN SHARES

As at 30 June 2008, the interests of the Directors and Chief Executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions

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

Note: Ms. Ma is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 30 June 2008.

Save as disclosed above, as at 30 June 2008, none of the Directors nor Chief Executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Share Options

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

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 30 June 2008, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Note(s)	No. of shares held	Percentage to issued share capital
Keenlead Holdings Limited	1	120,212,256	40.09%
Ms. Ma	1	120,212,256	40.09%
China Main Investment (H.K.) Company Limited	2	32,000,000	10.67%
Centre Mark Development Limited	2	32,000,000	10.67%
Sino Elite International Limited	2	32,000,000	10.67%
China Main Group Company Limited	2	32,000,000	10.67%
Mr. Chen Dacheng	2	32,000,000	10.67%
Shenzhen Venture Capital (BVI) Company Limited	3	32,000,000	10.67%
Mr. Mei Jian	3	32,000,000	10.67%
Mr. Zhang Minlong	3	32,000,000	10.67%

Notes:

- The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma.
- 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.
- On 14 April, 2003, Shenzhen Venture Capital (BVI) Company Limited ("Shenzhen Venture Capital") reported that it has a security interest in 32,000,000 shares. Shenzhen Venture Capital is owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 30 June 2008.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the period under review, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of its shareholders. The Company has always recognized the importance of the transparency and accountability towards the shareholders. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

During the period, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviations:

- Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Ms. Ma is the Chairman and Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. Ma and believes that her appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

- Code A.4.1 stipulates that Non-Executive Directors should be appointed for specific terms and subject to re-election.

The independent Non-Executive Directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all Directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The unaudited interim financial statements of the Group for the six months ended 30 June 2008 have been reviewed by our auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company. The audit committee of the Company currently comprises three Independent Non-Executive Directors, including Mr. Ching Men Ky , Carl ("Mr. Ching"), Mr. Lin Ruei Min ("Mr. Lin") and Mr. Shu Wa Tung, Laurence ("Mr. Shu").

REMUNERATION COMMITTEE

The Board has established a remuneration committee which currently comprises 3 Executive Directors, namely, Ms. Ma, Ms. Chan Siu Mun and Mr. Chan Sze Hon, and 3 Independent Non-Executive Directors, namely, Mr. Ching, Mr. Lin and Mr. Shu. They are responsible for advising the Group on the remuneration policy and framework of the Company's Directors and senior management members, as well as reviewing and determining the remuneration of all Executive Directors and senior management members with reference to the Company's objectives from time to time.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our shareholders, customers, bankers and other business partners for their trust and support to the Group.

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

Hong Kong, 26 September 2008