



大中華實業控股有限公司

GREATER CHINA HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

INTERIM REPORT

2007

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON- EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Sze Hon

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### PRINCIPAL BANKERS

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

### LEGAL ADVISORS

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301  
1 Lyndhurst Tower  
1 Lyndhurst Terrace  
Central  
Hong Kong

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield 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>

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended	
		30.6.2007 HK\$'000 (unaudited)	30.6.2006 HK\$'000 (unaudited)
Revenue		5,260	6,224
Cost of sales		(1,736)	(1,983)
Gross profit		3,524	4,241
Other income		3,859	137
Fair value change of investment properties		–	5,070
Gain on disposals of subsidiaries	6	4,588	–
Selling and distribution costs		(178)	(385)
Administrative expenses		(18,920)	(5,272)
Finance costs	4	(3,642)	(4,344)
Loss before tax		(10,769)	(553)
Income tax expense	5	–	(819)
Loss for the period	7	(10,769)	(1,372)
Attributable to:			
Equity holders of the parent		(10,097)	(1,372)
Minority interests		(672)	–
		(10,769)	(1,372)
		HK cents	HK cents
Loss per share – basic	9	(3.53)	(0.48)

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2007

	Notes	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	8,440	8,794
Land lease prepayment		30,722	30,460
Available-for-sale investments		3,000	3,000
Prepayments		10,935	10,164
		<b>53,097</b>	<b>52,418</b>
<b>Current assets</b>			
Inventories		71	69
Trade and other receivables	11	8,054	22,525
Land lease prepayment		721	707
Prepayments and deposits		1,842	1,743
Amount due from a minority shareholder of a subsidiary	17(a)	41,517	40,687
Bank balances and cash		277,488	57,361
		<b>329,693</b>	<b>123,092</b>
Assets classified as held for sale		–	440,000
		<b>329,693</b>	<b>563,092</b>
<b>Current liabilities</b>			
Other payables		8,949	11,200
Amounts due to minority shareholders of subsidiaries	17(b)	66,034	65,475
Rental deposits		–	3,878
Taxation		–	14,687
Bank loans	12	1,633	181,471
		<b>76,616</b>	<b>276,711</b>
Liability associated with assets classified as held for sale		–	22,000
		<b>76,616</b>	<b>298,711</b>
<b>Net current assets</b>		<b>253,077</b>	<b>264,381</b>
<b>Total assets less current liabilities</b>		<b>306,174</b>	<b>316,799</b>
<b>Non-current liability</b>			
Deferred taxation	13	710	696
<b>Net assets</b>		<b>305,464</b>	<b>316,103</b>
<b>Capital and reserves</b>			
Share capital	14	1,430	1,430
Reserves		287,241	297,558
Equity attributable to equity holders of the Company		<b>288,671</b>	<b>298,988</b>
<b>Minority interests</b>		<b>16,793</b>	<b>17,115</b>
<b>Total equity</b>		<b>305,464</b>	<b>316,103</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company					Minority interests HK\$'000	Total HK\$'000
	Share capital	Share premium	Translation Reserve	Deficit	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
1 January 2006	1,430	371,174	153	(172,433)	200,324	-	200,324
Loss for the period and total recognised expense for the period	-	-	-	(1,372)	(1,372)	-	(1,372)
At 30 June 2006 and 1 July 2006	1,430	371,174	153	(173,805)	198,952	-	198,952
Exchange differences arising on translation of operations outside Hong Kong recognised directly in equity	-	-	242	-	242	367	609
Profit (loss) for the period	-	-	-	99,794	99,794	(1,588)	98,206
Total recognised income and expense for the period	-	-	242	99,794	100,036	(1,221)	98,815
Arising on acquisition of subsidiaries	-	-	-	-	-	18,336	18,336
At 31 December 2006 and 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 year	-	-	(220)	(10,097)	(10,317)	(322)	(10,639)
At 30 June 2007	1,430	371,174	175	(84,108)	288,671	16,793	305,464

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2007*

	Notes	Six months ended	
		30.6.2007 HK\$'000 (unaudited)	30.6.2006 HK\$'000 (unaudited)
Net cash used in operating activities		<b>(17,516)</b>	(5,536)
Net cash from (used in) investing activities			
Disposals of subsidiaries	6	<b>416,892</b>	–
Other investing cash flows		<b>1,526</b>	(1,418)
Deposit paid for acquisition of subsidiaries		–	(29,055)
		<b>418,418</b>	(30,473)
Net cash (used in) from financing activities			
Repayment of bank loans		<b>(179,872)</b>	(19,647)
Other financing cash flows		<b>(271)</b>	451
Bank loans raised		–	56,000
		<b>(180,143)</b>	36,804
Net increase in cash and cash equivalents		<b>220,759</b>	795
Cash and cash equivalents at 1 January		<b>57,361</b>	24,192
Effect of foreign exchange rate changes		<b>(632)</b>	–
Cash and cash equivalents at 30 June, represented by bank balances and cash		<b>277,488</b>	24,987

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

## 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 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

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's revenue and contribution to loss before tax analysed by business segments are as follows:

**BUSINESS SEGMENTS**

*For the six months ended 30 June 2007*

	Fertilizers and chemicals HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Industrial property development HK\$'000	Consolidated 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 before tax					(10,769)
Income tax expense					–
Loss for the period					(10,769)

*For the six months ended 30 June 2006*

	Fertilizers and chemicals HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Revenue	1,287	4,937	–	6,224
Segment results	(526)	9,035	(24)	8,485
Unallocated other income				82
Unallocated corporate expenses				(4,776)
Finance costs				(4,344)
Loss before tax				(553)
Income tax expense				(819)
Loss for the period				(1,372)

#### 4. FINANCE COSTS

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	3,492	4,217
Others	150	127
	<hr/>	<hr/>
	<b>3,642</b>	<b>4,344</b>
	<hr/>	<hr/>

#### 5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the individual group entities have no assessable profit or the assessable profits are wholly absorbed by tax losses brought forward for both periods. The charge for prior period represented the recognition of deferred tax.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC is entitled to exemption from PRC enterprise income tax for the first two profitable years and will be entitled to a 50% relief from PRC enterprise income tax for the following three years. No provision for PRC income tax has been made as the subsidiary is exempt from PRC income tax during the period.



## 6. DISPOSALS OF SUBSIDIARIES

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 Bornwise Technology Limited and its subsidiaries, which are inactive, for a consideration of HK\$1,000.

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

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

The results of the disposed subsidiaries were as follows:

	<b>Period ended 20.3.2007 HK\$'000 (unaudited)</b>	Six months ended 30.6.2006 HK\$'000 (unaudited)
Revenue	2,654	4,937
Cost of sales – rental outgoings	(489)	(964)
	<b>2,165</b>	3,973
Bank interest income	28	82
Fair value change of investment properties	–	5,070
Administrative expenses	(207)	(176)
Finance costs	(3,433)	(4,189)
Loss for the period	<b>(1,447)</b>	(4,760)

#### 7. LOSS FOR THE PERIOD

The loss for the period has been arrived at after charging the total depreciation and amortisation of approximately HK\$1,032,000 (six months ended 30.6.2006: HK\$290,000) 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:

	<b>Six months ended 30.6.2007 HK\$'000 (unaudited)</b>	30.6.2006 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share	<b>(10,097)</b>	(1,372)
	<b>'000</b>	'000
<b>Number of shares</b>		
Number of shares	<b>285,989</b>	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 acquired property, plant and equipment amounted to approximately HK\$145,000.

**11. TRADE AND OTHER RECEIVABLES**

Included in the balance are trade receivables of HK\$63,000 (31.12.2006: HK\$424,000). 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:

	<b>30.6.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2006 HK\$'000 (audited)
0 - 60 days	49	343
61 - 90 days	–	81
Over 90 days	14	–
	<u>63</u>	<u>424</u>

**12. BANK LOANS**

During the period, the Group repaid bank borrowings of approximately HK\$179,872,000. At the balance sheet date, the loan carries interest at 6.732% per annum and is repayable within one year. The loan is used to finance its daily operation.

**13. DEFERRED TAXATION**

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

	<b>Property, plant and equipment</b> HK\$'000	<b>Investment properties</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2006	685	6,132	(108)	6,709
(Credit) charge to income for the period	<u>(4)</u>	<u>1,175</u>	<u>(352)</u>	<u>819</u>
At 30 June 2006 and 1 July 2006	681	7,307	(460)	7,528
Exchange difference	27	–	–	27
(Credit) charge to income for the period	<u>(4)</u>	<u>(7,307)</u>	<u>452</u>	<u>(6,859)</u>
At 31 December 2006 and 1 January 2007	704	–	(8)	696
Exchange difference	14	–	–	14
(Credit) charge to income for the period	<u>(8)</u>	<u>–</u>	<u>8</u>	<u>–</u>
At 30 June 2007	<u>710</u>	<u>–</u>	<u>–</u>	<u>710</u>

**14. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Nominal amount</b>
	'000	HK\$'000
Ordinary shares of HK\$0.005 each		
Issued and fully paid:		
At 30 June 2007 and 31 December 2006	<u>285,989</u>	<u>1,430</u>

**15. PLEDGED ASSETS**

- (a) At 30 June 2007, property, plant and equipment and land lease prepayment with an aggregate carrying amount of HK\$6,907,000 (31.12.2006: HK\$7,005,000) were pledged against a bank loan granted to the Group.
- (b) At 31 December 2006, all the Group's investment properties and the issued shares of a subsidiary of the Company were pledged and the rental income in respect of the investment properties under operating leases were assigned to a bank against the bank loans granted to the Group. The pledge has been released upon settlement of bank loans and disposal of the subsidiary during the period.

**16. CAPITAL COMMITMENTS**

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
	<u>8,940</u>	<u>8,553</u>

**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) Include in the amounts due to minority shareholders of subsidiaries is an amount of HK\$5,625,000 (31.12.2006: HK\$5,039,000) which is unsecured, interest bearing at 6% per annum and repayable on demand. The amount of interest paid during the period is approximately HK\$150,000 (six months ended 30.6.2006: HK\$127,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (c) At 30 June 2007, 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\$1,633,000 (31.12.2006: HK\$1,600,000) granted to a subsidiary.
- (d) The remuneration of directors and other members of key management during the period was HK\$4,864,000 (six months ended 30.6.2006: HK\$1,822,000).

**18. EVENT AFTER THE BALANCE SHEET DATE**

Subsequent to the balance sheet date, the Group has finalised the agreement to acquire the remaining 49% interest in Keycharm Investments Limited and its subsidiary (the "Keycharm Group") and the shareholders' loans of RMB58.8 million (the "Acquisition"). The consideration of the Acquisition is RMB63.3 million. Upon completion of the Acquisition, the Group holds 100% interest in the Keycharm Group. Details of the acquisition are set out in the Group's circular dated 11 September 2007.



# Deloitte.

## 德勤

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

大中華實業控股有限公司

*(Incorporated in Bermuda with limited liability)*

#### Introduction

We have 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 2007 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 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

21 September 2007

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2007, turnover of the Group amounted to HK\$5,260,000 (30 June 2006: HK\$6,224,000). Net loss for the period was HK\$10,097,000 (30 June 2006: HK\$1,372,000) and loss per share was HK3.53 cents (30 June 2006: HK0.48 cents).

Rental income from 1 Lyndhurst Tower amounted to HK\$2,654,000, representing approximately 50.5% of the Group's total revenue. 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 "Purchaser"). On March 2007, the Purchaser exercised the option to acquire a wholly-owned subsidiary of the Group, which holds the investment properties (the "Disposal"). The selling price represented a premium of over 30% of the valuation of the investment properties on June 2006. The Disposal was completed on March 2007.

On the other hand, during the reporting period, revenue from production and sale of fertilizers amounted to HK\$2,606,000, representing approximately 49.5% of the Group's total revenue. Due to keen competition, the operating results were not as good as what we expected, and the management is considering to concentrate on other future projects with good potential.

For the industrial property development business, the related depot facilities were still under construction and we had not commenced any operation during the reporting period.

### Financial Review

#### *Liquidity and Financial Resources*

As at 30 June 2007, the Group has current ratio of approximately 4.30 compared to that of 1.89 as at 31 December 2006 and the gearing ratio was 0.23 compared to that of 0.83 as at 31 December 2006. The calculation of gearing ratio was based on the total borrowings of HK\$67,667,000 (31 December 2006: HK\$246,946,000) and the net assets of HK\$288,671,000 (31 December 2006: HK\$298,988,000) as at 30 June 2007. During the period, upon the Disposal, all the bank loans raised in Hong Kong have been fully repaid and the Group is now having adequate cash resources on hand.

There were no significant capital commitments as at 30 June 2007 which would require a substantial use of the Group's present cash resources or external funding.

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





#### *Charged on Assets*

As at 30 June 2007, property, plant and equipment of HK\$6,907,000 (31 December 2006: HK\$7,005,000) 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 2007.

#### *Employees and Remuneration Policies*

As at 30 June 2007, 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

On 27 July 2007, the Group entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with two minority shareholders (the "Sellers") of Keycharm Investments Limited ("Keycharm"), a 51% owned subsidiary of the Group, pursuant to which the Group agreed to acquire from the Seller the remaining 49% interest in Keycharm and the loans of RMB58,800,000 due to the Sellers from Keycharm, at an aggregate consideration of RMB63,300,000, RMB53,300,000 of which shall be paid in cash and the balance of RMB10,000,000 to be satisfied by the issue and allotment of the new shares of the Company (the "Acquisition"). Given the growth potential of the import and export trading in the People's Republic of China (the "PRC") and the future earning potential upon the 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.

On the other hand, the Board has entered into a non-legally binding memorandum of understanding dated 4 June 2007 with an independent third party (the "Vendor") in relation to a possible acquisition of a commercial property in Wuhan, the PRC for investment purpose (the "Possible Acquisition"). However, since the Board was unable to agree with the Vendor the terms of the Possible Acquisition, the Possible Acquisition was terminated and the deposit paid was refunded and received.

The Board will continue to look for investments with reasonable return by investing on quality property projects in Hong Kong or the PRC, and the Board continues to commit to achieve this objective and is optimistic of its success.

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2007, the interests of the Directors and Chief Executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

## Interests in the Company

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

*Note:* Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, none of the Directors and Chief Executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## SHARE OPTIONS

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

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



## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2007, the following persons had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Note	No. of shares held	Percentage to issued share capital
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.
2. China Main Investment (H.K.) Company Limited is owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Company Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Company Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Company Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming.
3. On 14 April, 2003, Shenzhen Venture Capital (BVI) Company Limited ("Shenzhen Venture Capital") reported that it has a security interest in 32,000,000 shares. Shenzhen Venture Capital is owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 30 June 2007.

## 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 and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the following deviations:

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

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

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

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

## 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 2007 have been reviewed by our auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company. The audit committee of the Company currently comprises three Independent Non-Executive Directors, including Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence.



## REMUNERATION COMMITTEE

The Board has established a remuneration committee. The remuneration committee, currently comprising Executive Directors, Ms. Ma Xiaoling and Mr. Chan Sze Hon, and Independent Non-Executive Directors, Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence, is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all Executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all of our dedicated staff for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

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

Hong Kong, 21 September 2007