

Chairman's Statement



On behalf of the Board of Directors of Greater China Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present to the shareholders the 2006 annual report.

REVIEW OF OPERATIONS

Same as last year, we have concentrated our effort on increasing the return from our investment properties, and looking at any potential business opportunities either in Hong Kong or in the People's Republic of China (the "PRC").

The year 2006 has continuously been a commendable year for Hong Kong's property market. In particular, rental income has been mostly exhibiting a gradual uptrend. The Group's investment properties, 1 Lyndhurst Tower, have also benefited from the growth and enjoyed a growth of over 38% in their aggregate valuation, while over 80% of the total gross floor areas was leased out. At the same time, some tenancy agreements of the Group's investment properties were renewed with a double digit rise in the corresponding rental income.

On the other hand, the performance of the Group's investment in the production and sale of organic fertilizers remained worse. 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.

On 27 February 2006, the Group entered into a sale and purchase agreement with the independent third parties pursuant to which the Group agreed to acquire from one of the independent third parties (the "seller") 51% of the issued share capital of Keycharm Investments Limited ("Keycharm"), a company incorporated in the British Virgin Islands and the sole asset of which is a sino-foreign equity joint-venture incorporated in the PRC, the scope of business of which includes construction of port infrastructure and development of petrochemical industry projects (subject to granting of relevant operating permits) (the "Investment"), and a loan of RMB61,200,000 due from the Seller to the Keycharm at an aggregate cash consideration of RMB61,200,001. We are of the opinion that the Investment provides an opportunity for the Group to broaden its business scope and diversify into industrial property development with focus on port infrastructure. The transaction was completed during September 2006 and Keycharm became one of the members of the Group.

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PROSPECTS

As promised, we will continue to explore business opportunities that are valuable to the Group and to our shareholders concerned.

This year is 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 "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% 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all of our dedicate 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.

Ma Xiaoling

Chairman

Hong Kong, 20 April 2007