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GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

CONNECTED TRANSACTIONS

On 1 August 1997, the Company through its wholly owned subsidiary, Pakka entered into the Joint Venture Agreement with Mr Chiang for the establishment of Poppins which would in turn form a cooperative joint venture with two PRC parties to invest in a property project in Shanghai known as Merry Tower. Under the Joint Venture Agreement, Mr Chiang granted a first right of refusal to Pakka pursuant to which Mr Chiang undertook to sell his interest in Poppins to Pakka at a fair price before offering to sell the same in whole or in part to any third party. On 5 September 2001 Pakka also agreed to the grant of the Poppins Option by Poppins to Mr Chiang to convert the balance of the Participation Loan (together with interest) totalling HK$6,915,010.27 into new shares in Poppins.

On 1 May 2003, Mr Chiang exercised the Poppins Options. As a result of this, Mr Chiang's interest in Poppins increased from 4.82% to 14.41% of the share capital in Poppins as enlarged by the issue of the conversion shares. And Pakka's interest in Poppins was diluted from 95.18% to 85.59% after the exercise of the Poppins Option by Mr Chiang.

On 5 May 2003, Mr Chiang offered to sell his entire 14.41% interest in Poppins to Pakka pursuant to the first right of refusal under the Joint Venture Agreement. Pakka accepted the offer on 29 May 2003 and the Share Acquisition was completed on the same day.

Mr Chiang was a connected person of the Company by virtue of the fact that he was a director and a substantial shareholder of Poppins (after exercise of the Poppins Option), a subsidiary of the Company, at the time of the Transactions.

The Transactions constituted connected transactions of the Company under the Listing Rules. Since the grant of the Poppins Option was not subject to any de minimis exemption and the consideration for the Share Acquisition represented more than 3% of the consolidated net tangible assets of the Company as at 31 December 2002, the Transactions should have been conditional on the approval by Independent Shareholders in general meeting under Rule 14.26 of the Listing Rules. Due to inadvertent oversight, the Directors were unaware that the Transactions constituted connected transactions under the Listing Rules, and therefore did not disclose the Transactions by way of press announcement and make them conditional on the approval by the Shareholders before they were entered into. The possible Listing Rules implications for the Transactions were brought to the attention of the Directors by the Company's auditors during their review of the Company's interim financial results in 2003. The Company then immediately sought advice from its legal advisers and reported the Transactions to the Stock Exchange. The Company has admitted its breaches of the Listing Rules and the Stock Exchange reserves the right to take action against the Company and the Directors in this regard.

Fulcrest Limited, the controlling shareholder of the Company holding approximately 53% of the total issued capital of the Company at present and at the material time of the Transactions and not being interested in the Transactions, has indicated that it would have voted for the Transactions, had there been shareholders' meetings to approve the Transactions. The Company will appoint an independent financial adviser to opine on the terms of the Transactions.

A circular containing, among other things, details of the Transactions, a letter containing the opinion of the independent board committee to the Independent Shareholders, a letter of opinion from the independent financial adviser to the independent board committee and a valuation report by an independent qualified valuer will be dispatched to the Shareholders within 21 days from the publication of this announcement.

1. BACKGROUND

On 1 August 1997, the Company through its wholly owned subsidiary, Pakka entered into the Joint Venture Agreement with Mr Chiang for the establishment of Poppins which would in turn form a cooperative joint venture ("**PRC Joint Venture**") with two PRC parties ("**PRC Parties**") to invest in a property project in Shanghai known as Merry Tower. The PRC Parties and their beneficial owners were not connected persons of the Company under the Listing Rules. Merry Tower and the adjoining Merry Hotel are situated in the Jingan District in Shanghai, the PRC. Underneath Merry Tower and Merry Hotel are a shopping mall (Level 1-5) and basements (Level 1-3) for car parking spaces. The PRC Parties held a 100% interest in the Merry Tower apartments (Level 6-28) and the basements and certain portions of the shopping mall. Merry Tower was under development when Poppins entered into the CJV Agreement (as defined below). Initially, Pakka and Mr Chiang agreed to subscribe respectively 30,000 and 20,000 shares in Poppins at US$1 per share.

Mr Chiang introduced the Merry Tower investment to the Group. In consideration of this, the Group and Mr Chiang entered into the Joint Venture Agreement which provided, amongst others, that

(i) Pakka would pay the US$20,000 (approximately HK$156,000) subscription monies for the shares in Poppins for Mr Chiang;

(ii) when the capital contribution by Pakka to the PRC Joint Venture ("**Capital Undertaking**") was not more than Rmb81,000,000 (approximately HK$76,458,000), Mr Chiang was not required to provide any shareholders' loan to Poppins;

(iii) when the Capital Undertaking exceeded Rmb81,000,000 (approximately HK$76,458,000) but was not more than Rmb135,000,000 (approximately HK$127,431,000), Mr Chiang was required to provide shareholder's loan to Poppins in an amount equal to the excess over Rmb81,000,000 (approximately HK$76,458,000) at a monthly interest rate of 1.5%;

(iv) when the Capital Undertaking exceeded Rmb135,000,000 (approximately HK$127,431,000), Pakka and Mr Chiang would provide shareholders' loans to Poppins in proportion to their respective shareholdings in Poppins; and

(v) Mr Chiang granted a first right of refusal to Pakka pursuant to which Mr Chiang undertook to sell his interest in Poppins to Pakka at a fair price before offering to sell the same in whole or in part to any third party.

Pursuant to the cooperative joint venture agreement dated 22 June 1997 between Poppins and the PRC Parties ("**CJV Agreement**"), the PRC Parties agreed to inject their entire interests in Merry Tower which were under construction into the PRC Joint Venture as capital contribution, and Poppins agreed to provide fundings for the development of Merry Tower. In accordance with the CJV Agreement, Poppins made certain payments to the PRC Parties and purchased equipment on its behalf for the development of Merry Tower. As of end of October 1998 Poppins had injected approximately HK$65,000,000 into the project.

However, the PRC Parties had not fulfilled their obligations under the CJV Agreement. And the PRC Joint Venture was never established. Poppins then instituted arbitration proceedings against the PRC Parties in 1998 at the China International Economic and Trade Arbitration Commission ("**CIETAC**") which ruled in favour of Poppins. Poppins was awarded HK$65,000,000 and interest thereon for the payments made to and on behalf of the PRC Parties. Subsequently, pursuant to a foreclosure order of the Shanghai People's High Court, part of the PRC Parties' interests in Merry Tower were put on auction. With the consent of the court, in October 2000 Poppins acquired, through a PRC wholly owned subsidiary, the following interests in Merry Tower at the auction and used the arbitration award by CIETAC to satisfy the auction monies:-

Basement	:	Level 1-3 - Whole floor
Shopping mall	:	Level 1 - Western portion
	:	Level 2 - Whole floor
	:	Level 3 - Western portion
Apartment	:	Level 6-15 - Whole floor

Up to October 1998, Pakka and Mr Chiang had provided shareholders loans to Poppins amounting to HK$62,982,698 and HK$3,044,000 respectively. In view of the aforesaid developments concerning the investment in Merry Tower and the amount of contributions in Poppins, Pakka and Mr Chiang entered into the First Supplemental Agreement on 10 November 2000 and agreed to adjust their proportion interests in Poppins from 60% and 40% to 95.18% and 4.82% based on the sum of their respective capital contributions and shareholders loans provided to Poppins as of October 1998. The shareholders loans that had been provided by Pakka and Mr Chiang were subsequently capitalized into the reserves of Poppins on 31 March 2003.

In addition to the foregoing contributions, Mr Chiang agreed to provide the Participation Loan upon Pakka's request (subject to a cap of HK$12,000,000) to meet Poppins' working capital requirements. Pursuant to the First Supplemental Agreement, the Participation Loan bore interest at a rate of 10% per annum and entitled Mr Chiang to share 40% of the operating profit of Poppins subject to the rate of return of the sum of the interest receivable and the share of the operating profit of Poppins under the Participation Loan not exceeding 18% per annum. Since Poppins had been loss-making, Mr Chiang had never received any share of profit from Poppins pursuant to the terms of the Participation Loan. As at 4 September 2001 the amount of the Participation Loan and interest thereon amounted to HK$6,408,500 and HK$506,510.27 respectively, totalling HK$6,915,010.27.

2. THE GRANT AND EXERCISE OF THE POPPINS OPTION

Pakka and Mr Chiang entered into the Second Supplemental Agreement on 5 September 2001 pursuant to which the Poppins Option was granted to Mr Chiang.

Details of the Poppins Option

Date of grant	:	5 September 2001
Grantor	:	Poppins
Grantee	:	Mr Chiang
Rights under the Poppins Option	:	to convert in full at any time during the exercise period (as set out below) the balance of the Participation Loan as at 4 September 2001 (together with interest thereon) which amounted to HK$6,915,010.27 into shares in Poppins at an exercise price of HK$1,234.13 per share which was based on the sum of the net asset value of Poppins as at 5 September 2001 and the shareholders' loans by Pakka and Mr Chiang to be capitalized which added up to HK$61,706,324.19
Exercise period	:	any time during the three years from the date of grant (i.e. from 5 September 2001 to 4 September 2004)
Consideration for the grant	:	Mr Chiang agreeing to waive the interest of 10% per annum on the Participation Loan with effect from 5 September 2001, being the date of grant of the Poppins Option
Other terms	:	the right of Mr Chiang to share 40% of Poppins' operating profit under the Participation Loan will lapse immediately upon exercise of the Poppins Option

Mr Chiang exercised the Poppins Option on 1 May 2003 and 5,603 new shares in Poppins were allotted and issued to Mr Chiang. Following the issue, Mr Chiang was interested in 8,013 shares in Poppins, representing 14.41% of the total issued share capital of Poppins as enlarged by the issue of the conversion shares under the Poppins Option.

3. THE SHARE ACQUISITION

Date of the Share Acquisition	:	29 May 2003
Buyer	:	Pakka
Vendor	:	Mr Chiang
Assets acquired	:	8,013 shares in Poppins, being the entire interest of Mr Chiang in Poppins and representing approximately 14.41% of Poppins' total issued share capital

Consideration : Rmb17,900,000 (approximately HK$16,896,000) payable by instalments as follows:

	RMB
6 June 2003	6,000,000
30 June 2003	5,000,000
31 July 2003	1,000,000
31 August 2003	1,000,000
30 September 2003	1,000,000
31 October 2003	1,000,000
30 November 2003	1,000,000
31 December 2003	1,900,000
	17,900,000

The first seven instalments have already been paid to Mr Chiang up to the date of this announcement.

Pursuant to the first right of refusal granted by Mr Chiang to Pakka under the Joint Venture Agreement, Mr Chiang undertook to offer to sell his interest in Poppins to Pakka at a fair price before offering to sell the same to any third party. Pursuant to the Joint Venture Agreement, the fair price was equal to the proportional share of the adjusted net assets value of Poppins in respect of the shares to be disposed of as of the last accounting date or a date to be agreed by the parties after revaluation of the Poppins' interest in the Merry Tower project by a professional valuer.

On 5 May 2003, Mr Chiang served notice to Pakka offering to sell the Sale Shares to Pakka pursuant to the said first right of refusal. After arm's length negotiation and pursuant to the Joint Venture Agreement, the consideration for Mr Chiang's entire interest in Poppins was determined at Rmb17,900,000 (approximately HK$16,896,000) (representing approximately HK$2,109 per share) and was equal to 14.41% of the adjusted net asset value of Poppins of HK$117,255,923 (representing approximately HK$2,109 per share) and a breakdown of which is set out as follows:

	HK$
Unaudited asset value of Poppins as at 30 April 2003	68,486,880
Revaluation surplus on property as at 21 May 2003	64,474,763
Less: tax effect	(15,705,720)
Adjusted net asset value of Poppins	117,255,923
14.41% thereon, approximately	16,896,000

Since interests in Merry Tower are held by the Group for resale, they are stated in the books of the Group at the lower of cost and net realizable value in accordance with the Group's accounting policies. Accordingly, the revaluation surplus has not been recorded in the books of Poppins. However, when Pakka acquired the remaining 14.41% interest in Poppins from Mr Chiang, a goodwill arose upon consolidation, and an equivalent amount was treated and taken up in the Group's accounts as an increase in the cost of properties held for resale.

Pakka accepted the offer by Mr Chiang on 29 May 2003 and the Share Acquisition was completed on the same day. Upon completion of the Share Acquisition, Poppins became an indirect wholly owned subsidiary of the Company.

4. GENERAL

Principal Business of the Group

The Group is principally engaged in the general trading, property investments and provision of real estate and agency services.

Information on Poppins

Poppins was established in August 1997 to engage in property investments in the PRC. Its principal assets are interests in the apartment, retail and car parking portions of Merry Tower. For each of the two years ended 31 December 2001 and 2002, the unaudited losses after taxation of Poppins were HK$526,707 and HK$227,030 respectively. As at 31 December 2001 and 31 December 2002, the unaudited negative net asset value of Poppins before capitalization of the shareholders loans from Pakka (HK$62,982,698) and Mr Chiang (HK$3,044,000) were HK$3,045,671 and HK$3,272,701 respectively.

Reasons for the Transactions

Mr Chiang provided the Participation Loan to Poppins to finance its working capital requirements. The Participation Loan bore interest at a rate of 10% per annum before the grant of the Poppins Option. The terms of the Participation Loan were determined after arm's length negotiation. At the time of granting the Poppins Option on 5 September 2001, the Directors considered the Company might benefit from the grant in the following ways:

(1) Poppins would enjoy immediate interest savings as a result of Mr Chiang's agreeing to waive the interest on the Participation Loan with effect from the date of grant of the Poppins Option; and

(2) the Participation Loan would be capitalized and hence the capital base of Poppins would be enlarged if Mr Chiang opted to exercise the Poppins Option.

The exercise price for the Poppins Option was determined after arm's length negotiation between the parties by reference to the net asset value of Poppins and the shareholders' loans by Pakka and Mr. Chiang to be capitalized as at the date of grant of the Poppins Option. The Directors subsequently considered the granting of the Poppins Option and were of the view that the transaction was in the interest of the Company and the Shareholders as a whole and the terms for the Poppins Option were fair and reasonable.

Investments in PRC properties have been one of the Group's core businesses. At the time of considering the offer of the Sale Shares by Mr Chiang, the Group considered the property market in Shanghai promising in view of the sustained growth in property prices in the city. The Group also noted that the shopping mall in Merry Tower and Merry Hotel were pending for renovation in order to upgrade the facilities and standards compatible to an international 4-star hotel standard. The Group was of the view that such renovation and upgrade would enhance the market value of Merry Tower as a whole. In addition, Poppins entered into negotiations with potential tenants comprising mainly substantial tenants, which could ensure steady rental income. The consideration for the Share Acquisition was based on the adjusted net asset value of Poppins after taking into account the revaluation surplus of Poppins' properties and tax effects. The revaluation surplus was arrived at by reference to the valuation report dated 21 May 2002 by FPD Savills, an independent firm of professional valuers. In view of the foregoing, the Group therefore considered that the Share Acquisition presented a good investment opportunity to the Group.

The consideration for the Share Acquisition was determined after arm's length negotiation between the parties and was based on the adjusted net assets value of Poppins. The Directors considered that the terms for the Share Acquisition were fair and reasonable and the Share Acquisition was in the interest of the Company and the Shareholders as a whole.

Connected Person

Mr Chiang had been a director of Poppins until he disposed of his entire 14.41% interest in Poppins. And Mr Chiang also became a substantial shareholder of Poppins after he exercised the Poppins Option on 1 May 2003.

Listing Rules

The Transactions constituted connected transactions of the Company under the Listing Rules. Since the grant of the Poppins Option is not subject to any de minimis exemption and the consideration for the Share Acquisition represented more than 3% of the consolidated net tangible assets of the Company as at 31 December 2002, the Transactions should have been conditional on the approval by the Independent Shareholders in general meetings under Rule 14.26 of the Listing Rules. Due to inadvertent oversight, the Directors were unaware that the Transactions constituted connected transactions under the Listing Rules, and therefore did not disclose the Transactions by way of press announcement and make them conditional on the approval by the Independent Shareholders before they were entered into. The possible Listing Rules implications for the Transactions were brought to the attention of the Directors by the Company's auditors during their review of the Company's interim financial results in 2003. The Company then immediately sought advice from its legal advisers and reported the Transactions to the Stock Exchange. In order to prevent recurrence of similar mistakes in the future, the Board intends to take the following remedial actions: (i) circulating a memorandum to the staff of the Group to remind them of the obligations of the Listing Rules and to advise them to contact the company secretary in case of doubts; (ii) tightening the reporting procedure within the Group so that similar transactions will receive the attention of the Board; and (iii) providing training to the Group's staff to enhance their awareness of the Listing Rules. The secretary of the Company will be primarily responsible for overseeing the implementation of the above measures and compliance with the Listing Rules. And the Board will assume the overall responsibility for compliance with the Listing Rules. Copies of the memorandum and the training materials referred to in (i) and (iii) above will be provided to the Directors for information and to remind them of their obligations under the Listing Rules. The Company has admitted its breaches of the Listing Rules and the Stock Exchange reserves the right to take action against the Company and the Directors in this regard.

Fulcrest Limited, the controlling shareholder of the Company holding approximately 53% of the total issued capital of the Company at present and at the material time of the Transactions and not being interested in the Transactions, has indicated that it would have voted for the Transactions, had there been a shareholders' meeting to approve the Transactions. The Company will appoint an independent financial adviser to opine on the terms of the Transactions.

A circular containing, among other things, details of the Transactions, a letter containing the opinion of the independent board committee to the Independent Shareholders, a letter of opinion from the independent financial adviser to the independent board committee and a valuation report by an independent qualified valuer will be dispatched to the Shareholders within 21 days from the publication of this announcement.

5. DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

"Board"	the board of Directors
"Company"	Great China Holdings Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"First Supplemental Agreement"	the supplemental agreement dated 10 November 2000 between Pakka and Mr Chiang supplementing the Joint Venture Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Independent Shareholders"	Shareholders who are not interested in the Transactions
"Joint Venture Agreement"	the joint venture agreement entered into between Pakka and Mr Chiang dated 1 August 1997 for the establishment of Poppins which was supplemented by two supplemental agreements dated 10 November 2000 and 5 September 2001 respectively
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr Chiang"	Mr Chiang Sung Ning, a director of Poppins and a substantial shareholder of Poppins prior to the completion of the Share Acquisition
"Pakka"	Pakka Properties Limited, a company incorporated in the British Virgin Islands, a wholly owned subsidiary of the Company
"Participation Loan"	the shareholder's loan agreed to be extended to Poppins by Mr Chiang pursuant to the First Supplemental Agreement

"Poppins"	Poppins Properties Limited, a company incorporated in the British Virgin Islands which became an indirect wholly owned subsidiary of the Company on 29 May 2003 following completion of the Share Acquisition
"Poppins Option"	an option right to convert the balance of the Participation Loan and interest thereon as at 4 September 2001 into new shares in Poppins granted to Mr Chiang under the Joint Venture Agreement
"PRC"	the People's Republic of China
"Rmb"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 8,013 shares in Poppins, being the entire interest of Mr Chiang's in Poppins sold to Pakka on 29 May 2003
"Second Supplemental Agreement"	the supplemental agreement dated 5 September 2001 between Pakka and Mr Chiang supplementing the Joint Venture Agreement and the First Supplemental Agreement
"Share Acquisition"	the acquisition of the Sale Shares from Mr Chiang pursuant to the first right of refusal granted to Pakka under the Joint Venture Agreement
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars
"Transactions"	the grant of the Poppins Option by Poppins to Mr Chiang and the Share Acquisition

By Order of the Board of
Great China Holdings Limited
John Ho Ming Tak
Managing Director

In this announcement, the exchange rates of HK$1 = RMB1.0594 and HK$7.8 = US$1 have been used, where applicable, for purposes of illustration only and does not constitute any representation that any amounts have been, could have been or may be exchanged.

Hong Kong, 10 December 2003

Please also refer to the published version of this announcement in The Standard.