

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Great China Holdings Limited, you should immediately hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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**Great China Holdings Limited**  
**大中華集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

Stock code: 0141

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF 5% INTEREST IN A SUBSIDIARY**

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7 September 2006

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## DEFINITIONS

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

“the Agreement”	the agreement for the sale and purchase of the Sale Shares between Tai Loy as purchaser and the Vendor as seller dated 15 August 2006.
“associate”	has the same meaning ascribed to it under the Listing Rules.
“the Board”	the board of Directors.
“the Company”	Great China Holdings Limited, a company incorporated in Hong Kong whose shares are listed on the Exchange (stock code: 0141).
“Completion”	completion of the Agreement.
“Consideration”	US\$2,860,000 (approximately HK\$22,250,800).
“the Directors”	the directors of the Company.
“the Exchange”	the Stock Exchange of Hong Kong Limited or, as the context may require, the main board for the listing of securities operated by it.
“the Group”	the Company and its subsidiaries.
“GCC”	Great China Commodities Limited, a company incorporated in the British Virgin Islands and currently a 95% owned subsidiary of Tai Loy.
“GCLM”	GC Luckmate Trading Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of GCC.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China.
“Latest Practicable Date”	4 September 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein.
“the Listing Rules”	the Rules Governing the Listing of Securities on the Exchange.
“the Sale Shares”	the 500 ordinary shares of US\$1.00 each in the capital of GCC, representing 5% of the entire issued and paid-up share capital of GCC.
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of any issued ordinary share of the Company.
“Tai Loy”	Tai Loy Trading Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.
“the Vendor”	Mr CHIANG Shung Ning.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong.
“US\$”	US dollars, the lawful currency of The United States of America.
“%”	per cent.



**Great China Holdings Limited**  
**大中華集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

Stock code: 0141

**Directors**

*Executive Directors*

Mr Rustom Ming Yu HO (*Chairman*)

Mr John Ming Tak HO (*Managing Director*)

Mr Kwok Wai POON

*Registered Office*

6th Floor

9 Des Voeux Road West

Hong Kong

*Independent Non-executive Directors*

Mr Lawrence Kam Kee YU *BBS, MBE, JP*

Mr David Hon To YU

Mr Hsu Chou WU

7 September 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF 5% INTEREST IN A SUBSIDIARY**

On 17 August 2006, we announced that Tai Loy entered into the Agreement with the Vendor on 15 August 2006 whereby Tai Loy agreed to purchase and the Vendor agreed to sell the Sale Shares at a consideration of US\$2,860,000 (approximately HK\$22,250,800). The purpose of this circular is to provide you with information related to the Agreement.

The principal terms of the Agreement are set out below:

Date: 15 August 2006

Vendor: Mr CHIANG Shung Ning

Purchaser: Tai Loy

Subject matter: Tai Loy and the Vendor entered into a sale and purchase agreement whereby Tai Loy agreed to purchase and the Vendor agreed to sell the Sale Shares.

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## LETTER FROM THE BOARD

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Consideration: US\$2,860,000 (approximately HK\$22,250,800) which was determined after arm's length negotiation between the parties and has been paid by Tai Loy to the Vendor on 22 August 2006 in cash and in US dollars, by remittance to a bank account designated by the Vendor.

### INFORMATION ON THE GROUP

The principal business activities of the Group are property investment and general trading. Tai Loy is a wholly owned subsidiary of the Company and is engaged in investment holding.

### INFORMATION ON GCC

GCC was incorporated in the British Virgin Islands on 22 November 1994. As at the date of the Agreement, GCC was owned 95% by Tai Loy and 5% by the Vendor. GCC is engaged in investment holding and currently holds 100% of the issued share capital of GCLM. GCLM is engaged in the trading of animal feeds, especially fishmeal. No audited financial statements have been prepared for GCC because GCC has no material asset except for its 100% interest in GCLM. The financial highlights of GCLM are set out below for reference purpose:

	For the year ended 31 December or at 31 December			
	2004		2005	
	audited US\$'000	HK\$'000	audited US\$'000	HK\$'000
Turnover	132,595	1,031,589	152,234	1,184,381
Profit before taxation and extraordinary items	2,582	20,088	3,218	25,036
Profit after taxation and extraordinary items	2,582	20,088	3,218	25,036
Net liabilities	14,442	112,359	11,224	87,323

### INFORMATION ON THE VENDOR

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

### REASONS FOR THE AGREEMENT

The Directors decided to enter into the Agreement after considering that the fishmeal business carried out by GCLM had demonstrated improving operating results, and is expected to continue to make positive contribution to the Group. As shown on the audited financial statements of GCLM for the years 2004 and 2005, the turnover for the year 2005 increased by about 14.81% to US\$152 million (approximately HK\$1,183 million). The profit after taxation and extraordinary items for the year 2005 increased by 24.6% to US\$3.2 million (approximately HK\$24.9 million). The net liabilities as at 31 December 2005 reduced by 22.3% to US\$11.2 million (approximately HK\$87.1 million).

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## LETTER FROM THE BOARD

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The Consideration was determined having regard to the operating results of GCLM for the past two years and its future potential. The Directors believe that the terms of the Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

### COMPLETION

The transaction has been completed on 22 August 2006, and the Vendor has delivered to Tai Loy all the necessary documents in respect of the Sale Shares.

### FINANCIAL IMPACT

The immediate effects of the transaction on the Group's assets and liabilities are (1) a reduction in the bank balance of US\$2,860,000 (approximately HK\$22,250,800), (2) subject to agreement by the Group's auditors, a recognized intangible asset of goodwill of US\$2,859,500 (approximately HK\$22,246,910) and (3) a reduction in retained earnings of US\$500 (approximately HK\$3,890). There is no immediate effect of the transaction on the Group's earnings. The Group's share of the profit or loss of GCLM has been increased from 95% to 100% after the completion date, ie 22 August 2006.

### OTHERS

The Directors would like to draw your attention to the additional information set out in the Appendix.

For and on behalf of the Board  
**John Ming Tak HO**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the Directors held the following numbers of ordinary shares of the Company:

Director	Family Interests	Corporate Interests	Total	% of Issued Share Capital
Mr Rustom Ming Yu HO	0	138,347,288*	138,347,288	52.87
Mr John Ming Tak HO	600,000	138,347,288*	138,947,288	53.10

\* *By virtue of the SFO, both Mr Rustom Ming Yu HO and Mr John Ming Tak HO are deemed to have interests in the 138,347,288 shares held by Fulcrest Limited, a company incorporated in Hong Kong and the ultimate holding company of which is controlled by Mr Rustom Ming Yu HO and Mr John Ming Tak HO. Interests in the same shares are also shown under the section headed "Interests of Substantial Shareholders" below.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any personal, family, corporate or other interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) was required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (b) was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) was required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Exchange.

The Directors have confirmed that they are not interested in any business that competes or is likely to compete, either directly or indirectly, with the fishmeal business now operated by GCLM.



**(b) Interests of Substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than the Directors) held the following numbers of ordinary shares of the Company:

Substantial Shareholder	Direct Interests	Deemed Interests	Total	% of Issued Share Capital
Fulcrest Limited	138,347,288	0	138,347,288	52.87
Asian Pacific Investment Corporation	0	138,347,288	138,347,288	52.87
Kwong Fong Holdings Limited	710,000	138,347,288	139,057,288	53.14
Kwong Fong Industries Corporation	8,680,000	139,057,288	147,737,288	56.46
COFCO (Hong Kong) Limited	45,058,000	0	45,058,000	17.22

*Note:* The share capital of Fulcrest Limited is owned 51% by Asian Pacific Investment Corporation and 49% by Kwong Fong Holdings Limited. Kwong Fong Holdings Limited is a wholly owned subsidiary of Kwong Fong Industries Corporation.

Both Mr Rustom Ming Yu HO and Mr John Ming Tak HO are directors of Fulcrest Limited, Asian Pacific Investment Corporation, Kwong Fong Holdings Limited and Kwong Fong Industries Corporation.

Save as disclosed above, the Directors are not aware of any person (other than the Directors) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**3. SERVICE CONTRACT**

As at the Latest Practicable Date, there is no existing or proposed service contract of any Director which is not expiring or which may not be terminated by the Group within a year without payment of any compensation (other than statutory compensation).

**4. LITIGATION**

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**5. SECRETARY AND QUALIFIED ACCOUNTANT**

The secretary and qualified accountant of the Company is Mr Ka Yi TSE, who is a member of the Hong Kong Institute of Certified Public Accountants.