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GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 141)

ANNOUNCEMENT ON SIGNIFICANT LITIGATION

This announcement is made by Great China Holdings Limited (the “Company”) on a voluntary basis.

On 29 March 2011, Shanghai Zenith Trading Company Limited* (上海澤尼貿易有限公司) (“Shanghai Zenith”), a wholly-owned subsidiary of the Company, received a letter of acceptance from the Shanghai No. 2 Intermediate People’s Court (the “Court”) relating to the legal action that it initiated against Guangzhou Jinhe Feed Company Limited (廣州進和飼料有限公司) (“Guangzhou Jinhe”, together with Mr. Wong Hiuman (黃曉民) (“Mr. Wong Hiuman”) and Mr. Wang Xianning (黃獻寧) (“Mr. Wang Xianning”), the “Defendants”) (as first defendant), Mr. Wong Hiuman (as second defendant) and Mr. Wang Xianning (as third defendant). The background and details of the legal action are set out as follows:

BACKGROUND

On 24 August 2010, Shanghai Zenith, Guangzhou Jinhe and Mr. Wong Hiuman entered into two sets of import agency agreements (the “Import Agency Agreements”) whereby Shanghai Zenith shall act as Guangzhou Jinhe’s import agent in respect of certain fishmeal products with specific qualifications. It was agreed among the parties to each of the Import Agency Agreements that (i) Shanghai Zenith shall enter into import agreement with the supplier in its own capacity and (ii) Guangzhou Jinhe shall first pay 10% of the total purchase price to Shanghai Zenith as deposit within two working days from the date of the Import Agency Agreements and settle the balance as well as custom duty, import agency fee and other fees and expenses payable within 85 days from the date on which the bank confirms received full set of documents with Shanghai Zenith. In the event that Guangzhou Jinhe fails to make the payment within the aforesaid time frame, Shanghai Zenith shall have a lien over the products and may dispose of the products in place of payment of all outstanding purchase price and disbursements by Guangzhou Jinhe.

On 17 September 2010, Shanghai Zenith and Mr. Wang Xianning entered into a pledge agreement (the “Pledge Agreement”) pursuant to which Mr. Wang Xianning pledged all his rights and interests in a property investment project to secure the payment obligations of Guangzhou Jinhe under the Import Agency Agreements.

In accordance with the terms of the Import Agency Agreements, Shanghai Zenith imported the fishmeal products and made all necessary payments to the suppliers between September and December 2010. However, Guangzhou Jinhe failed to make any payment to Shanghai Zenith within the time frame and in accordance with the terms of the Import Agency Agreements. As such, Shanghai Zenith disposed of part of the imported fishmeal products and confiscated the rest of the products, which however did not enable Shanghai Zenith to recover all outstanding amounts under the Import Agency Agreements. The outstanding amounts payable by Guangzhou Jinhe under the Import Agency Agreements amounted to RMB35,324,645.97 as of 29 March 2011, which is equivalent to the amount claimed by Shanghai Zenith under the legal action (as detailed in items (1) to (4) under the paragraph headed “Claims of the Legal Action” below).

CLAIMS OF THE LEGAL ACTION

- (1) That Guangzhou Jinhe shall pay the losses incurred by Shanghai Zenith as a result of Guangzhou Jinhe’s failure to make the payments in accordance with the Import Agency Agreements which amounted to RMB24,752,474.12 as of 15 January 2011;
- (2) That Guangzhou Jinhe shall pay the import agency fee of RMB1,274,048.62;
- (3) That Guangzhou Jinhe shall pay all custom duty, insurance, sales, tax and other expenses amounting to RMB8,471,859.32;
- (4) That Guangzhou Jinhe shall pay the overdue penalty accumulated from the date on which the payment under the Import Agency Agreements became due until the effective date of judgment of the legal action which amounted to RMB826,263.91 as of 15 January 2011;
- (5) That Mr. Wong Hiumin shall assume joint and several liability on payment of items (1) to (3) above;
- (6) That Mr. Wang Xianning shall bear his security obligations under the Pledge Agreement on payment of items (1) to (3) above; and
- (7) That the Defendants shall bear all costs of the legal action.

APPLICATION FOR PROPERTY PRESERVATION

On 31 March 2011, Shanghai Zenith received the Civil Judgment ((2011)滬二中民四(商)初字第35號), which states that, as applied by Shanghai Zenith, the Court made an order of freezing the bank deposits of Guangzhou Jinhe, Wong Hiumin and Wang Xianning amounting to RMB35,324,645.97 (equivalent to the amount claimed by Shanghai Zenith under the legal action) or sealing up and distraining their assets of such equivalent amount. The Group provided cash and property of the same amount as guarantee for the application.

POSSIBLE IMPACT OF THE LEGAL ACTION ON THE PROFITS OF THE COMPANY

As measures have been taken to preserve the assets of the Defendants and the Court has made an order to distrain the Defendants' assets in the value of RMB35,324,645.97, possibility of recovering the amount due under the Import Agency Agreements has been secured on a best efforts basis. Since the Court has not passed any verdict on the legal action, it is impossible for the Company to ascertain the possible effects of the legal action on the profits of the Company.

The Company will make further announcement on the legal action as and when appropriate.

By Order of the Board
Great China Holdings Limited
Mr. John Ming Tak HO
Managing Director

**For identification purpose only*

Hong Kong, 4 April 2011

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Rustom Ming Yu HO, Mr. John Ming Tak HO, Mr. Patrick Kwok Wai POON and Mr. Maung Tun MYINT; one non-executive director, namely, Ms. Daphne Yu Gia HO; and three independent non-executive directors, namely, Mr. Lawrence Kam Kee YU BBS, MBE, JP, Mr. David Hon To YU and Mr. Hsu Chou WU.