
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



DISCLOSEABLE TRANSACTION

22 September 2005

* For identification purposes only

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	Greater China Holdings Limited, a company incorporated in Bermuda, the shares of which are currently listed on and dealt in the Stock Exchange
“Deposit”	the deposit of RMB12,000,000 (in Hong Kong dollars equivalent of HK\$11,589,600 based on the exchange rate of HK\$96.58 : RMB100) paid by the Purchaser to the Sellers upon signing of the MOU
“Directors”	directors of the Company
“Formal Agreement”	the sale and purchase agreement to be entered into between the Purchaser and the Sellers in relation to the Proposed Investment
“Group”	the Company and its subsidiaries
“JV Company”	太倉中化國際興業石化開發建設有限公司 (Taicang Sinochem International Xingye Petrochemical Development Company Limited), a sino-foreign joint venture company incorporated in the PRC
“Keycharm”	Keycharm Investments Limited, a company incorporated in the British Virgin Islands and owned by as to 60% by Mr. Lin Jie and as to 40% by Mr. Wang Yuhui
“Keycharm Group”	Keycharm and its subsidiaries
“Latest Practicable Date”	20 September 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the legally binding memorandum of understanding dated 30 August 2005 entered into between the Purchaser and the Sellers in relation to the Proposed Investment
“PRC”	the People’s Republic of China

DEFINITIONS

“Proposed Investment”	the proposed acquisition in part or in full of the issued share capital of Keycharm pursuant to the MOU and/or the Formal Agreement
“Purchaser”	Profit Capital Limited, a company incorporated in British Virgin Islands with limited liability and wholly owned by the Company
“Sellers”	Mr. Lin Jie and Mr. Wang Yuhui
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.005 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“RMB”	Renminbi
“%”	per cent.

For the purpose of this circular, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1.04 : HK\$1.00 unless otherwise stated.

LETTER FROM THE BOARD



Executive Directors:

Ms. Ma Xiaoling (*Chairman*)

Mr. Chan Sze Hon

Independent Non-Executive Directors:

Mr. Ching Men Ky Carl

Mr. Lin Ruei-min

Mr. Shu Wa Tung Laurence

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal place
of business:*

Room 1301

1 Lyndhurst Tower

1 Lyndhurst Terrace

Central

Hong Kong

22 September 2005

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 31 August 2005, The Board announced that on 30 August 2005, the Purchaser, a wholly-owned subsidiary of the Company, has entered into a legally binding MOU with the Sellers, pursuant to which the Purchaser intends to acquire in part or in whole of the issued share capital of Keycharm from the Sellers. Pursuant to the MOU, the Purchaser has paid the Deposit to the Sellers in proportion to their shareholdings in Keycharm upon signing of the MOU.

The placing of the Deposit with the Sellers constitutes an advance to an entity under Rule 13.13 of the Listing Rules and a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to give you further information on the MOU and the placing of the Deposit.

* For identification purposes only

LETTER FROM THE BOARD

THE MEMORANDUM OF UNDERSTANDING DATED 30 AUGUST 2005

Parties

Purchaser: Profit Capital Limited, a company incorporated in British Virgin Islands with limited liability and wholly owned by the Company

Sellers: Mr. Lin Jie and Mr. Wang Yuhui, both of them are businessmen

To the best knowledge of the Directors, the Sellers are third parties not connected with the Company and the connected persons (as defined in the Listing Rules) of the Company and are not connected persons of the Company.

The Proposed Investment

Pursuant to the MOU, the Purchaser intends to acquire in part or in whole of the issued share capital of Keycharm from the Sellers. Keycharm is owned as to 60% by Mr. Lin Jie and as to 40% by Mr. Wang Yuhui. The sole asset of Keycharm is its approximately 85.71% equity interest in the JV Company. The JV Company is a sino-foreign equity joint venture incorporated in the PRC on 12 August 2004. The operating period of the JV Company is 50 years commencing on 12 August 2004. The registered capital and the total investment amount of the JV Company are RMB140 million (approximately HK\$134.6 million) and RMB240 million (approximately HK\$230.8 million) respectively. Pursuant to the business license of the JV Company dated 19 August 2005, the scope of business of the JV Company includes construction of port infrastructure and development of petrochemical industry projects (subject to granting of relevant operating permits). It is the intention of the Directors that the JV Company will be engaged in industrial property development with focus on port infrastructure.

The final consideration for the Proposed Investment will be arrived at after arm's length negotiation and will be finalised upon the completion of the due diligence exercise on the Keycharm Group and the entering into of the Formal Agreement. Pursuant to the MOU, the Purchaser has paid RMB12,000,000 (in Hong Kong dollars equivalent of HK\$11,589,600 based on the exchange rate of HK\$96.58: RMB100) as deposit to the Sellers in proportion to their shareholdings in Keycharm upon signing of the MOU. If the Purchaser and the Sellers could enter into the Formal Agreement, the Deposit will be applied as part of the consideration. The funding of the Deposit was financed by the internal resources of the Company.

Upon completion and satisfaction of the due diligence review on the assets, business, operation, accounting, taxation, legal and financial aspects of the Keycharm Group by the Purchaser, the parties shall proceed to prepare the Formal Agreement which shall be signed within three months from the signing of the MOU. Upon entering into the Formal Agreement, the Company will comply with the Listing Rules, if required.

The Sellers also granted an exclusive right to the Purchaser for a period of three months from the date of the MOU for the purpose of the negotiation of the terms of the Proposed Investment.

LETTER FROM THE BOARD

In the event that the Purchaser and the Sellers cannot enter into the Formal Agreement within three months from the date of the MOU or such other date as may be agreed between the parties, the MOU shall, subject to the liability of either party to the other in respect of any antecedent breach of the terms thereof, lapse and of no further effect and the Sellers shall return the Deposit without interest within two business days upon the receipt of the written notice from the Purchaser. The Sellers as the chargors also entered into a share charge over all the issued shares of Keycharm in favour of the Purchaser as chargee as security for the performance by the Sellers of their obligations under the MOU.

REASONS FOR THE PROPOSED INVESTMENT

The principal activities of the Group are property investment, investment holding and production and sale of organic fertilizers.

The Directors are of the opinion that the Proposed Investment is in line with the corporate strategy of the Group which includes property investment and development in the PRC and Hong Kong and provides an opportunity for the Company to broaden its business scope and diversify into industrial property development with focus on port infrastructure.

The Deposit was placed for the purpose of securing the exclusive right to conduct due diligence review on the affairs of the Keycharm Group and to negotiate the terms of the Proposed Investment.

Based on preliminary information provided by the Sellers to the Company, the initial registered capital of the JV Company of RMB100 million (approximately HK\$96.2 million) has been contributed by its shareholders and only a minimal amount of pre-operating expenses has been incurred. Based further on the business license and approval documents of the JV Company, Keycharm is the registered shareholder of the JV Company holding approximately 85.71% of the equity interest of the JV Company. Accordingly, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the MOU and to place the Deposit which is secured by the share charge over the issued shares of Keycharm. The Purchaser is still in the progress of the due diligence exercise on the Keycharm Group.

It is expected that the payment of the Deposit will not have any adverse effect on the earnings, assets and liabilities of the Group.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors in the Company

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which 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 interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Nature of Interest	Number of Shares	Percentage of shareholding
Ms. Ma Xiaoling	Corporate interests (Note)	120,212,256	50.43%

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 the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders in the Company

So far as is know to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has 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 recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is expected, directly or indirectly, to be interested in 5 percent. Or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows::

Name of Shareholder	Capacity	Number of Shares	Percentage of shareholding
Keenlead Holdings Limited (<i>Note 1</i>)	Beneficial Owner	120,212,256	50.43%
China Main Investment (H.K.) Company Limited	Beneficial Owner	32,000,000	13.42%
Hai Xia Finance Limited (<i>Note 2</i>)	Beneficial Owner	12,200,000	5.12%

Notes:

1. 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 the Latest Practicable Date.
2. Hai Xia Finance Limited is a wholly owned subsidiary of Iwai's Investments Limited ("IIL") which in turn is a wholly owned subsidiary of China Gas Holdings Limited ("China Gas") and both IIL and China Gas were therefore deemed to have interest in the Shares.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, 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 any other member of the Group or had any options in respect of such capital.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, there was no person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company.

Service contracts

There is no existing or proposed service contract between any of the Directors and the Company or any of its members (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Interests in other competing business

Each of the Directors has confirmed that he/she and their respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. GENERAL

- (a) The secretary and qualified accountant of the Company is Mr. Chan Sze Hon, *FCCA, CPA (Practising)*.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business in Hong Kong is situated at Room 1301, 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Central, Hong Kong.
- (c) The Hong Kong share registrar of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.