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VERY SUBSTANTIAL DISPOSAL TRANSACTION DISPOSAL OF PROPERTY

Financial adviser to the Company



博大資本國際有限公司

Partners Capital International Limited

The Board announces that on 15 December 2006, the Company, the Grantor (being the beneficially owner of the Vendor and a wholly-owned subsidiary of the Company) and the Vendor (being an indirect wholly-owned subsidiary of the Company) entered into the Provisional Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Property for a consideration of HK\$440,000,000.

Based on the book value at valuation of the Property as at 30 June 2006 of HK\$323,670,000, the Directors estimate that a gain of around HK\$100 million (subject to audit and after associated costs and other expenses) will arise on the Disposal.

As the applicable percentage ratio for the Disposal under the Listing Rules is more than 75%, the Disposal constitutes a very substantial disposal transaction for the Company under Rule 14.08 of the Listing Rules and must be made conditional on approval by the Shareholders. No Shareholder is required to abstain from voting in the SGM for approving the Disposal. A circular containing, inter alia, details of the Disposal together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 18 December 2006 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 December 2006.

THE PROVISIONAL AGREEMENT DATED 15 DECEMBER 2006

Parties

Vendor: China Faith Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

Grantor: Sharp Star Investment Corporation, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company

Company: Greater China Holdings Limited, a company incorporated in Bermuda, the shares of which are currently listed on and dealt in the Stock Exchange

Purchaser: GC Acquisitions III Limited, a company incorporated in BVI with limited liability, which is principally engaged in property and investment holding

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be disposed

Store Room on Ground floor, Shops 4 and 5 on Ground Floor, Commercial Premises on 1st, 2nd and 3rd Floors, Offices 1, 2, 3 and 4 on 4th to 7th Floors, Offices 1 and 4 on 8th Floor, Offices 1, 2, 3 and 4 on 9th to 18th Floors, Offices 1, 2, 3 and 4 on 20th to 22nd Floors, Flat Roof on 1st Floor and Flat Roofs 1, 2 and 3 on 3rd Floor, No. 1 Lyndhurst Terrace and No. 78 Wellington Street, Central, Hong Kong.

The Property is to be sold on "as is" basis and subject to the existing tenancies as of 30 November 2006. After the date of signing of the Provisional Agreement, the Vendor shall not enter into any agreements which will impact the Property or the Purchaser after the Completion Date or create any new tenancies or licences or encumbrances over or against the Property or any parts thereof or otherwise vary the terms of the tenancies unless with the prior written consent of the Purchaser, which consent can be given or withheld at its sole discretion. It is a condition of the Provisional Agreement that the Vendor shall deliver vacant possession of those parts of the Property which are not subject to the existing tenancies as of 30 November 2006 upon completion of the Property.

The Formal Agreement and the Option Notice

The Formal Agreement shall be signed by the Purchaser and the Vendor within 45 days from the signing of the Provisional Agreement. Pending the signing of the Formal Agreement or the parties to the Provisional Agreement failing to enter into the Formal Agreement, the parties to the Provisional Agreement agree that the Provisional Agreement shall continue to be binding and have full legal effects.

Pursuant to the Provisional Agreement, the Grantor agreed to grant an option (the "Option") to the Purchaser or its nominee to purchase the entire issued share capital (together with the shareholders' loan(s), if any) of the Vendor (collectively, the "Relevant Shares") at the Consideration with the same payment terms as those for sale of the Property. It is expected that the outstanding bank loans will be settled by the Group on the Completion Date. The Option shall be exercisable only once by the Purchaser by delivery to the Grantor of a written notice to such effect ("Option Notice") at any time during the period within twenty one (21) days after the date of the Provisional Agreement. Upon serving on the Grantor the Option Notice, the parties shall enter into the agreement for sale and purchase of the Relevant Shares ("Share Agreement") within fourteen (14) days from the date of service of the Option Notice. In such event, the Vendor's obligation to sell the Property to the Purchaser shall cease and any part(s) of the Consideration paid by the Purchaser to the Vendor up to the date of service of the Option Notice shall be transferred from the Vendor to the Company or its nominee under the Share Agreement. The Company shall act as the guarantor of the Grantor to guarantee the performance of the covenants, undertakings and obligations under the Share Agreement.

Consideration

The Consideration of HK\$440,000,000 was arrived at after arm's length negotiations between the Purchaser and the Vendor. The Directors considered the Consideration is fair and reasonable with reference to the current property market condition and after taking into account that the Consideration represents (i) a premium of approximately 30.53% over the market value of the Property of HK\$337,100,000 as at 30 November 2006 as appraised by LCH (Asia-Pacific) Surveyors Limited, an independent qualified property surveyor appointed by the Company and (ii) a premium of approximately 36.62% over the sum of (a) the net asset value of the Vendor of approximately HK\$59,792,000 as at 30 June 2006, (b) the amount due from the Vendor to the group companies of approximately HK\$96,208,000 as at 30 June 2006 and (c) bank loans of approximately HK\$166,065,000 as at 30 June 2006 totalling to approximately HK\$322,065,000.

The Consideration of HK\$440,000,000 shall be paid by the Purchaser in the following manner:–

- (a) HK\$22,000,000 as the initial deposit equivalent to 5% of the Consideration to the Vendor upon signing of the Provisional Agreement;
- (b) HK\$44,000,000 as further deposit equivalent to 10% of the Consideration to the Vendor upon the signing of the Formal Agreement which shall be signed by both parties within 45 days from the signing of the Provisional Agreement; and
- (c) HK\$374,000,000 being the balance of the Consideration equivalent to 85% of the Consideration to the Vendor on the Completion Date.

Condition and Completion

Completion of the sale and purchase of the Property or the Relevant Shares (if applicable) shall be conditional upon the passing at the SGM of a resolution approving the transactions contemplated herein in accordance with the terms and conditions under the Provisional Agreement pursuant to the Listing Rules.

Subject to the Extended Completion Date as defined below, completion of the sale and purchase of the Property shall take place on the Completion Date. In the event that the transaction cannot be completed by the Completion Date because of a non-fulfilment of the above condition precedent, the Purchaser (or its nominee) shall be entitled (but not obliged) to extend the Completion Date by three (3) more months to on or before 31 July 2007 (the "Extended Completion Date") by serving a written notice on the Vendor on or before the original Completion Date.

In the event that the condition precedent shall not have been fulfilled on or before 15 April 2007 or the Extended Completion Date on 31 July 2007 other than due to any breach of the Provisional Agreement by or due to the fault of the Vendor and/or the Company and/or the Grantor, the Vendor shall refund all deposits paid hereunder to the Purchaser forthwith together with interest at the best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited from time to time calculated from the date of receipt of the deposits (as the case may be) to the date of refund. Subject to receipt of the said monies by the Purchaser, the Provisional Agreement and/or the Formal Agreement and/or the Share Agreement shall be absolutely determined and of no further effect. For the avoidance of doubt, the Purchaser hereby acknowledges that the Purchaser shall not be entitled to seek reimbursement from the Vendor for the costs or expenses in conducting the due diligence as provided herein or otherwise.

Pursuant to a deed of undertaking from the Controlling Shareholder and Ms. Ma Xiaoling (being the Chairman of the Company and the beneficial owner of the Controlling Shareholder), Ms. Ma Xiaoling has unconditionally and irrevocably undertake to procure the Controlling Shareholder, and the Controlling Shareholder, to exercise all of its voting rights in its capacity as a Shareholder to vote in favour of the resolution of Shareholders approving the transactions contemplated in the Provisional Agreement in accordance with the terms and conditions under the Provisional Agreement and pursuant to the Listing Rules.

Information of the Vendor and the Property

The Vendor is a company incorporated in Hong Kong on 21 August 2000 and became a wholly owned subsidiary of the Grantor in 2002. The sole asset of the Vendor is its interests in the Property. The Vendor is a subsidiary of the Company and its accounts is consolidated into that of the Company. In the event that the Grantor and the Purchaser enter into the Share Agreement, upon completion of the Disposal, the Vendor will cease to be a subsidiary of the Group. The audited net profit of the Vendor after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2005 were approximately (i) HK\$55.4 million and (ii) HK\$49.3 million respectively. The audited net profit of the Vendor after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2004 were approximately (i) HK\$15.1 million and (ii) HK\$15.1 million respectively. The audited net asset value of the Vendor was approximately HK\$55,850,000 as at 31 December 2005 and the unaudited net asset value of the Vendor was approximately HK\$59,792,000 as at 30 June 2006.

The Property was acquired by the Group in 2002. The audited net profit attributable to the Property after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2005 were approximately (i) HK\$55.4 million and (ii) HK\$49.3 million respectively. The audited net profit attributable to the Property after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2004 were approximately (i) HK\$15.1 million and (ii) HK\$15.1 million respectively. The Property was recorded in the Company's accounts as investment property as at 31 December 2005. The audited book value of the Property was HK\$318,600,000 as at 31 December 2005 and the unaudited book value of the Property was HK\$323,670,000 as at 30 June 2006.

REASONS FOR THE DISPOSAL

The Group is principally engaged in property investment, investment holding, production and sale of organic fertilizers and industrial property development with focus on depot infrastructure.

Based on the book value at valuation of the Property as at 30 June 2006 of HK\$323,670,000, the Directors estimate that a gain of around HK\$100 million (subject to audit and after associated costs and other expenses) will arise on the Disposal. Taking into account the substantial gain on the Disposal and having considered the rental yield, the high level of interest rate and the current property market condition in Hong Kong, the Directors considers that the Disposal represents a good opportunity for the Company to realise the investment in the Property at a substantial gain. As such, the Directors (including the independent non-executive Directors) consider that the Provisional Agreement is on normal commercial terms and the terms of the Provisional Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Based on the audited accounts of the Vendor for the year ended 31 December 2005, revenue and net profit before taxation attributable to the Property are approximately HK\$9,557,000 and HK\$55,382,000 respectively which in turn represent approximately 24.71% and 112.57% of the revenue and net profit before taxation of the Group for the same financial year. However, the profit

attributable to the Property primarily arose as a result of the gain in revaluation of the Property which amounts to approximately HK\$52,600,000. Although the Group continued to record a gain on revaluation of the Property amounting to approximately HK\$5,070,000 for the six months ended 30 June 2006, the Group could only recorded a loss after taxation of approximately HK\$1,372,000 as a result of the continuous increase in the interest rate. As the Property was unable to contribute profit before taking into account the gain on revaluation of the Property for the Group and given that the Consideration represents a premium of approximately 30.53% over the market value of the Property as at 30 November 2006, the Directors consider that the Disposal will not have any material adverse impact on the financial position of the Group.

The net proceeds of the Disposal, after repayment of the relevant bank loans and deduction of the relevant expenses, are estimated at approximately HK\$245 million which are intended to be used for future investments as detailed below and general working capital purpose.

On 20 September 2006, the Company has completed the acquisition of 51% equity interest of Keycharm Investments Limited. The sole asset of Keycharm Investments Limited is its approximately 85.71% equity interest in 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) which scope of business includes construction of port infrastructure, development of petrochemical industry projects and operation and development of transportation related logistic facilities (subject to granting of relevant operating permits). The depot infrastructure will be constructed in two phases and construction of phase one is expected to be completed in late 2007 and the business operation will commence thereafter. Upon completion of the Disposal, the Company will have adequate cash resources and the Directors may consider to increase the equity interest of the Company in this project. However, no negotiation has been initiated at this stage.

In addition, the Directors are assessing the feasibility of acquiring a residential property project in the PRC for investment purpose. The Company is currently in the process of collecting the relevant information regarding the project and no negotiation has been initiated at this stage.

Notwithstanding that the above investment opportunities may or may not materialise, the Directors consider that the Group is in a strong position to capture any valuable investment opportunity should it arises as the Group will have adequate cash resources on hand after completion of the Disposal.

GENERAL

As the applicable percentage ratio for the Disposal under the Listing Rules is more than 75%, the Disposal constitutes a very substantial disposal transaction for the Company under Rule 14.08 of the Listing Rules and must be made conditional on approval by the Shareholders. No Shareholder is required to abstain from voting in the SGM for approving the Disposal. A circular containing, inter alia, details of the Disposal together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 18 December 2006 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 December 2006.

Terms used in this announcement:

“BVI”	the British Virgin Islands
“Company”	Greater China Holdings Limited, a company incorporated in Bermuda, the shares of which are currently listed on and dealt in the Stock Exchange
“Completion Date”	within fourteen (14) calendar days upon receipt of written notice by the Purchaser of the fulfillment of the condition as mentioned in the section headed “Condition and Completion” in this announcement and in any event completion shall take place on or before 30 April 2007
“Consideration”	HK\$440,000,000 to be paid by the Purchaser to the Vendor pursuant to the terms of the Provisional Agreement
“Controlling Shareholder”	Keenlead Holdings Limited, a company incorporated in the BVI with limited liability and beneficially owned by Ms. Ma Xiaoling, the Chairman of the Company and the controlling Shareholder holding approximately 42.03% of the existing issued share capital of the Company
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser as stipulated by the Provisional Agreement
“Formal Agreement”	a formal agreement to be entered into between the Vendor and the Purchaser in relation to the Disposal
“Grantor”	Sharp Star Investment Corporation, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Property”	Store Room on Ground floor, Shops 4 and 5 on Ground Floor, Commercial Premises on 1st, 2nd and 3rd Floors, Offices 1, 2, 3 and 4 on 4th to 7th Floors, Offices 1 and 4 on 8th Floor, Offices 1, 2, 3 and 4 on 9th to 18th Floors, Offices 1, 2, 3 and 4 on 20th to 22nd Floors, Flat Roof on 1st Floor and Flat Roofs 1, 2 and 3 on 3rd Floor, No. 1 Lyndhurst Terrace and No. 78 Wellington Street, Central, Hong Kong

“Provisional Agreement”	the conditional sale and purchase agreement dated 15 December 2006 among the Company, the Vendor, the Grantor and the Purchaser
“Purchaser”	GC Acquisition III Limited, a company incorporated in BVI with limited liability
“SGM”	a special general meeting to be convened by the Company for the Shareholders to consider and approve the Provisional Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	China Faith Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Ma Xiaoling
Chairman

Hong Kong, 19 December 2006

As at the date of this announcement, the executive Directors are Ms. Ma Xiaoling and Mr. Chan Sze Hon, and the independent non-executive Directors are Mr. Ching Men Ky, Carl, Mr. Lin Rwei Min and Mr. Shu Wa Tung, Laurence.

** For identification purpose only*

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