
IMPORTANT

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If you have sold all your shares in Great China Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(incorporated in Hong Kong under the Companies Ordinance)

Directors

Executive Directors

Rustom Ho Ming Yu (*Chairman*)

John Ho Ming Tak (*Managing Director*)

Non-Executive Director

Chiu Chui Yi

Independent Non-Executive Directors

Lawrence Yu Kam Kee

David Yu Hon To

Registered Office

6/F

9 Des Voeux Road West

Hong Kong

15th April, 2004

To shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

In March 1991, the Securities & Futures Commission formally adopted the Hong Kong Code on Share Repurchases which provides that all share repurchases made by public companies in Hong Kong must be effected by way of a general offer unless, inter alia, they are on-market share repurchases made on the Stock Exchange in accordance with the Listing Rules. The new rules which were incorporated in the Listing Rules to regulate the purchase by companies with a primary listing on the Stock Exchange of their own securities on the Stock Exchange came into effect on 13th May, 1991. On 1st September, 1991, amendments to the Companies Ordinance (Laws of Hong Kong, Cap. 32, as amended) (the "Ordinance") allowing companies incorporated in Hong Kong and listed on the Stock Exchange to repurchase their

own shares in certain circumstances came into effect. Ordinary resolutions were passed on 5th May, 2003 granting to the Directors general mandates to allot, issue and otherwise deal with additional shares of HK\$0.20 each in the Company (the “Shares”) and to repurchase Shares from the date of the said resolutions up to the earlier of:

- (i) the conclusion of the next annual general meeting (“AGM”) of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company was required by the Ordinance to be held; and
- (iii) the revocation or variation of the authority given under such resolutions by an ordinary resolution of the shareholders of the Company in general meeting.

The general mandates granted by such resolutions shall expire upon the conclusion of the 2004 Annual General Meeting. The Directors therefore seek the approval of the relevant resolutions to be proposed at the 2004 Annual General Meeting in respect of renewing the respective general mandates to issue shares and to repurchase Shares in the terms contained in Ordinary Resolutions Nos. (4) and (5) set out in the AGM Notice. A separate ordinary resolution, as required by the Listing Rules, to add the aggregate amount of Shares which may be repurchased pursuant to the authority granted by the aforesaid Ordinary Resolution 5 to the general mandate to the Directors to allot new shares of up to 20 per cent. of the issued share capital of the Company will be proposed at the AGM as Ordinary Resolution 6 set out in the Notice of AGM.

THE SHARE REPURCHASE MANDATE

At the Annual General Meeting to be held on 19th May, 2004 (the “2004 Annual General Meeting”), an ordinary resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10% of the share capital in issue on the date of the resolution. As at 12th April, 2004, the latest practicable date prior to printing of this statement, there were in issue an aggregate of 261,684,910 shares of HK\$0.20 each in the Company.

On the assumption that there will be no change in the number of Shares from the latest practicable date to the date of the 2004 Annual General Meeting where the relevant resolution is proposed to be passed the Company will be allowed under the repurchase mandate to repurchase a maximum of 26,168,491 Shares.

Whilst the Directors do not presently intend to repurchase any Shares, they believe that the flexibility afforded by the mandate granted to them if the Ordinary Resolution No. 6 set out in the AGM Notice (the “Share Repurchase Mandate”) is passed would be beneficial to the Company and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when Shares are trading at a discount to their underlying value, the ability of the Company to repurchase Shares can be beneficial to those shareholders who retain their investment in the Company since this may, depending on the circumstances, result in increases to the fully diluted net assets and/or earnings per Share.

SOURCE OF FUNDS

The Directors propose that repurchase of Shares under the Share Repurchase Mandate in these circumstances would be financed from the Company’s internal resources or existing banking facilities.

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the laws of Hong Kong Special Administrative Region.

Whilst the Share Repurchase Mandate, if exercised in full, may have a material adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the Company's audited accounts for the year ended 31st December, 2003, the Directors expect to exercise such mandate if and to such extent only as they are satisfied that the exercise thereof will not have such a material adverse impact.

DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Share Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong Special Administrative Region.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell Shares to the Company under the Share Repurchase Mandate the event that the latter is granted by the shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company, in the event that the Share Repurchase Mandate is granted by the shareholders.

MARKET PRICES

The highest and lowest traded market prices for Shares recorded on the Stock Exchange during each of the previous twelve months before the printing of this document were as follow:

	Traded market price	
	Highest (HK\$)	Lowest (HK\$)
2003:		
April	—*	—*
May	0.230	0.225
June	0.620	0.220
July	0.350	0.250
August	0.450	0.325
September	0.530	0.370
October	0.480	0.250
November	0.500	0.480
December	0.420	0.380
2004:		
January	0.540	0.495
February	0.600	0.440
March	0.510	0.450

* *There were no transactions during the month*

HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, a shareholder, or a group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers. In the event that any exercise of the repurchase mandate would, to the knowledge of the Board, have such a consequence, the Board would not exercise the mandate to such an extent.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

RECOMMENDATION

The Directors believe that the Share Repurchase Mandate and the general mandate to issue shares are in the best interests of the Company and its shareholders. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per share of the Company and will only be made when the Directors believe that such a share repurchase will benefit the Company and its shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of the ordinary resolutions approving the Share Repurchase Mandate and the general mandate to issue shares as they intend to do themselves in respect of their own holdings.

By order of the Board
John Ho Ming Tak
Managing Director