

Directors' Report

The directors present their report and the audited financial statements for the period from July 1, 2000 to December 31, 2001.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on March 1, 2001, the name of the Company was changed from Pam & Frank International Holdings Limited to Greater China Sci-Tech Holdings Limited. On March 14, 2001, the Company adopted 大中華科技控股有限公司 as its Chinese name.

Pursuant to a special resolution passed at a special general meeting held on April 22, 2002, the name of the Company was changed from Greater China Sci-Tech Holdings Limited to Greater China Holdings Limited, subject to the approval by the Registrar of Companies in Bermuda, and its Chinese name was changed from 大中華科技控股有限公司 to 大中華實業控股有限公司.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a board resolution passed on June 30, 2001, the Company changed its financial year end date from June 30 to December 31 to be in line with the financial year end date of the then major shareholder of the Company. The financial statements presented therefore cover the eighteen months period from July 1, 2000 to December 31, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of the subsidiaries are set out in note 18 to the financial statements.

RESULTS

The results of the Group for the period from July 1, 2000 to December 31, 2001 are set out in the consolidated income statement on page 22.

SHARE CAPITAL

Details of the movements in share capital of the Company during the period are set out in note 30 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the period are set out in note 31 to the financial statements.

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PROPERTY, PLANT AND EQUIPMENT

During the period, through disposal of subsidiaries, the Group disposed of property, plant and equipment with an aggregate net book value of approximately HK\$107,810,000.

Details of these and other movements during the period in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

BORROWINGS

Borrowings of the Group are repayable on demand or within one year and are classified as current liabilities.

No interest was capitalised by the Group during the period.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases. The Group's five largest customers accounted for 42% of the Group's turnover and the largest customer accounted for 32% of the Group's turnover.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had any beneficial interests in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 60.

DIRECTORS

The directors of the Company during the period and up to the date of this report are:

Executive directors:

Mr. Xu Ying (Chairman)	(appointed on October 15, 2001)
Mr. Liu Ming Hui (Managing Director)	(resigned on September 18, 2001 as independent non-executive director and appointed as executive director on January 8, 2002)
Mr. Xu Yongxuan	(appointed on October 15, 2001)
Mr. Yang Ying Ming	(resigned on February 21, 2001)
Mr. Tan Lu Sheng, Lawrence	(appointed on July 7, 2000 and resigned on September 18, 2001)
Mr. Kuo Heng-fuu	(resigned on October 15, 2001)
Dr. Li Zhong Yuan	(resigned on October 15, 2001)
Mr. Wong Chong Kwong, Derek	(appointed as independent non-executive director on August 14, 2000 and executive director on November 13, 2000 and resigned on October 15, 2001)
Ms. Tsui Lai Ping	(resigned on November 8, 2001)
Mr. Yang Hung Yu, William	(resigned on November 16, 2001)
Ms. Zuo Xian Jue	(resigned on November 16, 2001)

Non-executive directors:

Mr. Xu Chaoping	(appointed on October 15, 2001)
Mr. Wu Bangjie	(appointed on January 28, 2002)

Independent non-executive directors:

Mr. Li Weibin	(appointed on October 15, 2001)
Ms. Liu Yu Jie	(appointed on October 15, 2001)
Mr. Li Weiqiang	(resigned on February 21, 2001)
Mr. Li Xiao Ru	(appointed on August 2, 2000 and resigned on October 26, 2001)
Mr. Chun Jay	(appointed on November 22, 2000 and resigned on October 26, 2001)
Mr. Zhou Yuan	(appointed on July 7, 2000 and resigned on November 8, 2001)

In accordance with clauses 99(A) and 99(B) of the Company's Bye-Laws, Mr. Xu Chaoping, Ms. Liu Yu Jie and Mr. Li Weibin will retire and, being eligible, offer themselves for re-election.

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Independent non-executive directors are not appointed for a specific term. All directors (including non-executive directors and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At December 31, 2001, none of the directors nor their associates had any interests in the issued share capital of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

SHARE OPTIONS

Pursuant to the share option scheme of the Company adopted on August 24, 1992 (the "Scheme") for the primary purpose of providing incentive to directors and eligible employees, and which will expire ten years after the date of adoption, the board of directors of the Company may grant options to any directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80 per cent. of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the higher. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10 per cent. of the issued share capital of the Company from time to time. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than one per cent. of the aggregate number of shares under the Scheme. No consideration is payable upon the acceptance of an option and the exercise and vesting period of an option is to be determined by the board of directors at the date of grant.

At December 31, 2001, the number of shares in respect of which options had been granted under the Scheme was 18,500,000, representing 0.4% of the shares of the Company in issue at that date. No charge is recognised in the consolidated income statement in respect of the value of options granted in the period.

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The following table discloses movements in the Company's share options during the period:

	Option type	At 7.1.2000	Granted	Exercised	Lapsed	At 12.31.2001
Directors						
Mr. Liu Ming Hui	A	3,000,000	–	(3,000,000)	–	–
	B	–	7,000,000	–	(7,000,000)	–
	C	–	7,000,000	–	(7,000,000)	–
Mr. Tan Lu Sheng, Lawrence	B	–	5,000,000	–	(5,000,000)	–
Mr. Kuo Heng-fuu	B	–	40,000,000	–	(40,000,000)	–
Dr. Li Zhong Yuan	B	–	45,000,000	–	(45,000,000)	–
	D	–	66,000,000	–	(66,000,000)	–
Mr. Wong Chong Kwong, Derek	B	–	45,000,000	–	(45,000,000)	–
	D	–	66,000,000	–	(66,000,000)	–
Ms. Tsui Lai Ping	A	1,500,000	–	(1,500,000)	–	–
Mr. Yang Hung Yu, William	A	9,000,000	–	(9,000,000)	–	–
Ms. Zuo Xian Jue	A	3,000,000	–	–	(3,000,000)	–
Mr. Chun Jay	B	–	1,000,000	–	(1,000,000)	–
Employees	A	19,500,000	–	(16,500,000)	(3,000,000)	–
	B	–	13,800,000	(5,300,000)	–	8,500,000
	C	–	10,000,000	–	–	10,000,000
		19,500,000	23,800,000	(21,800,000)	(3,000,000)	18,500,000

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Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period		Exercise period		Exercise price HK\$	Closing price immediately before the date of grant
		From	To	From	To		HK\$
A	January 25, 2000	January 25, 2000	July 24, 2000	July 25, 2000	July 24, 2002	0.10	0.30
B	January 9, 2001	January 9, 2001	July 8, 2001	July 9, 2001	August 23, 2002	0.16	0.19
C	July 31, 2001	July 31, 2001	January 31, 2002	February 1, 2002	August 23, 2002	0.13	0.16
D	August 28, 2001	August 28, 2001	February 27, 2002	February 28, 2002	August 23, 2002	0.10	0.11

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.38 and HK\$0.21 for options with an exercise price of HK\$0.10 and HK\$0.16 respectively.

The existing Scheme is replaced by a new scheme pursuant to an ordinary resolution passed at the special general meeting of shareholders held on April 22, 2002.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section "Share Options" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" below, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

CONNECTED TRANSACTIONS

During the period,

- (a) The Group paid interest of approximately HK\$5,924,000 to Pioneer Link Associates Limited ("Pioneer Link"), the holder of the convertible bond previously issued by the Company. Dr. Li Zhong Yuan ("Dr. Li") is a director of and has equity interest in Pioneer Link.
- (b) The Group obtained a short term loan of HK\$30,800,000 from an independent lender (the "Lender") and the loan was secured on the Company's entire 100% interest in a subsidiary, Tech-Finance Company Limited ("Tech Finance"). The Group was unable to repay the loan and the Lender exercised its right to acquire the entire interest in Tech Finance and then re-sold it to Better Reward Ventures Co. Ltd. ("Better Reward") for a consideration comprising cash of HK\$32,300,000 and 500 million shares of TechCap Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The cash consideration was used to settle the loan principal and interest due by the Group to the Lender. Subsequent to December 31, 2001, the 500 million shares of TechCap Holdings Limited were transferred to the Group by Pacific Annex Capital Limited ("Pacific Annex"). Dr. Li and Mr. Wong Chong Kwong, Derek are directors of and have beneficial interests in Better Reward and Pacific Annex. Dr. Li and Mr. Wong Chong Kwong, Derek resigned as directors of the Company during the period.
- (c) Mr. Yang Hung Yu, William, procured certain banking facilities to the Group. Such banking facilities were used under the bank accounts of Hoi Fat International Limited ("Hoi Fat"). The components of the banking facilities and the balance with Hoi Fat are detailed in note 28 to the financial statements. The borrowings in respect of the banking facilities and the balance with Hoi Fat were fully repaid during the period. Interest expenses of approximately HK\$7,396,000 was paid to Hoi Fat. Hoi Fat is owned as to 52% by Everbloom Investment Inc. ("Everbloom"), as to 38% by Eastland Overseas Corp. Ltd. ("Eastland") and as to 10% by Mr. Yang Hung Yu, William directly. Everbloom is a family trust company of Mr. Yang Hung Yu, William. Eastland is owned as to 60% by Ms. Zuo Xian Jue and as to 40% by Ms. Tsui Lai Ping. Mr. Yang Hung Yu, William, Ms. Zuo Xian Jue and Ms. Tsui Lai Ping resigned as directors of the Company during the period.

SUBSTANTIAL SHAREHOLDERS

At December 31, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of 10% or more in the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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CORPORATE GOVERNANCE

The Company has complied throughout the period from July 1, 2000 to December 31, 2001 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that (i) the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-laws; and (ii) the guidelines set out in paragraph 14 of the Code were not complied with until the formation of an Audit Committee on October 26, 2001.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

At December 31, 2001, the Group made an exchangeable loan to Genius Success Limited of HK\$25,000,000 and the details of which are disclosed in note 25(a) to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 44 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Liu Ming Hui
MANAGING DIRECTOR

Hong Kong, April 26, 2002