

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at a special general meeting held on 22 April 2002, the name of the Company was changed from Greater China Sci-Tech Holdings Limited to Greater China Holdings Limited, which was then approved by the Registrar of Companies in Bermuda in May 2002, and its Chinese trade name adopted by the Company 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.

### **PRINCIPAL ACTIVITIES**

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

### **RESULTS**

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 19.

### **SHARE CAPITAL, OPTIONS AND WARRANTS**

Details of movements in the share capital, options and warrants of the Company during the year are set out in note 27 to the financial statements.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

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

### **INVESTMENT PROPERTIES**

During the year, the Group acquired investment properties for an aggregate consideration of HK\$300,000,000 and revalued all of its investment properties at the year end date. This valuation did not give rise to any revaluation surplus or deficit.

Details of these movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

### **INTERESTS IN PROPERTIES**

Particulars of the Group's interests in properties are set out on page 68.

### 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 year.

### MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest suppliers accounted for 44% of the Group's purchases and the largest supplier accounted for 22% of the Group's purchases. The Group's five largest customers accounted for 74% of the Group's turnover and the largest customer accounted for 61% of the Group's turnover.

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

### DIRECTORS

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

#### *Executive directors:*

Mr. Xu Ying (*Chairman*)

Mr. Liu Ming Hui (*Managing Director*) (appointed on 8 January 2002)

Mr. Xu Yongxuan

#### *Non-executive directors:*

Mr. Zhang Shuang (appointed on 18 November 2002)

Ms. Liu Yu Jie (redesignated from independent non-executive director on 25 July 2002 and resigned on 2 September 2002)

Mr. Wu Bangjie (appointed on 28 January 2002 and resigned on 23 October 2002)

Mr. Xu Chaoping (resigned on 5 September 2002)

#### *Independent non-executive directors:*

Mr. Li Weibin

Mr. Wang Xianjun (appointed on 25 July 2002)

In accordance with clauses 99(A) and 99(B) of the Company's Bye-Laws, Messrs Zhang Shuang and Wang Xianjun will retire and, being eligible, offer themselves for re-election.

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 31 December 2002, 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

During the year, the Company's old share option scheme was replaced by a new scheme pursuant to an ordinary resolution passed at the special general meeting of shareholders held on 22 April 2002. Particulars of the Company's old and new share option schemes are set out in note 27 to the financial statements.

No share options were granted under the Company's new share option scheme during the year. The following table discloses movements in the Company's share options, which were granted under the old share option scheme, during the year ended 31 December 2002:

	Option type	At 1.1.2002	Granted	Exercised	Lapsed	At 31.12.2002
Directors		—	—	—	—	—
Employees	A	8,500,000	—	—	(8,500,000)	—
	B	10,000,000	—	—	(10,000,000)	—
		<u>18,500,000</u>	<u>—</u>	<u>—</u>	<u>(18,500,000)</u>	<u>—</u>

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period		Exercise period		Exercise price HK\$	Closing price
		From	To	From	To		immediately before the date of grant HK\$
A	9 January 2001	9 January 2001	8 July 2001	9 July 2001	23 August 2002	0.16	0.19
B	31 July 2001	31 July 2001	31 January 2002	1 February 2002	23 August 2002	0.13	0.16

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year 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

No 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 year or at any time during the year.

### CONNECTED TRANSACTIONS

During the period from 1 July 2000 to 31 December 2001, 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 on 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. During the year ended 31 December 2002, the 500 million shares of TechCap Holdings Limited were transferred to the Group by Pacific Annex Capital Limited ("Pacific Annex"). Dr. Li Zhong Yuan ("Dr. Li") and Mr. Wong Chong Kwong, Derek ("Mr. Wong") are directors of and have beneficial interests in Better Reward and Pacific Annex. Dr. Li and Mr. Wong resigned as directors of the Company during the period from 1 July 2000 to 31 December 2001.

## SUBSTANTIAL SHAREHOLDERS

According to the information available to the Company, set out below are the names of all parties which were, directly or indirectly, interested in 10 per cent. or more of the issued share capital of the Company and the respective relevant number of shares in which they were and/or were deemed to be interested at 31 December 2002, as recorded in the register maintained by the Company under section 16(1) of the SDI Ordinance:

Name	Number of shares
China Main Investment (H.K.) Company Limited	1,600,000,000

*Note:* China Main Investment (H.K.) Company Limited is owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Company Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Company Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Company Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming.

## 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.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2002 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 the non-executive directors and the independent 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.

## DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

At 31 December 2002, the Group had an exchangeable loan due from Genius Success Limited of HK\$25,000,000 and the details of which are disclosed in note 22(a) to the financial statements.

## DONATIONS

During the year, the Group made donations of HK\$250,000.

## POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 39 to the financial statements.

### AUDITORS

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

On behalf of the Board

**Xu Ying**

*Chairman*

Hong Kong, 25 April 2003