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**大中華實業控股有限公司**  
**GREATER CHINA HOLDINGS LIMITED\***

*(incorporated in Bermuda with limited liability)*

## **CLARIFICATION**

The Board wishes to clarify certain matters referred to in its First Announcement and Second Announcement regarding the Disposal of Tech Finance Shares by Branton to Better Reward.

The board of directors (the “Board” or the “Directors”) of Greater China Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) wishes to clarify certain matters referred to in its announcements dated 21 December 2001 (the “First Announcement”) and 2 January 2002 (the “Second Announcement”, together with First Announcement, the “Announcements”) regarding disposal (the “Disposal”) of shares in Tech-Finance Company Limited (“Tech Finance”) by Branton Investment Limited (“Branton”) to Better Reward Ventures Co., Ltd. (“Better Reward”).

### **Further Information on First Announcement**

As disclosed in the First Announcement, Bornwise Technology Limited (“Bornwise”), a wholly owned subsidiary of the Company, entered into a loan agreement (“Loan Agreement”) with Branton and other parties on 31 August 2001 pursuant to which Branton has agreed to provide a short-term secured loan facility (“Facility”) of up to HK\$35,000,000 to Bornwise for general working capital purposes, renewable on a bi-weekly basis at the option of Branton. The Group obtained the Facility from Branton in order to solve its short-term liquidity problem which was primarily caused by the Company’s inability to proceed with further financing plans due to the poor market conditions in the fall of 2001. However, at the material time, Tech-Finance had advanced three loan advances of a total of HK\$63 million to three independent third parties not connected with the directors, chief executive and substantial of the Company or any of its subsidiaries or an associate (as defined under the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Despite its short-term liquidity problem, the Group has nonetheless turned from an entity with net liabilities of approximately HK\$335 million as at 30 June 2000 into one with a positive net asset value of approximately HK\$66 million as at 31 December 2001.

On 5 September 2001, Branton, Bornwise, Jolly Gains Development Limited (“Jolly Gains”) and Smart Million Investment Limited (“Smart Million”) (both Jolly Gains and Smart Million were then wholly owned subsidiaries of Tech Finance) entered into a deed of charge (“Deed of Charge”) pursuant to the Loan Agreement for charging the following assets to Branton as security for the Facility:

- (i) the entire issued shares of HK\$0.01 each in Tech Finance (“Tech Finance Shares”), beneficially held by Bornwise. As at the date of the First Announcement, the unaudited net asset value of Tech Finance was approximately HK\$106.8 million; and

- (ii) all assets held currently or in the future from time to time by Smart Million and Jolly Gains, including 116 million shares in TechCap (“TechCap Shares”) and all bonds (“TechCap Bonds”) issued by TechCap Holdings Limited (“TechCap”) then.

### **Further Information on Second Announcement**

The Facility expired on 14 December 2001 and a total of HK\$32.3 million (“Loan”) was owed under the Facility. In the Second Announcement, the Company announced that the Loan was not repaid since the Group did not intend to utilise its only cash on hand of approximately HK\$ 5 million to settle a small part of the Loan. Although the Group held three loan advance of HK\$63 million and certain securities for investment purposes with market values of approximately HK\$7 million then, it was not easy or in the best interest of the Company and its shareholders as a whole to liquidate such securities or obtain a good price for such securities due to the then poor market conditions.

Prior to the Disposal, Smart Million and Jolly Gains were wholly owned subsidiaries of Tech Finance. To the best knowledge of the Directors, after the Disposal, Smart Million and Jolly Gains became wholly owned subsidiaries of Better Reward.

### **Clarification**

Though the current Directors were appointed on 15 October 2001, the director (s) of the subsidiaries (including Tech-Finance) of the Company at the material times was/were still composed of the former directors of the Company comprising mainly of Dr. Li Zhong Yuan and Mr. Derek Wong (“Former Directors”). The Former Directors were in control of the daily operations (including the authorized signatories of bank accounts) of the subsidiaries of the Company at the material times until about mid-January 2002 and were responsible for the negotiation, approval and execution of the Loan Agreement and the Deed of Charge. The Directors would like to confirm that as at the dates of the Announcements they had no information about the directorship and beneficial ownership of Pacific Annex Capital Limited (“Pacific Annex”) and Better Reward until on or about 19 April 2002 when the Directors were informed during a meeting with the Company’s auditors that the Former Directors were the directors and beneficial owners of Pacific Annex and Better Reward.

The total consideration under the Disposal was of about HK\$107 million (the “Consideration”) of which comprised a cash portion of HK\$32.3 million which was retained by Branton in full settlement of the Loan and a non-cash portion which were in the form of 500 million shares in TechCap, as being the residue of the Consideration after settlement of the Loan, were delivered and transferred by Pacific Annex to Bornwise. Besides Better Reward and Pacific Annex, TechCap is also a company controlled by Former Directors and shares of TechCap form part of the security of the Loan Agreement and part of the Consideration of the Disposal.

In the Announcements, the Company only referred to the Tech Finance Shares because they were the only charged assets specifically charged by Bornwise to Branton. The TechCap Shares and the TechCap Bonds were not mentioned because they were only subject to a floating charge which covered all of the investment assets (which they only form parts) held by Smart Million and Jolly Gains which were subject to changes from time to time.

## **Listing Rules Implications**

The Disposal was a connected transaction which should be subject to independent shareholders' approval. The current Directors would have had complied with the connected transactions requirement under the Listing Rules if they were aware of the connected nature of the Disposal at the relevant times of the Announcements. In view of the Former Directors in de-facto control of the Company and Better Reward being also controlled by the Former Directors, the Disposal would not be "beyond the control of the Group" as stated in the Announcements and would constitute a connected transaction. As the current Directors were unable to verify the relationship between Better Reward and the Former Directors at the times of issuing the Announcements, the Announcements were made pursuant to paragraph 2 of the Listing Agreement entered into between the Stock Exchange and the Company to keep the public informed of the Disposal. To the best knowledge of the current Directors at the times of the Announcements, the Disposal was effected through enforcement of the security by Branton under the Loan agreement and the Deed of Charge under a forced sale situation. Although the Group held three loan advance of HK\$63 million and certain securities for investment purposes with market values of approximately HK\$7 million then, it is not easy or in the interest of the Company and its shareholders as a whole to liquidate such securities or obtain a good price for such securities due to the then poor market conditions. The current management of the Company is expected to have and should have exercised due care and diligence in ascertaining of the affairs of the Company of the Announcements as well as passing the relevant resolutions in the Board of directors' meeting of the Company held on 27 December 2001 with regard to the Disposals. As there is a breach of connected transaction requirements under Rule 14 of the Listing Rules of Stock Exchange, the Stock Exchange reserves the right to take appropriate action.

By Order of the Board  
**Greater China Holdings Limited**  
**Xu Ying**  
*Chairman*

Hong Kong, 13 December 2002

*\* for identification purpose only*

*The Directors jointly and severally accept full responsibilities for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any of their statements in this announcement misleading.*

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