



GreaterChina
Technology Group Limited
大中華科技(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)

Interim Report for the period from
1 August, 2000 to 31 January, 2001

2000-2001

由二零零零年八月一日至
二零零一年一月三十一日
之中期業績報告



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This document, for which the directors of GreaterChina Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to GreaterChina Technology Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), we hereby present the interim unaudited results for GreaterChina Technology Group Limited ("GreaterChina") and its subsidiaries (together the "Group") for the period from 1 August, 2000 to 31 January, 2001 (the "Interim Period").

The mission of the Group is to become the provider of the largest interactive medium on the Internet with a balanced portfolio of high potential technology ventures that promote a premium quality lifestyle.

Whilst the Group's success is fundamentally dependent on its business strategies and management vision, it is also reliant on the situation of the market in which it operates. Today this has primarily been the Internet industry and all that entails. The Group has successfully launched and maintained market presence with two portal websites: www.greaterchinaherbs.com and www.ladiesasia.com as well as an e-commerce platform, www.senseshop.com. The Internet industry has suffered a downturn, and hence the Group has adjusted its strategy accordingly. Whilst still continuing with its popular Internet portals, the management team has focused on streamlining and consolidating its core businesses, paying particular attention to brand building, cost effectiveness and efficiency. In addition, the Group has looked further into the field of life sciences, yet still within the spirit of its mission statement, and has developed opportunities with significant potential.

FINANCIAL REVIEW

For the Interim Period, the Group's revenue was approximately HK\$14 million, of which approximately HK\$3 million was contributed by the Group's core business operations and approximately HK\$11 million from interest income. As a result of costs incurred in connection with the Group's ongoing efforts to increase and capitalize on market awareness of the Group's businesses and to introduce technological innovations on the Group's Internet portals, a net loss of approximately HK\$22 million was incurred by the Group during the period.

At present, the Group maintains a strong financial position, holding fixed bank deposits and cash balances of approximately HK\$333 million.

BUSINESS REVIEW

Flagship website – www.greaterchinaherbs.com

www.greaterchinaherbs.com, being one of the first-to-market websites to provide comprehensive health and medical content focused on Traditional Chinese Medicine (“TCM”), has continued to attract users and maintain its market position. The website has also been enhanced with new TCM information, most notably the Herbal Encyclopedia, which now covers some 1,000 herbs in Chinese and over 700 herbs in English. The widely popular online consultation and Weekly Hotspots have continuously been supported by high traffic and users’ stickiness and have registered members from around the world. This has positioned www.greaterchinaherbs.com to be one of the most comprehensive online TCM resources and has in turn given rise to the development of new ventures, both online and offline.

On 5 February, 2001, a strategic alliance was formed between The Institute of Chinese Medicine (“ICM”) of The Chinese University of Hong Kong (“CUHK”) and one of the Group’s subsidiaries, Greaterchinaherbs.com Limited, to develop a pilot project in on-line education on TCM via the Group’s website www.greaterchinaherbs.com. It is envisaged that this will lead to a full time on-line certificate programme in the future. www.greaterchinaherbs.com will, going forward, carry an accreditation from the CUHK, offering two modules known as “Chinese Pharmacy” and “Traditional Chinese Medicine Formulate” from the website. This online education programme is scheduled to begin in September 2001 and is expected to generate revenue for the Group in the form of tuition fees.

During the Interim Period, extensive marketing efforts were focused on brand building in the People’s Republic of China (“PRC”), including TCM seminars and forums, radio broadcasting, advertorials, integrated links and interstitial advertisements. As a result, www.greaterchinaherbs.com has attracted additional registered members from the PRC and moreover attracted a significant number of medical talents who in turn might provide more in depth TCM knowledge for the Group’s website. The Group’s brand building efforts have resulted in the Group being able to generate additional advertising revenue.

Second Website – www.ladiesasia.com

Since its launch in May 2000, www.ladiesasia.com has successfully built on its audience reach and online community features. The portal, with its unique and varied content on a wide array of subjects, e.g. social issues, women’s profile, health, lifestyle and romance, has continued to attract new users. The portal maintains a loyal following and continues to gain recognition in the market place. The Group intends to build on the “Ladiesasia” brand and has commenced a revamp project, updating the look and functionality of the portal, whilst continuing to turn out quality content on hot issues. The focus of the new “Ladiesasia” will primarily be on the ladies forum aspect, bringing together Asian business women from around the globe. The Group, being a technological innovator, will equip “Ladiesasia” with the latest technology and communication tools with a view to supporting interaction between members and establishing an online community.

Consolidation is also taking place with the Group's recently launched e-commerce platform, *www.sensesshop.com* which will become part of "Ladiesasia" in order to take advantage of the high volume traffic enjoyed by *www.ladiesasia.com* to boost revenue from the e-commerce platform.

During this period, both *www.ladiesasia.com* and *www.sensesshop.com* have gained market awareness in the PRC due to the Group's active marketing strategies. As users' loyalty and revisits are maintained and given the quality range of exclusive products available for online shopping on these websites, the Group is confident that they will generate a stable revenue stream in the future.

Information Technology Services

The Group continues to strengthen its information technology team to enable the Group to expand its ability to engage in advisory and development work in database architecture, network communications, web design and programming for small to medium enterprises. During the Interim Period, the Group was awarded three Information Technology contracts with a total contract sum of approximately HK\$1.47 million. The Group is of the view that it is on course in developing a revenue model which will enable the Group to generate a consistent revenue stream from this business sector.

FUTURE PLANS AND DEVELOPMENTS

During the coming months, the Group will focus a significant amount of its efforts and resources on the following areas:

- The Group, jointly with CUHK will:
 - (i) continue with the setting up of clinical technology and product development programmes to develop and manufacture a standardized quality of selected Chinese medicinal herbs; and
 - (ii) continue with the setting up of herbal institutes to grow and cultivate prime Chinese medicinal herbs for research and development.
- Integration of state-of-the-art technology for both *www.greaterchinaherbs.com* and *www.ladiesasia.com* to create more interaction and stickiness among members.
- Establish a co-ordination centre for all TCM registered practitioners in Hong Kong and all over the world.
- Form strategic alliances with international business women associations to establish an online community, ladies forum, chat and live discussion channels via *www.ladiesasia.com* and prepare for the launch of features aimed at generating subscription fees.

- Become an application service provider to small to medium enterprises by licensing the Group's e-commerce platform to such enterprises to enable them to conduct their e-commerce transactions.
- Continue to position the Group at the forefront in terms of innovation and change.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to all members of the Board of Directors and staff for their dedication and contribution to our Group and to those who have continuously supported us.

Kelly Cheng

Chairman and Chief Executive Officer

Hong Kong, 5 March, 2001

GREATERCHINA TECHNOLOGY GROUP LIMITED
COMPARISON BETWEEN PROPOSED BUSINESS OBJECTIVES AND
ACTUAL PERFORMANCE
FOR THE PERIOD FROM 1 AUGUST, 2000 TO 31 JANUARY, 2001

	Proposed	Actual
Content development	launch Korean version of <i>greaterchinaherbs.com</i>	Not yet achieved because of the enactment of legislation on the practice of Traditional Chinese Medicine which may affect the qualification of the translators and delay the launch of Korean platform
	launch columns and content known as "Sex corner", "Health tips", "Life is beautiful" on <i>greaterchinaherbs.com</i>	Already in place but "Health tips" has been channeled through "Weekly hotspots" in <i>www.greaterchinaherbs.com</i> , "Sex and romance" replaces "Sex corner" and "Life style" replaces "Life is beautiful" in <i>www.ladiesasia.com</i>
	launch special editorial forum hosted by renowned Chinese herbalist, doctors and experts	Not yet achieved due to further integration of video conferencing and live chat
	create a Japanese interactive forum among members for sharing personal experiences in the use of Chinese herbs, recipes and therapies	Already in place
	continue to sponsor research and development in spearheading health content such as Shiatsu, aromatherapy and acupuncture on a global basis	Not yet achieved because the Group has been applying a high standard in selecting the right contents for inclusion in the portal. It is continuing to seek out and evaluate potential projects
	continue to develop content for <i>ladiesasia.com</i> and <i>ceohongkong.com</i>	<i>www.ladiesasia.com</i> was launched in May 2000 and the structure of <i>www.ceohongkong.com</i> has been developed, content of <i>www.ladiesasia.com</i> has been enriched and content of <i>www.ceohongkong.com</i> is under development

	*sign up with new PRC raw content provider for research material and professional consultation	Not yet achieved because of the enactment of regulations concerning the practice of Traditional Chinese Medicine which may affect the qualification of the content provider
e-commerce development	select more herbal health, anti-ageing, anti-obesity, hair and body products for e-commerce development with the state-of-the-art technology	Unique herbal and health products to be sold on the Group's e-commerce platform have been identified.
	establish payment servers to facilitate online payment	Already in place
	continue to align with more partners for e-commerce online shopping	Arrangements have been set up with various small to medium enterprises in relation to the offering of unique products for online shopping on consignment basis
Product and technology development and enhancement	launch the cellular mobile enabling technology	PDA download service for selected articles already in place
	develop and deploy e-commerce infrastructure, secure online transaction and secure online payment through the adoption of SSL (Secure Socket Layer) and SET (Secure Electronic Transaction) industry standard protocols	Already in place
	*adopt the latest Internet access platform such as digital televisions to reach the old generation homemakers	Not yet achieved, the Group is evaluating the costs of using different service providers
	*support the site with the state-of-the-art infrastructure technology and offer facilities such as message boards, chat rooms, calendar and special interest groups	Already in place

	*adopt the latest mobile computing technology such as WAP to deliver the content and healthcare information to mobile phone users	Already in place
Market penetration	promote and sponsor full advertising campaigns on both <i>greaterchinaherbs.com</i> in US, Japan, Korea, Australia and Europe, online advertising on selected sites and other untapped channels such as Phillipines and Thailand for <i>greaterchinaherbs.com</i>	Advertising campaigns were carried out in the PRC, US, Singapore, Japan, Taiwan, Malaysia, Australia and Europe through different advertising agents
	promote the site <i>ladiesasia.com</i> on an international basis by organising roadshows, exhibitions, marketing campaigns at universities, special women's group, clubs, etc	Advertising campaigns were carried out in the PRC, US, Singapore, Japan, Taiwan, Malaysia and Australia to promote <i>ladiesasia.com</i> through different advertising agents
	promote the site <i>ceohongkong.com</i> in US, Japan, Korea, Australia and Europe through public relations firms	Advertising campaigns were carried out in the PRC, US, Singapore, Japan, Taiwan, Malaysia and Australia through different advertising agents
	*form strategic alliances with universities or distance learning institutions to promote the use of the Group's customised content as in the curriculum	A strategic alliance has been formed with The Institute of Chinese Medicine of the Chinese University of Hong Kong in this regard
Resources employment	increase online marketing staff (1)	None
	increase e-commerce sourcing and marketing staff (1) employ research team (1) increase content development team (1) employ project manager (1) employ database team (1)	One person One person One person One person One person The Group feels that in order to expand progressively, it should be selective in finding the best possible candidates even if that results in a slower than expected personnel expansion

(* Objectives scheduled for the period from 27 March, 2000 to 31 July, 2000)

USE OF PROCEEDS

	PROPOSED	ACTUAL
Content translation and product development	5,940,000	5,462,000
e-commerce development	13,200,000	5,500,000
Promotion and marketing activities	37,620,000	28,350,000
Maintenance and operation	9,240,000	13,000,000
	<hr/>	<hr/>
	66,000,000	52,312,000
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REASONS FOR DIFFERENCE BETWEEN USAGE OF PROCEEDS AND FORECAST USAGE

Many internet companies have a reputation of burning enormous amounts of cash, major staff expansion and high expenditures on the latest and most sophisticated equipment. At the same time, many of these companies have faced massive layoffs or have simply disappeared off the face of the web. With the Group's experienced management and focus, we have been able to maintain proper financial and cost controls to ensure stability in the Group's growth and as a result the amount of the forecast usage of our proceeds exceeds the amount of the actual usage of our proceeds.

RESULTS

The Board of Directors (the “Board”) of GreaterChina Technology Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period from 1 November, 2000 to 31 January, 2001 (the “Quarterly Period”) and 1 August, 2000 to 31 January, 2001 (the “Interim Period”) together with comparative unaudited proforma combined results for the corresponding Quarterly Period and Interim Period in 1999 as follows:

		From 1 November, 2000 to 31 January, 2001 HK\$	From 1 November, 1999 to 31 January, 2000 HK\$	From 1 August, 2000 to 31 January, 2001 HK\$	From 1 August, 1999 to 31 January, 2000 HK\$
Turnover	2	1,416,100	–	2,970,350	–
Interest income		5,680,729	–	11,303,717	–
Other income		33,181	–	33,181	–
Administration expenses		<u>(24,812,362)</u>	(1,973,344)	<u>(32,643,602)</u>	(3,952,778)
Loss from operations		<u>(17,682,352)</u>	(1,973,344)	<u>(18,336,354)</u>	(3,952,778)
Finance costs		<u>(2,361,307)</u>	–	<u>(3,730,757)</u>	–
Loss before taxation		<u>(20,043,659)</u>	(1,973,344)	<u>(22,067,111)</u>	(3,952,778)
Taxation	3	–	–	–	–
Loss before minority interest		<u>(20,043,659)</u>	(1,973,344)	<u>(22,067,111)</u>	–
Minority interest		<u>185,274</u>	–	<u>185,274</u>	–
Net loss for the period		<u><u>(19,858,385)</u></u>	<u>(1,973,344)</u>	<u><u>(21,881,837)</u></u>	<u>(3,952,778)</u>
Loss per share	4	<u><u>(2.93) cents</u></u>	<u>(0.63) cents</u>	<u><u>(3.23) cents</u></u>	<u>(1.26) cents</u>

Notes:

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 13 January, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (“Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 20 February, 2000. The shares of the Company have been listed on the GEM since 6 April, 2000.

Under the Group Reorganisation, China Rich Holdings Limited (“China Rich”) and its subsidiaries (the “China Rich Group”) transferred all their assets and liabilities relating to their operation of the website — *www.greaterchinaherbs.com* to Greaterchinaherbs.com Limited, in consideration for the issue of one share of Greaterchinaherbs.com Limited to China Rich; China Rich then transferred two shares of Greaterchinaherbs.com Limited to the Company in consideration for shares issued by the Company.

The combined result of the Group for the period from 1 August, 1999 to 31 January, 2000 and from 1 November, 1999 to 31 January, 2000 have been prepared on the basis that the current group structure had been in existence throughout those periods and on the basis that the Group had operated the website business — *www.greaterchinaherbs.com* throughout those periods.

2. TURNOVER

Turnover represents advertising income, portal development and information technology advisory income received and receivable during the Quarterly Period, Interim Period and the corresponding period in 1999 are analysed as follows:

	From 1 November, 2000 to 31 January, 2001 HK\$	From 1 November, 1999 to 31 January, 2000 HK\$	From 1 August, 2000 to 31 January, 2001 HK\$	From 1 August, 1999 to 31 January, 2000 HK\$
Advertising income	895,000	–	1,400,000	–
Portal development and information technology advisory income	521,100	–	1,470,350	–
Consultation income	–	–	100,000	–
	<u>1,416,100</u>	<u>–</u>	<u>2,970,350</u>	<u>–</u>

3. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profits during the Periods.

There was no significant unprovided deferred taxation during the Quarterly Period and Interim Period.

4. LOSS PER SHARE

The calculation of the basic loss per share are based on the net losses for the Quarterly Period and the Interim Period of HK\$19,858,385 and HK\$21,881,837 respectively and on 678,080,000 shares in issue during the Quarterly Period and the Interim Period. The calculation of the loss per share for the three months period from 1 November, 1999 to 31 January, 2000 and the six months period from 1 August, 1999 to 31 January, 2000 are based on the combined loss of HK\$1,973,344 and HK\$3,952,778 respectively and on the assumption that 312,800,000 shares of the Company had been in issue throughout those periods. No diluted loss per share has been presented because the effect of exercising the Company's outstanding share options and all the potential ordinary shares of a subsidiary is anti-dilutive.

5. MOVEMENT OF RESERVE

There is no movements in the reserves of the Group during the Quarterly Period and the Interim Period except for the loss recognised during those period.

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the period from 1 August, 2000 to 31 January, 2001 (1999: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31 January, 2001, the interests of the directors and the chief executive of the Company in the share capital of the Company and the associated corporation pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Shares in the Company

Name of director	Number of shares Personal and total interests
Ms. Cheng Kit Yin, Kelly	44,046,020

Shares in China Rich Holdings Limited

Name of director	Number of shares Personal and total interests
Ms. Cheng Kit Yin, Kelly	52,300,000

(ii) Options

Options in the Company

Name of director	Date of grant	Exercise price HK\$	Number of share options			
			Outstanding as at 1.8.2000		Outstanding as at 31.1.2001	
			Granted	Exercised	Granted	Exercised
Ms. Cheng Kit Yin, Kelly	19 December, 2000	0.218	—	16,000,000	—	16,000,000
Mr. Mak Shiu Chung, Godfrey	19 December, 2000	0.218	—	7,500,000	—	7,500,000

Options in China Rich Holdings Limited

Name of director	Date of grant	Exercise price HK\$	Number of share options			
			Outstanding as at 1.8.2000		Outstanding as at 31.1.2001	
			Granted	Exercised	Granted	Exercised
Ms. Cheng Kit Yin, Kelly	5 March, 1997	0.43	5,000,000	—	—	5,000,000
	26 January, 2000	0.30	4,000,000	—	—	4,000,000
	22 March, 2000	0.33	10,000,000	—	—	10,000,000
Mr. Kam Shing	26 January, 2000	0.30	3,000,000	—	—	3,000,000

Other than as disclosed above, at no time during the Quarterly Period and Interim Period were 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, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than as disclosed above and nominees shares in certain subsidiaries held in trust for the Group, at 31 January, 2001, neither the directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

OUTSTANDING SHARE OPTIONS

As at 31 January, 2001, options to subscribe for an aggregate of 48,500,000 shares of the Company (which includes the options granted to Ms. Cheng Kit Yin, Kelly and Mr. Mak Shiu Chung, Godfrey) had been granted to certain employees pursuant to the Company's share option scheme under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company. No options were exercised during the Interim Period. Details of the outstanding share options are as follow:

Number of share options	Number of employees	Subscription price per share HK\$	Exercise period
48,500,000	24	0.218	From date of grant or first anniversary of date of employment to 20 February, 2010

The options may be exercised at any time within the exercise period provided that the options have been vested. Generally, the options are vested in different tranches.

SUBSTANTIAL SHAREHOLDERS

As at 31 January, 2001, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses the following company as having an interest of 10% or more of the issued share capital of the Company:

Name	Number of shares
China Rich Holdings Limited	258,451,559

Other than as disclosed above, the Company is not aware of any other person who is interested in 10% or more of the Company's issued share capital as at 31 January, 2001.

SPONSOR'S INTEREST

Pursuant to an agreement dated 30 March, 2000 entered into between the Company and Pacific Challenge Capital Limited ("Pacific Challenge"), Pacific Challenge acted as the Company's continuing sponsor for the period from 6 April, 2000 to the termination of such agreement on 20 February, 2001, in respect of which Pacific Challenge was entitled to receive a fee.

Pursuant to an agreement dated 20 February, 2001 entered into between the Company and Ernst & Young Corporate Finance Limited ("EYCFL"). EYCFL has been retained as the Company's sponsor for the period from and including such date to 31 July, 2002, in respect of which EYCFL will be entitled to a fee.

As at 31 January, 2001, neither Pacific Challenge nor its directors, employees or their associates had any interest in any securities of the Company or any of its associated corporation.

YEAR 2000

In the Company's prospectus dated 30 March, 2000, the directors reported that the computers and software internally used by the Group were believed to be year 2000 compliant.

The Group has not experienced to date any significant adverse consequences in connection with the year 2000 issue. However, the directors will continue their oversight of date change issues during the year 2001.

AUDIT COMMITTEE

The Company's audit committee was formed on 17 March, 2000 comprising the independent non-executive directors, Dr. Lau Lap Ping and Mr. Heng Kwo Seng. The terms of reference of the audit committee have been established with regard to Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board of Directors.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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