



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

Quarterly Report for the period from
1 February, 2001 to 30 April, 2001

2001

由二零零一年二月一日至
二零零一年四月三十日
之季度報告



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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 quarterly unaudited results for GreaterChina Technology Group Limited ("GreaterChina") and its subsidiaries (the "Group") for the three months ending 30 April, 2001 (the "Period").

The mission of the Group is to become one of the largest provider of interactive contents on the Internet within Asia in the health and lifestyle sectors. The Group is focused on providing a balanced portfolio using both online and offline technologies to explore possible ventures to promote premium and quality lifestyle for our community.

During the Period, the management of the Group continues to exercise conservative financial control over the entire operations and at the same time utilizing its best efforts to achieve maximum return to our shareholders.

FINANCIAL REVIEW

For the Period, the Group recorded a total revenue of approximately HK\$6.7 million, of which approximately HK\$1.4 million was contributed by the Group's core business operations and HK\$5.3 million from interest income. Although there was a persistent downturn in the online business environment worldwide, our advertising income base remains stable. Nevertheless, this situation was more than offset by an increase in revenue of almost 43% derived from portal development and information technology advisory work as compared to last quarter ending 31 January, 2001.

So far, the Group has managed to maintain a consistent revenue base for the past financial quarters. A net loss of HK\$8.5 million for the Period was recorded.

The Group continues to remain in a strong financial position, with cash on hand amounting to more than HK\$338 million.

BUSINESS REVIEW

www.greaterchinaherbs.com

Building on our first-to-market position, *www.greaterchinaherbs.com* continues to attract users all over the world. The website now covers more than 1,500 herbs in Chinese and 1,000 in English in the Herbal Encyclopedia channel. Weekly Hotspots and Doctors' Online consultation services still remain popular.

Our contents team strives to provide users with more up-to-date and useful information on Traditional Chinese Medicine ("TCM"). In view of this, further enhancement on the site which includes health and medical channels with added functionalities is currently being considered.

Our strategic alliance with The Institute of Chinese Medicine ("ICM") of The Chinese University of Hong Kong ("CUHK") to develop two online TCM modules to students is progressing well. These modules will be launched in September, 2001, and the admission process is scheduled to take place towards the end of July, 2001. This online education programme is expected to generate revenue for the Group in the form of tuition fees.

The Group will continue to explore and seek out new business opportunities.

www.ladiesasia.com

The revamping of our *www.ladiesasia.com* is well underway and we look forward to launching the new site in the summer. Not only will the new site have a more feminine, crispier look, it will also have added features and contents to attract more visitors and members. Aiming to build an even stronger online traffic and readership base, we have recently signed a co-branding agreement with *hk.yahoo.com* to post some of our contents on its Hong Kong's lifestyle channel, which will be launched in June, 2001.

Information Technology Services

The Group's decision to strengthen its information technology team earlier this year is beginning to pay off as we witness a steady increase in the inflow of work and revenue from advisory and web-solutions services to local small to medium sized enterprises.

FUTURE PLANS AND DEVELOPMENT

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

- Continue to work closely with CUHK to develop the online TCM education modules;
- Marketing *www.ladiesasia.com* and creating loyal local and worldwide online and offline communities;
- Strengthen our position as an application service provider to small to medium sized 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, 31 May, 2001

RESULTS

The Board of Directors (the “Board”) of GreaterChina Technology Group Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period from 1 February, 2001 to 30 April, 2001 (the “Quarterly Period”) and 1 August, 2000 to 30 April, 2001 (the “Third Quarter Period”) together with comparative unaudited proforma combined results for the corresponding Quarterly Period and Third Quarter Period in 2000 as follows:

		From 1 February, 2001 to 30 April, 2001	From 1 February, 2000 to 30 April, 2000	From 1 August, 2000 to 30 April, 2001	From 1 August, 1999 to 30 April, 2000
	Notes	HK\$	HK\$	HK\$	HK\$
Turnover	2	1,419,832	1,316,000	4,390,182	1,316,000
Interest Income		5,278,703	1,791,000	16,582,420	1,791,000
Other Income		12,794	-	45,975	-
Administration expenses		<u>(12,916,478)</u>	<u>(5,471,000)</u>	<u>(45,560,080)</u>	<u>(9,938,000)</u>
Loss from operations		(6,205,149)	(2,364,000)	(24,541,503)	(6,831,000)
Finance costs		<u>(2,447,213)</u>	<u>(20,000)</u>	<u>(6,177,970)</u>	<u>(20,000)</u>
Loss before taxation		(8,652,362)	(2,384,000)	(30,719,473)	(6,851,000)
Taxation	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss before minority interest		(8,652,362)	(2,384,000)	(30,719,473)	(6,851,000)
Minority interest		<u>167,800</u>	<u>-</u>	<u>353,074</u>	<u>-</u>
Net loss for the period		<u><u>(8,484,562)</u></u>	<u><u>(2,384,000)</u></u>	<u><u>(30,366,399)</u></u>	<u><u>(6,851,000)</u></u>
Loss per share	4	<u><u>(1.25) cents</u></u>	<u><u>(0.48) cents</u></u>	<u><u>(4.48) cents</u></u>	<u><u>(1.84) cents</u></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 30 April, 2000 and from 1 February, 2000 to 30 April, 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, Third Quarter Period and the corresponding periods in previous year and is analysed as follows:

	From 1 February 2001 to 30 April, 2001 HK\$	From 1 February, 2000 to 30 April, 2000 HK\$	From 1 August, 2000 to 30 April, 2001 HK\$	From 1 August, 1999 to 30 April, 2000 HK\$
Advertising income	675,000	1,316,000	2,075,000	1,316,000
Portal development and information technology advisory income	744,832	-	2,215,182	-
Consultation income	-	-	100,000	-
	<u>1,419,832</u>	<u>1,316,000</u>	<u>4,390,182</u>	<u>1,316,000</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 Third Quarter Period.

4. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the Quarterly Period and the Third Quarter Period of HK\$8,484,562 and HK\$30,366,399 respectively and on 678,080,000 shares in issue during the Quarterly Period and the Third Quarter Period. The calculation of the loss per share for the three months period from 1 February, 2000 to 30 April, 2000 and the nine months period from 1 August, 1999 to 30 April, 2000 is based on the net loss of HK\$2,384,000 and HK\$6,851,000 for such periods respectively and the weighted average number of 494,766,222 and 372,569,927 shares outstanding. The 312,800,000 shares outstanding as a result of the Group Reorganisation prior to its placing of its shares in April 2000, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 August, 1999. 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 have been no movements in the reserves of the Group during the Quarterly Period and the Third Quarter Period except for the loss recognised during those periods.

QUARTERLY DIVIDEND

The directors do not recommend the payment of quarterly dividend for the period from 1 February, 2001 to 30 April, 2001 (2000: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 30 April, 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 30.4.2001	
			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 30.4.2001	
			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 the Third Quarter 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 30 April, 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 30 April, 2001, options to subscribe for an aggregate of 40,700,000 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 Third Quarter Period. Details of the outstanding share options are as follow:

Number of share options	Number of employees	Subscription price per share HK\$	Exercise period
40,700,000	18	0.218	From date of grant or first anniversary 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 and lapse where the grantee ceases to be employed by the Group.

SUBSTANTIAL SHAREHOLDERS

As at 30 April, 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 person who is interested in 10% or more of the Company's issued share capital as at 30 April, 2001.

SPONSOR'S INTEREST

Pursuant to an agreement dated 20 February, 2001 entered into between the Company and Ernst & Young Corporate Finance Limited ("EYCFL"), EYCFL has been appointed 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 30 April, 2001, neither EYCFL nor its directors, employees or their associates had any interest in any securities of the Company or any of its associated corporation.

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 Kwoo 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.