



**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  
1st August, 2001  
to 31st October, 2001  
由二零零一年八月一日至  
二零零一年十月三十一日  
之季度報告

2001

**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.

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## CHAIRMAN'S STATEMENT

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

The mission of the Group is to become one of the largest providers of interactive contents on the Internet 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. Recently, the Group has set up a health product division to develop traditional Chinese medicine and Chinese herbs into high quality and safe health supplements with the assistance of advanced biotechnology in which it maintains stable chemical ingredients and efficacies of which most traditional Chinese medicine is lacking.

During the Period, the management of the Group continued to exercise stringent financial controls and subsequently succeeded in achieving a net profit of approximately HK\$600,000.

## FINANCIAL REVIEW

For the period under review, the Group recorded a total revenue of HK\$11.4 million of which HK\$1.1 million was contributed from advertising income, HK\$2.5 million from portal and consultation income, HK\$2.8 million from e-commerce activities relating to Chinese herbs and HK\$5 million from interest and other income. The Group has managed to enhance its revenue base during this financial quarter and a net profit of HK\$590,754 was recorded, equivalent to approximately 0.1 cent per share.

Overall, the net asset value of the Group as at 31st October, 2001 was HK\$272,361,442, equivalent to approximately HK\$0.40 per share.

## BUSINESS REVIEW

The Group is currently a provider of interactive healthcare and lifestyle contents on the internet and recently it has diversified its business to include off-line businesses related to the promotion of traditional Chinese medicine, Chinese herbs and quality lifestyles.

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During the past financial period, the Company has achieved the following objectives:-

- Successful brand-building;
- Revenue growth;
- Strong financial position;
- Enhancement of flagship portal *www.greaterchinaherbs.com*;
- Revamping of second portal *www.ladiesasia.com*;
- Product enrichment of e-commerce platform *www.sensesshop.com*;
- Strategic alliance with the Chinese University of Hong Kong on a joint on-line education programme related to traditional Chinese medicine;

#### FUTURE PLANS AND DEVELOPMENT

The proposed expansion into off-line business in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine products was approved by the independent shareholders of the Company on 9th November, 2001. Therefore in the coming months, the Group will, in addition to its on-line business, focus its efforts and resources on the following areas:

- Launching of its first flagship product HERBSNSENSES™ Cordyceps;
- Research and development in other traditional Chinese medicine (including nutraceutical and herbal) product lines either in co-operation with external research institutions or in-house specialists;
- Manufacturing under GMP (Good Manufacturing Practice);
- Marketing and distribution of nutraceutical and herbal products via our website *www.sensesshop.com* and other healthcare channels;
- Collaborations with other foreign universities in the field of research and clinical trials;
- Strategic alliance with other distance learning institutions in further promoting on-line education programme.

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## APPRECIATION

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

By Order of the Board

**Kelly Cheng**

*Chairman and Chief Executive Officer*

13th December, 2001.

## 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 1st August, 2001 to 31st October, 2001 (the “Period”) together with the comparative unaudited consolidated results for the corresponding period in 2000 as follows:

		<b>From 1st August, 2001 to 31st October, 2001</b>	From 1st August, 2000 to 31st October, 2000
	Notes	HK\$	HK\$
Turnover	2	6,420,986	1,554,250
Cost of sales		<u>(2,250,000)</u>	<u>(1,488)</u>
Gross profit		4,170,986	1,552,762
Other revenue	3	4,901,444	5,622,988
Administration and other operating expenses		<u>(6,826,857)</u>	<u>(7,829,752)</u>
Profit (loss) from operations	4	2,245,573	(654,002)
Finance costs		<u>(1,654,819)</u>	<u>(1,369,450)</u>
Profit (loss) before taxation		590,754	(2,023,452)
Taxation	5	<u>–</u>	<u>–</u>
Net profit (loss) for the Period		<u>590,754</u>	<u>(2,023,452)</u>
Profit (loss) per share	6	<u>0.09 cent</u>	<u>(0.30) cent</u>

Notes:

### 1. General

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

The Company’s shares have been listed on the GEM on 6th April, 2000. The Company is an investment holding company. The principal activities of the Group are the provision of online content and the provision of portal development and information technology consultation services in Hong Kong.

## 2. Turnover

	From 1st August, 2001 to 31st October, 2001 HK\$	From 1st August, 2000 to 31st October, 2000 HK\$
Advertising income	1,055,333	505,000
Portal development and information technology advisory income	1,565,242	949,250
Consultation income	1,000,000	100,000
Sales of goods	2,800,411	–
	<u>6,420,986</u>	<u>1,554,250</u>

The cost of inventories recognised as an expense during the Period amounted to HK\$2,250,000 (1.8.2000 to 31.10.2000: HK\$1,488).

## 3. Other revenue

	From 1st August, 2001 to 31st October, 2001 HK\$	From 1st August, 2000 to 31st October, 2000 HK\$
Interest income	4,822,522	5,622,988
Dividend income	10,200	–
Sundry income	68,722	–
	<u>4,901,444</u>	<u>5,622,988</u>

## 4. Profit (loss) from operations

	From 1st August, 2001 to 31st October, 2001 HK\$	From 1st August, 2000 to 31st October, 2000 HK\$
Profit (loss) from operations has been arrived at after charging:		
Amortization of website development costs	–	518,977
Depreciation on:		
Owned assets	711,269	424,998
An asset held under a hire purchase contract	–	19,375
	711,269	444,373
Staff costs including directors' remuneration:		
Salaries and allowances	2,356,033	2,801,311
Retirement benefits scheme contributions	88,123	–
	<u>2,444,156</u>	<u>2,801,311</u>

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## 5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable income for the Period (1.8.2000 to 31.10.2000: nil).

There was no significant unprovided deferred taxation during the Period or at 31st October, 2001.

## 6. Profit (loss) per share

The calculation of the basic profit (loss) per share is based on the net profit for the Period of HK\$590,754 (1.8.2000 to 31.10.2000: a loss of HK\$2,023,452) and on the weighted average of 678,080,000 shares in issue during the Period (1.8.2000 to 31.10.2000: 678,080,000 shares). No diluted profit per share for the Period 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. No diluted loss per share for the period from 1st August, 2000 to 31st October, 2000 was presented because the effect of exercising an option to subscribe for additional ordinary share of a subsidiary was anti-dilutive.

## MOVEMENT OF RESERVE

There have been no movements in the reserves of the Group during the Period except for the profit recognised during the Period.

## QUARTERLY DIVIDEND

The directors do not recommend the payment of quarterly dividend for the period from 1st August, 2001 to 31st October, 2001 (1.8.2000 to 31.10.2000: nil).



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## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

### (i) Shares

As at 31st October, 2001, the interests of the directors and the chief executive of the Company in the share capital of the Company and the associated corporation disclosed 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 1.8.2001	Granted	Exercised	Outstanding as at 31.10.2001
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	-	16,000,000
Mr. Mak Shiu Chung, Godfrey	19th 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 1.8.2001	Granted	Exercised	Outstanding as at 31.10.2001
Ms. Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000	-	-	5,000,000
	26th January, 2000	0.30	4,000,000	-	-	4,000,000
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000
Mr. Kam Shing	26th January, 2000	0.30	3,000,000	-	-	3,000,000

Other than as disclosed above, none of the Directors had any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 of, or Part I of the Schedule to the SDI Ordinance), or pursuant of Rules 5.40 to 5.59 of the GEM Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Other than as disclosed 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, 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.

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Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Company, at 31st October, 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 31st October, 2001, options to subscribe for an aggregate of 33,100,000 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 Period. Details of the outstanding share options are as follows:

Number of share options	Number of employees	Subscription price per share <i>HK\$</i>	Exercise period
33,100,000	14	0.218	From date of grant or first anniversary date of employment to 18th 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 31st October, 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 has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st October, 2001.

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### **SPONSOR'S INTEREST**

Pursuant to the agreement dated 20th 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 31st July, 2002, in respect of which EYCFL will be entitled to a fee.

As of 31st October, 2001, neither EYCFL nor its directors, employees or their associates had any interest in any securities of the Company or any of its associated corporations.

### **COMPETING INTERESTS**

For the period from 1st August, 2001 to 31st October, 2001, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

### **AUDIT COMMITTEE**

The Company’s audit committee was formed on 17th 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 period from 1st August, 2001 to 31st October, 2001.