



**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 February, 2002  
to 30th April, 2002  
由二零零二年二月一日至  
二零零二年四月三十日  
之季度報告

HERBS n SENSES  
Herbs  
**2002**

**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.

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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 (“GEM Listing Rules”) 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.*

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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 three months ended 30th April, 2002.

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 on-line and off-line technologies to explore possible ventures to promote premium and quality lifestyle for our community. The Group has set up a health product division to develop traditional Chinese medicine and Chinese herbs into high quality and safe health supplements. The Group's health products division utilized advanced biotechnology to ensure the consistent efficacy of its products and to maintain the stability of the products' chemical ingredients and with a view to ensuring that the Group's products are of a higher quality than most traditional Chinese medicine.

During the quarter period, the management of the Group continued to exercise stringent financial controls, which contributed to the Group's success and subsequently succeeded in achieving a net profit of approximately HK\$556,000 during the quarter and a net profit of HK\$1,763,000 for the period from 1st August, 2001 to 30th April, 2002.

## FINANCIAL REVIEW

For the three months ended 30th April, 2002 under review, the Group recorded a total revenue of HK\$9.6 million of which HK\$1.0 million was contributed from the Group's online business activities, HK\$5.6 million from business activities relating to the sale of nutraceutical Chinese herbal products and consultation income received concerning the setting up of a production line conforming with Good Manufacturing Practice ("GMP") standard in the People's Republic of China ("PRC") and HK\$ 3.0 million from interest income and other sundries. For the comparative figures in the corresponding period in last year, the Group earned total revenue of HK\$6.7 million, of which HK\$1.4 million was contributed from the Group's online business activities and HK\$5.3 million from interest income. The Group continued to expand its business offline in relation to the research and development, marketing and distribution of traditional Chinese medicine and Chinese herbs during the quarter period both in Hong Kong and in the United States ("US"). Interest income was reduced due to the decrease in interest rate earned from bank deposits since the middle of year 2001. During the quarter under review, the Group has enhanced its revenue base and generated a net profit of HK\$556,000, equivalent to approximately 0.08 cent per share, compared with a loss of HK\$8.5 million in the corresponding period in last year.

Overall, the net asset value of the Group as at 30th April, 2002 was approximately HK\$273.5 million, equivalent to approximately HK\$0.4 per share.

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## BUSINESS REVIEW

The Group is currently a provider of interactive healthcare and lifestyle contents on the internet and has expanded its business into offline businesses in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine, Chinese herbs and healthcare products promoting quality lifestyles.

During the three months ended 30th April, 2002, the Company has achieved the following objectives:

- Successful brand-building;
- Revenue growth from HK\$21.0 million (for the nine months period ended 30th April, 2001) to HK\$36.7 million (for the nine months period ended 30th April, 2002);
- Strengthened financial position;
- Soft launching of the Group's first flagship herbal product HERBSnSENSES™ Cordyceps in both Hong Kong and US markets;
- Marketing and distribution of HERBSnSENSES™ Cordyceps via our website *www.sensesshop.com* and other healthcare channels;
- Collaborations with other foreign universities in the field of research and clinical trials;
- Obtaining licenses and health regulatory approval for the sales of the Group's herbal products in PRC.

## FUTURE PLANS AND DEVELOPMENT

In the coming months, in addition to its online business, the Group will continue to focus its efforts and resources in the following areas:

- Setting up a Chinese Medicinal Fungal Genomics Laboratory (CMF-Genlab);
- Official launching of HERBSnSENSES™ Cordyceps and its extended formula in Hong Kong via the Group's online concept store and other healthcare products distribution channels;
- Official launching of HERBSnSENSES™ Cordyceps and its extended formula in US and other countries;

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- Obtaining licenses and health-related regulatory approvals in PRC, Malaysia, Singapore, Thailand, Indonesia, Philippines, Japan and Korea;
  - Research and development in the search for value added therapeutic products to advance and enhance the Group's Cordyceps product range;
  - Research and development in other traditional Chinese medicine (including nutraceutical, herbal and pharmaceutical) product lines either in co-operation with external research institutions or in-house specialists;
  - Feasibility studies in relation to the setting up of a GMP facility in Hong Kong and PRC;
  - Collaborations with foreign institutions and universities in the field of research and clinical trials.

#### APPRECIATION

I would like to take this opportunity to express my gratitude to all members of the Board 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*

29th May, 2002

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 three months and nine months ended 30th April, 2002 together with the comparative unaudited consolidated results for the corresponding periods in 2001 as follows:

	Notes	Three months ended 30th April,		Nine months ended 30th April,	
		2002 (unaudited) HK\$	2001 (unaudited) HK\$	2002 (unaudited) HK\$	2001 (unaudited) HK\$
Turnover	2	6,593,704	1,432,626	24,167,623	4,436,157
Cost of sales		<u>(1,292,172)</u>	<u>(10,473)</u>	<u>(7,375,921)</u>	<u>(24,548)</u>
Gross profit		5,301,532	1,422,153	16,791,702	4,411,609
Other revenue	3	2,959,342	5,278,703	12,504,739	16,582,420
Administration and other operating expenses		<u>(5,826,692)</u>	<u>(12,906,005)</u>	<u>(19,135,831)</u>	<u>(45,535,532)</u>
Profit (loss) from operations		2,434,182	(6,205,149)	10,160,610	(24,541,503)
Finance costs		<u>(1,877,738)</u>	<u>(2,447,213)</u>	<u>(8,397,413)</u>	<u>(6,177,970)</u>
Profit (loss) before taxation	4	556,444	(8,652,362)	1,763,197	(30,719,473)
Taxation	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit (loss) before minority interest		556,444	(8,652,362)	1,763,197	(30,719,473)
Minority interest		<u>-</u>	<u>167,800</u>	<u>-</u>	<u>353,074</u>
Net profit (loss) for the period		<u>556,444</u>	<u>(8,484,562)</u>	<u>1,763,197</u>	<u>(30,366,399)</u>
Profit (loss) per share	6	<u>0.08 cent</u>	<u>(1.25 cents)</u>	<u>0.26 cent</u>	<u>(4.48 cents)</u>

Sales of goods and the related cost of sales for the three months and nine months ended 30th April, 2001 have been reclassified from other revenue and administrative and other operating expenses in conformity to the current period’s presentation.

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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. From November 2001, the Group is also engaged in offline businesses in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine products.

**2. Turnover**

The Group's turnover for the three months and nine months ended 30th April, 2002, analyzed by principal activity and geographical market were as follows:

	<b>Three months ended 30th April, 2002</b>		<b>Nine months ended 30th April, 2002</b>	
	(unaudited) HK\$	2001 (unaudited) HK\$	(unaudited) HK\$	2001 (unaudited) HK\$
By principal activity:				
Advertising income	255,000	675,000	2,565,333	2,075,000
Portal development and information technology advisory income	102,193	744,832	3,800,973	2,215,182
Consultation income	3,590,000	-	6,518,493	100,000
Sales of goods	2,646,511	12,794	11,282,824	45,975
	<u>6,593,704</u>	<u>1,432,626</u>	<u>24,167,623</u>	<u>4,436,157</u>
	<b>Three months ended 30th April, 2002</b>		<b>Nine months ended 30th April, 2002</b>	
	(unaudited) HK\$	2001 (unaudited) HK\$	(unaudited) HK\$	2001 (unaudited) HK\$
By geographical market:				
Hong Kong	4,031,787	1,432,626	17,115,550	4,436,157
United States	2,561,917	-	7,052,073	-
	<u>6,593,704</u>	<u>1,432,626</u>	<u>24,167,623</u>	<u>4,436,157</u>

The cost of inventories recognized as an expense for the three months and nine months ended 30th April, 2002 amounted to HK\$1,292,172 and HK\$7,375,921 respectively (1.2.2001 to 30.4.2001 and 1.8.2000 to 30.4.2001: HK\$10,473 and HK\$24,548).

### 3. Other revenue

	Three months ended 30th April,		Nine months ended 30th April,	
	2002 (unaudited) HK\$	2001 (unaudited) HK\$	2002 (unaudited) HK\$	2001 (unaudited) HK\$
Interest income	1,579,094	5,278,703	9,825,448	16,582,420
Dividend income	675,929	–	686,129	–
Sundry income	704,319	–	1,993,162	–
	<u>2,959,342</u>	<u>5,278,703</u>	<u>12,504,739</u>	<u>16,582,420</u>

### 4. Profit (loss) from operations

	Three months ended 30th April,		Nine months ended 30th April,	
	2002 (unaudited) HK\$	2001 (unaudited) HK\$	2002 (unaudited) HK\$	2001 (unaudited) HK\$
Profit (loss) from operations has been arrived at after charging:				
Amortization of website development costs	–	1,203,185	–	3,508,365
Depreciation on:				
Owned assets	727,615	465,143	2,165,828	1,322,377
An asset held under a hire purchase contract	–	–	–	12,917
	<u>727,615</u>	<u>465,143</u>	<u>2,165,828</u>	<u>1,335,294</u>
Staff costs including directors' remuneration:				
Salaries and allowances	1,811,063	1,888,744	6,276,848	7,562,972
Retirement benefits scheme contributions	59,688	80,526	228,551	138,500
	<u>1,870,751</u>	<u>1,969,270</u>	<u>6,505,399</u>	<u>7,701,472</u>

### 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 three months and nine months ended 30th April, 2002 (1.2.2001 to 30.4.2001 and 1.8.2000 to 30.4.2001: nil).

There was no significant unprovided deferred taxation during the three months ended 30th April, 2002 or at 30th April, 2002.

### 6. Profit (loss) per share

The calculation of the basic profit (loss) per share for the three months and nine months ended 30th April, 2002 is based on the respective unaudited net profit of HK\$556,444 and HK\$1,763,197 (1.2.2001 to 30.4.2001 and 1.8.2000 to 30.4.2001: loss of HK\$8,484,562 and HK\$30,366,399) and on the weighted average of 678,080,000 shares in issue during both three months and nine months ended 30th April, 2002 (1.2.2001 to 30.4.2001 and 1.8.2000 to 30.4.2001: 678,080,000 shares). No diluted profit per share for

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the three months and nine months ended 30th April, 2002 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 three months and nine months ended 30th April, 2001 was presented because the effect of exercising the Company's outstanding share options and an option to subscribe for additional share of a subsidiary was anti-dilutive.

### MOVEMENT OF RESERVE

There have been no movements in the reserves of the Group during the three months and nine months ended 30th April, 2002 except for the profit recognized during the period (same for 1.2.2001 to 30.4.2001).

### QUARTERLY DIVIDEND

The directors do not recommend the payment of quarterly dividend for the three months ended 30th April, 2002 (1.2.2001 to 30.4.2001: nil).

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

#### (i) Shares

As at 30th April, 2002, 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:

#### Share 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	71,574,000

(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 30.4.2002
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	-	16,000,000
	19th April, 2002	0.234	-	51,808,000	-	51,808,000 <i>(Note)</i>
Mr. Mak Shiu Chung, Godfrey	19th December, 2000	0.218	7,500,000	-	-	7,500,000
	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Mr. Kam Shing	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Ms. Lau Sio Kuan, Vivian	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Ngai Sai Ming	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Mr. Heng Kwo Seng	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Lau Lap Ping	19th April, 2002	0.234	-	1,000,000	-	1,000,000

*Note:* Grant of the 51,808,000 options in the shares of the Company is subject to the shareholder approval in the extraordinary general meeting to be held on 4th June, 2002.

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## Options in China Rich Holdings Limited

Name of director	Date of grant	Exercise	Number of share
		price	options outstanding
		HK\$	as at 1.8.2001 and 30.4.2002
Ms. Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000
	26th January, 2000	0.30	4,000,000
	22nd March, 2000	0.33	10,000,000
Mr. Kam Shing	26th January, 2000	0.30	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 Rules Governing the Listing of Securities on GEM (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 three months ended 30th April, 2002 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.

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Company, at 30th April, 2002, 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 corporation as defined by the SDI Ordinance.

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## OUTSTANDING SHARE OPTIONS

Pursuant to an ordinary resolution in writing of the sole shareholder of the Company passed on 21st February, 2000, the Company adopted the old share option scheme (the “Old Scheme”) pursuant to which the Directors were authorized to grant options to employees of the Company or its subsidiaries, including executive directors of such company, to subscribe for shares of the Company. Options granted under the Old Scheme will entitle the holder to subscribe for shares from the date of grant up to 18th February, 2010.

As at 30th April, 2002, 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 Old Scheme. No options were granted or exercised during the three months ended 30th April, 2002.

On 8th April, 2002, the Company passed an ordinary resolution regarding the termination of the Old Scheme and adopt a new share option scheme (the “Revised Scheme”) for the benefit of the full time employees and directors of the Company and other eligible participants in compliance with the amended Chapter 23 of the GEM Listing Rules. Under the terms of the Revised Scheme, the board of directors of the Company may, at their discretion, grant options to the participants falls within the definition prescribed in the Revised Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the nominal value of the shares; (ii) an amount not less than the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options; and (iii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. Options granted under the Revised Scheme will entitle the holder to subscribe for shares from the date of grant up to 19th April, 2012.

As at 30th April, 2002, options to subscribe for an aggregate of 70,408,000 shares of the Company (which includes the options granted to Ms. Cheng Kit Yin, Kelly (subject to shareholder approval in the extraordinary general meeting to be held on 4th June, 2002) and Mr. Mak Shiu Chung, Godfrey) had been granted to certain employees pursuant to the Revised Scheme. No options were exercised during the three months ended 30th April, 2002.

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Details of the outstanding share option are as follows:

Number of share options	Number of employees	Subscription price per share HK\$	Exercise period
33,100,000	14	0.218	From date of grant or first anniversary date of employment to 18th February, 2010 ( <i>Note</i> )
70,408,000	12	0.234	From date of grant to 19th April, 2012

*Note:* 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 30th April, 2002, 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 30th April, 2002.

### 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 30th April, 2002, neither EYCFL nor its directors, employees or their associates had any interest in any securities of the Company or any of its associated corporations.

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## COMPETING INTERESTS

For the period from 1st February, 2002 to 30th April, 2002, 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 interest 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 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.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied throughout the period from 1st August, 2001 to 30th April, 2002 the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## 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 February, 2002 to 30th April, 2002.