

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (“Directors”) of Greater China Sci-Tech Holdings Limited (the “Company”) announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended December 31, 2000. These interim financial statements have been reviewed by the Audit Committee of the Company.

Review of the Group’s Operation

For the six months ended December 31, 2000, the Group recorded a turnover and a loss of HK\$31 million and HK\$20 million respectively, representing an increase of 13% and an improvement of 29% respectively.

A new subsidiary, Royal Treasure Industrial Company Limited (“Royal Treasure”) was established during the period in view of the ongoing financial and restructuring difficulties involving Pam & Frank Industrial Company Limited (“PFIL”), a subsidiary which ceased operation during the period, to continue, improve and carry out the Group’s then existing line of principal businesses. Royal Treasure is principally engaged in the procurement of raw materials, manufacture through sub-contractors and the sale of finished products (including handbags, briefcases and golf bags, etc.) The products procured by Royal Treasure are targeted at a higher quality end of the market than those products procured by PFIL. Royal Treasure had recorded a turnover of HK\$15 million and a profit after tax of HK\$1 million during the period.

Liquidity and Financial Resources

Net liabilities of the Group have been reduced from HK\$336 million to HK\$278 million during the period, and net liabilities of the Company have been reduced from HK\$51 million to HK\$16 million. These were accomplished with the following concrete steps by the New Management, which includes several high caliber professionals with substantial qualification and experience in various areas of business appointed to the Board of Directors since late June of 2000.

During the period, the Company had entered into placing agreements relating to the placing of 756,370,000 new shares of the Company to independent third parties, which raised approximately HK\$74 million to repay part of the Company’s indebtedness to its creditors and as general working capital, including a principal amount of \$8.5 million together with all outstanding interest of the convertible bond as the convertible bond has been in default.

On August 14, 2000, the winding up petition which had been filed by Li Mei Trading Company (“Li Mei”) against the Company was dismissed by the Court (with the consent of Li Mei). The petition was withdrawn by Li Mei as a result of a settlement reached with Li Mei which involved a schedule of payments being made by a third party (and not paid from, or recoverable against, company funds of the Company). Li Mei will have no recourse against the Company in the event of default of payment by the third party.

Subsequent to the balance sheet date, the Company has entered into conditional placing agreements with various subscribers for the placement of 306,000,000 new shares, the completion of the Placing is subject to the approval of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Estimated net proceeds of HK\$45.9 million will be used to further reduce the indebtedness of the Company and as general working capital, and also will further reduce the net liabilities of the Group.

Disposal of Subsidiaries

On February 8, 2001, following the winding-up of PFIL which was ordered by the Court on February 5, 2001, an independent secured creditor had exercised its power of sale over all shares of Pam & Frank International Company Limited ("PFIC"), a wholly owned subsidiary of the Company and the immediate holding company of PFIL. The shares were sold by the secured creditor to an independent third party purchaser. The net liabilities of the Group will be reduced by this disposal.

The Group's Future Direction

The Company considers that the first stage restructuring of the Company commenced from the mid of 2000, which focused on resolving outstanding problems of the Company and ring-fencing the Company's exposure to the risk regarding the Group's non-performing subsidiaries and businesses, has been satisfactory. The Company is ready to focus its resources on developing promising and profitable businesses.

Given the global trend towards the establishment of knowledge-based business operations and the pool of talent that the Company has been able to attract so far and the current state of the Company, the Company considers that it is capable of exploring opportunities to expand and diversify the operations and businesses of the Company into knowledge-based high growth areas to increase its profitability for the benefit of all shareholders. As such the major operating objective of the Company is to transform the Group into a high growth company primarily pursuing technology assets/infrastructures/franchises, and so as to bring benefits to all shareholders of the Company.

On Behalf of the Board
Dr. Li Zhong Yuan
Managing Director

Hong Kong, March 29, 2001