



GLOBAL CHINA TECHNOLOGY GROUP LIMITED

泛華科技集團有限公司*
(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

The Board of Directors ("The Board") of Global China Technology Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2000 together with comparative figures for the corresponding period in 1999 and the unaudited condensed consolidated balance sheet of the Group as at 30th September 2000 with audited comparative figures for the immediate preceding year end, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Notes	Six months ended	
	30th September 2000 Unaudited HK\$'000	1999 Unaudited HK\$'000 (restated)
TURNOVER	181,382	335,402
Cost of sales	(155,985)	(303,405)
Gross profit	25,397	31,997
Other revenue	15,663	4,756
Selling and distribution costs	(13,719)	(9,480)
Administrative expenses	(17,864)	(16,972)
Impairment loss on investment securities	(3,566)	—
Unrealized gains/(losses) on other investments	(2,070)	2,919
Provision for property held for sale	(10,657)	—
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(6,816)	13,220
Loss on disposal of equity interest in a subsidiary	(4,469)	—
Share of profits less losses of associates	(765)	370
Finance costs	(227)	(1,316)
PROFIT/(LOSS) BEFORE TAX	(12,277)	12,274
Tax	(481)	(167)
PROFIT/(LOSS) AFTER TAX	(12,758)	12,107
Minority interests	112	181
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12,646)	12,288
DIVIDEND	—	—
BASIC EARNINGS/(LOSS) PER SHARE	(1.7) cents	2.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

Notes	30th September 2000	31st March 2000
	Unaudited HK\$'000	Audited HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	40,996	54,835
Investment in an unconsolidated subsidiary	18,000	18,000
Interests in associates	6,208	8,860
Long term investments	88,854	63,022
	154,058	142,717
CURRENT ASSETS		
Other investments	10,506	10,858
Property held for sale	5,000	—
Inventories	47,823	52,373
Accounts receivable	19,250	43,823
Tax recoverable	925	925
Other receivables	18,555	14,103
Cash and bank balances	772,969	252,839
	875,028	374,921
CURRENT LIABILITIES		
Accounts payable	30,908	87,080
Other payables and accruals	67,070	36,034
Tax payable	2,175	1,661
Bank overdrafts	827	741
Bank loan	910	869
	101,890	126,385
NET CURRENT ASSETS	773,138	248,536
TOTAL ASSETS LESS CURRENT LIABILITIES	927,196	391,253
NON-CURRENT LIABILITY		
Bank loan	3,526	3,989
	923,670	387,264
CAPITAL AND RESERVES		
Issued capital	202,825	49,859
Reserves	720,845	337,051
	923,670	386,910
Minority interests	—	354
	923,670	387,264

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At the request of the Directors, the Group's external auditors have carried out a review of the unaudited condensed financial statements for the six month period ended 30th September 2000 in accordance with the Statement of Auditing Standard 700 issued by the Hong Kong Society of Accountants. The Auditors have modified their review conclusion in respect of the following:

- the comparative profit and loss account for the six months ended 30th September 1999 has not been reviewed;
- a comparative cash flow statement in respect of the six months ended 30th September 1999 has not been prepared; and
- the carrying value of the Group's investment in an unconsolidated subsidiary, the Arland International Limited.

1. ACCOUNTING POLICIES

Basis of presentation

The condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") except a comparative cash flow statement has not been prepared. The accounting policies and basis of presentation used are the same as those used in the annual audited financial statements for the year ended 31st March 2000.

Prior Period Adjustment

The Group has adopted the benchmark treatment under SSAP 24 "Investment in Securities" in the preparation of the Group's financial statements for the year ended 31st March, 2000 and accounting periods thereafter. In applying SSAP 24 retrospectively, the profit for the six months ended 30th September, 1999 increased by approximately HK\$2,919,000.

Comparative figures

Certain comparative figures have been reclassified to conform with the current presentation. In addition, certain items in the comparative consolidated balance sheet and profit and loss account have been restated to conform with the provisions of SSAP 24.

2. OTHER REVENUE

	Six months ended	
	30th September 2000 Unaudited HK\$'000	1999 Unaudited HK\$'000
Interest income	13,540	1,091
Others	2,123	3,665
	15,663	4,756

3. PROVISION FOR PROPERTY HELD FOR SALE

Provision is made on the difference between the agreed proceeds and the net book value of a property in Shantou. Pursuant to the Sale and Purchase Agreement, the property will be sold to an independent third party. The disposal is expected to complete in January 2001 and an initial deposit of HK\$1 million was received.

4. TAX

	Six months ended	
	30th September 2000 Unaudited HK\$'000	1999 Unaudited HK\$'000
Hong Kong Profits Tax	481	109
Share of tax of associates	—	58
Tax charge for the period	481	167

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the Group's estimated assessable profits which were earned in or derived from Hong Kong during the period.

5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2000 (1999: Nil).

6. EARNINGS/ (LOSS) PER SHARE

The calculations of the basic earnings/ (loss) per share is based on the net loss from ordinary activities attributable to shareholders of HK\$12,646,000 (1999: net profit of HK\$12,288,000) and the weighted number of 759,839,738 (1999: 435,426,409) shares in issue during the period.

The basic earnings per share for the six months ended 30th September, 1999 has been restated as follows:

	HK cents
As previously reported	2.2
Adjustment as a result of adoption of SSAP 24 retrospectively	0.6
As restated	2.8

The diluted loss per share for the six months ended 30th September 2000 is not shown as the outstanding warrants, share options and convertible preference shares had anti-dilutive effect on the basic loss per share for the period. The comparative diluted earnings per share for the six months ended 30th September 1999 is not shown as no dilutive events existed during that period.

7. LONG TERM INVESTMENTS

	30th September 2000	31st March 2000
	Unaudited HK'000	Audited HK'000
Investment in listed securities in Hong Kong	58,938	63,022
Held-to-maturity securities, at amortized cost	29,916	0
	88,854	63,022

8. ACCOUNTS RECEIVABLE

	30th September 2000	31st March 2000
	Unaudited HK'000	Unaudited HK'000
Current to 30 days	12,694	38,291
31-60 days	5,031	3,391
61-90 days	135	1,636
91-120 days	15	535
Over 120 days	3,431	1,970
Provision for doubtful debts	(2,056)	(2,000)
Total	19,250	43,823

9. ACCOUNTS PAYABLE

	30th September 2000	31st March 2000
	Unaudited HK'000	Unaudited HK'000
Current to 30 days	23,232	73,002
31-60 days	842	5,333
61-90 days	305	5,879
91-120 days	118	943
Over 120 days	6,411	1,923
Total	30,908	87,080

10. SHARE CAPITAL

	Number of shares	Amount
	unaudited	unaudited HK'000
Authorised		
At 1st April 2000	900,000,000	90,000
Increase in authorized share capital approved on the SGM date 17th July 2000	5,100,000,000	510,000
At 30th September 2000	6,000,000,000	600,000

A. Ordinary Shares

	Number of shares	Amount
	unaudited	unaudited HK'000
Issued and fully paid:		
At 1st April 2000	498,587,574	49,859
Shares issued upon subscription by Luckman Trading Limited	607,396,000	60,740
Shares issued upon subscription by Ontario Municipal Employees Retirement System ("OMERS")	27,852,389	2,785
Shares issued upon exercise of warrants	69,334,883	6,933
Shares issued upon the exercise of share options	75,000	8
At 30th September 2000	1,203,245,846	120,325

B. Preference Shares

	Number unaudited	Amount unaudited HK\$'000
Issued and partly paid:		
As at 1st April 2000	—	—
Issue of new shares partly paid by Luckman Trading Limited	1,291,486,908	82,500
As at 30th September 2000	1,291,486,908	82,500
Total	1,291,486,908	202,825

FINANCIAL REVIEWS

The financial position of the Group is healthy with a net cash balance of HK\$772 million as at 30th September 2000. This included the proceeds from (i) subscription of 607,396,000 new shares of the Company by Luckman Trading Limited, the existing major shareholder, at HK\$0.6388 per share, (ii) subscription of 27,852,389 new shares of the Company by OMERS at HK\$2.13 per share and (iii) exercising of the subscription rights attaching to the 2000 warrants at HK\$0.40 per share.

The only bank loan outstanding as at 30th September 2000 for the amount of HK\$4.4 million was repaid in November 2000.

REVIEW ON OPERATIONS

(i) Trading

During the period under review, distribution of brand name photographic products continued to be one of the core businesses of the Group. The turnover was approximately HK\$181 million, representing a decline of 46% from the same period in last year. The decrease was mainly resulted from the discontinuation of trading and distributing of "Kodak" and "Ricoh" branded products in PRC. The Group has concentrated the resources to distribute products with higher margin such as Nikon photographic products and Gucci watches. Gucci watches is a new product line introduced to the Group in September 2000. The turnover of Nikon products has a double digit growth compared with the same period last year.

(ii) Joint Venture in Shandong

Background:

On 25th September 2000, the Company entered into an agreement with Sanlian Group, a leading provider of broadband technology and information service in Shandong, and China Shandong Group Limited, a window company of Shandong provincial government in Hong Kong, pursuant to which a new joint venture will be established in Shandong (the "Joint Venture"). The Group will have a 40% interest in the Joint Venture whose businesses are to develop fiber-optic broadband technologies and consulting services, to develop technologies and products for the use of Beelink.com, the country's first broadband multimedia portal developed and built by Sanlian Group, and to provide comprehensive technical support to Sanlian Group.

Application for the establishment of the Joint Venture is underway and is expected to complete before the end of the year.

Market size:

The existing network of Beelink.com currently covers 70% of Jinan city, providing 10Mbps, 100Mbps and 155Mbps dedicated broadband connection to both personal and business users (the "Network"). The number of registered users of the Network has already reached 8,000, representing 30% of Jinan city's internet users. The Network will further extend to other cities in Shandong namely Qingdao, Yan Tai, WeiFang, WeiHai and DongYing.

Business direction:

The Joint Venture will be positioned as a leader in the provision of quality broadband internet technology and e-commerce services in the PRC. In addition to the continued extension of the Network, the Joint Venture will also develop B2B applications and solutions, online transactions and payment facilities and other e-commerce services for the business community, leveraging on the Joint Venture partner's position as one of the largest private enterprises in China.

(iii) Disposal of non-core asset

The Group is aggressively attempting to dispose of its non-core asset. For the investment in the unconsolidated subsidiary, Arland International Limited which holds 50% stake in a joint venture in Sichuan, the Group has resumed discussions with the joint venture partner to seek cooperation possibilities.

(iv) Investment in listed securities

The performance on the listed securities in Hong Kong was less than satisfactory due to the unfavourable market conditions. The Board has decided to write down the long-term investment in listed securities to the market value as at 30th September 2000. The short-term investment in listed securities has been valued at market value for both the period ended 30th September 2000 and the year ended 31st March 2000.

FUTURE PLAN AND PROSPECTS

The Group operates with a strategic long-term vision to mind. China's entry into the World Trade Organization presents an ideal opportunity to grow the Group's business, with tremendous economic advantages in a range of industries. By utilizing its metropolitan broadband technology platform, the Group will focus on four mutually beneficial business areas, namely Broadband Services and Technology, Media and Information Services, Education and Financial Services.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September 2000, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate the Company is not, or was not for any part of the six months ended 30th September 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Company has set up an Audit Committee. All of the members of the Committee are independent non-executive Directors.

By Order of the Board
Global China Technology Group Limited
Ho Tsu Kwok, Charles
Chairman

Hong Kong, 7th December 2000

* For identification purpose only