



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 MONTH ENDED 30TH SEPTEMBER 2001

The Board of Directors ("The Board") of Global China Technology Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2001 together with comparative figures for the corresponding period in 2000.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2001

	Notes	Six months ended 30th September	
		2001 Unaudited HK\$'000	2000 Unaudited HK\$'000
TURNOVER	2	720,059	181,382
Cost of sales		(478,067)	(155,985)
Gross profit		241,992	25,397
Other revenue		7,945	15,663
Restructuring costs	3	(12,823)	—
Distribution costs		(94,523)	(13,719)
Administrative expenses		(178,104)	(17,864)
Other operating expenses		(24,456)	(16,293)
LOSS FROM OPERATING ACTIVITIES	4	(59,969)	(6,816)
Finance costs		(272)	(227)
Loss on disposal of a subsidiary		—	(4,469)
Share of profits and losses of:			
Jointly controlled entities		(4,155)	—
Associates		(87)	(765)
LOSS BEFORE TAX		(64,483)	(12,277)
Tax	5	(12,498)	(481)
LOSS BEFORE MINORITY INTERESTS		(76,981)	(12,758)
Minority interests		8,811	112
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(68,170)	(12,646)
Loss per share	6		
— basic (HK cents)		(4.83)	(1.66)
— diluted		N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The unaudited interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31st March 2001, except that the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the Balance Sheet Date
SSAP 28:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29:	Intangible Assets
SSAP 30:	Business Combinations
SSAP 31:	Impairment of Assets
SSAP 32:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

2. Segment information

	Turnover		Contribution to loss from operating activities	
	Six months ended 30th September		Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Sales of photographic products	69,233	179,014	1,396	(8,930)
Newspaper publishing	393,953	—	(55,494)	—
Commercial printing	247,536	—	41,703	—
Property holding	5,207	—	(1,222)	—
Others	4,130	2,368	(13,588)	237
	720,059	181,382	(27,205)	(8,693)
Interest Income	—	—	6,189	13,540
Corporate overheads	—	—	(38,953)	(11,663)
	720,059	181,382	(59,969)	(6,816)
By geographical area of operations:				
Hong Kong, Macau and mainland China	563,525	181,382	(58,830)	(6,816)
North America	126,846	—	(2,990)	—
Australia and New Zealand	14,692	—	(195)	—
Europe	14,996	—	2,046	—
	720,059	181,382	(59,969)	(6,816)

3. Restructuring Costs

The Group incurred a total cost of HK\$12,823,000 (2000: Nil) for a series of restructuring exercise to streamline its newspaper publishing operations among which include the re-positioning of Hong Kong iMail into a newspaper focusing on financial news in Greater China Region.

4. Loss from operating activities

Operating loss is arrived at after crediting and charging the following:

	Six months ended 30th September	
	2001 Unaudited HK\$'000	2000 Unaudited HK\$'000
Crediting		
Dividend income from listed investments	85	338
Gain on disposal of short term investment	931	187
Interest Income	6,189	13,540
Rental Income	131	78
Service fee income and others	609	1,520
Charging		
Amortisation of goodwill	208	—
Depreciation	20,633	759
Loss on disposal of fixed asset, net	112	—
Loss on changes in fair value of short term investments, net	12,374	5,636
Operating lease rental in respect of:		
Land and buildings	5,454	—
Other equipment	931	—
Provision for loss on disposal of fixed assets	—	10,657

5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th September	
	2001 Unaudited HK\$'000	2000 Unaudited HK\$'000
The People's Republic of China		
Hong Kong	5,551	481
Elsewhere	27	—
Elsewhere	8,507	—
Overprovision in prior years	(1,310)	—
Deferred tax	(583)	—
Share of tax attributable to: Jointly controlled entities	306	—
Tax charge for the period	12,498	481

6. Loss per share

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$68,170,000 (2000: HK\$12,646,000) and the weighted average of 1,412,531,918 (2000: 759,839,737) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30th September 2001 has not been presented as there is no dilutive effect on the basic loss per share when the figure has been rounded to two decimal places.

For the six months ended 30th September 2000, no diluted loss per share was presented as the outstanding warrants, share options and convertible preference shares had anti-dilutive effect.

7. Interim dividend

No interim dividend is proposed for the six months ended 30th September 2001 (2000: Nil)

8. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

FINANCIAL REVIEW

Liquidity and financial resources, capital structure, charges on Group's asset.

The Group continued to maintain a healthy financial position with low level of borrowings. The Group, including its key-operating unit, Sing Tao Holdings Limited, was in net cash position. As at 30th September 2001, the Group held cash and bank balances of HK\$332 million, bank borrowings of HK\$11 million and available banking facilities of HK\$285 million. HK\$212.2 million of the Group's assets was pledged to secure the bank borrowings and general banking facilities.

In June, the substantial shareholder of the Company, Luckman Trading Limited, exercised the subscription rights attached to the preference shares to convert 132,000,000 preference shares into ordinary shares of the Company. This raised approximately HK\$75.9 million for the Company.

Gearing ratio

The gearing ratio, defined as long-term borrowings to equity, was 1% as at 30th September 2001. (31st March 2001: Nil)

Investments

As at 30th September 2001, the Group had total investments of HK\$58 million, of which 79% was investment in listed securities in Hong Kong. Due to the downturn of the stock market in Hong Kong, the Group had made a provision of HK\$12.4 million for the loss on changes in fair value of investments.

Exposure to fluctuations in exchange rates

The Group had a limited exposure to foreign exchange fluctuations as the majority of purchases were denominated in Hong Kong dollars and US dollars and all the bank borrowings were in Hong Kong dollars. The Group also adopted a conservative treasury policy to minimise the foreign exchange risks.

Contingent liabilities

The Company had executed several guarantees in favor of banks in respect of general banking facilities granted to certain subsidiaries amounting to approximately HK\$130 million. As at 30th September 2001, these subsidiaries had not utilised any of the facilities.

OPERATIONS REVIEW AND PROSPECT

During the period under review, the Group continued to focus on the development of its core businesses, namely Broadband Technology and Services, Media and Information Services, Education and Corporate Training, as well as Financial Services. Significant progress has been made which helps to lay a solid foundation for the long-term development of the businesses.

Broadband Technology and Services

Good progress has been made in the development of advanced broadband technology and multimedia content services by Beelink Information Science and Technology Co., Limited ("Beelink"), a joint venture in Shandong Province, China.

By the end of September 2001, subscribers of Beelink's broadband services as compared to 30th June 2001 had increased by approximately 30% and was increasing at approximately 700 subscribers per month in Jinan City, as a result of a series of aggressive sales and marketing campaigns. Beelink will continue to enlarge its market share by expanding the subscription base and usage in new residential districts and business sectors. The enhancement of the network in partnership with Cisco Networks will enable further geographical expansion.

Beelink will also continue to strengthen its partnership with telecommunication operators, stock brokers and education institutions by developing added-value products and services, including SMS, online stock trading, distance education, and the provision of certificates of authenticity. In addition, Beelink is building its software development and system integration business with special focus on finance, tax and healthcare.

Media and Information Services

Sing Tao Holdings Limited ("Sing Tao")

The consolidated turnover for the period recorded a decline of 4% to HK\$64.5 million as compared to the prior corresponding period while operating losses increased to HK\$26 million. Loss attributable to shareholders, rose to HK\$35 million. This included a sum of HK\$13 million as part of the costs of a business restructuring and staff redundancy program in September.

Newspaper publishing operations

Turnover for the Hong Kong newspaper operations declined by 2% during the period under reviewed. The decline was mainly attributable to decrease in advertising income as a result of the general economic downturn in Hong Kong since early this year, which was further exacerbated by the 9-11 event.

Although the U.K. market registered modest growth in advertising income, the overall turnover from overseas newspaper publishing operations decreased by 5% as compared to the prior corresponding period. The climbing unemployment rate, weakening consumer confidence together with sluggish retail sales put pressure on the U.S. markets, Sing Tao's principal overseas markets

Commercial printing operations

The commercial printing operations posted 8% growth in operating profit to HK\$41.7 million despite a 7% decline in turnover to HK\$247.5 million during the interim period. Although Roman Financial Press Limited and Noble World Printing Company Limited were affected by the slow down in capital market activities in Hong Kong, South China Printing Company (1988) Limited's ("South China Printing") sales were impervious to the economic slow down in the U.S. and the U.K. By securing new customers and reducing costs, South China Printing was able to achieve a higher operating profit during the period.

Sing Tao is currently undertaking a series of restructuring exercises to streamline its operations including the redundancy of approximately 180 staffs which the potential annual cost savings is approximately HK\$50 million and the re-positioning of Hong Kong iMail into a newspaper focusing on financial news in the Greater China region. Such restructuring will enable Sing Tao to cost-effectively exploit an underserved segment within the English-language newspaper market.

With the gradual opening up of the media market in the PRC, Sing Tao Daily and Hong Kong iMail are also in an excellent position to expand its reach and advertiser base. Foundation is being laid for Sing Tao's development in China with several new initiatives being actively pursued.

Xinhuaonline

May 2001 saw the establishment of Xinhua Online Info-tech Company Limited ("XOL"), a joint venture with the China Economic Information Services ("CEIS"), a subsidiary of Xinhua News Agency. This was followed by the official launch of Xinhuaonline in Beijing on 16th July 2001. XOL specializes in providing value-added China business information and market intelligence to the Mainland and overseas customers.

With China's entry into the World Trade Organization and the rapid pace of globalization, demand for value-added information, both locally and internationally is bound to surge. In view of this, the media and financial industries have been identified as the main focus of XOL's product development efforts during the initial stage of its launch. Authoritative financial reports including competitive analysis, investment reports, finance and economics briefings are also being developed for sale to international wires, including Dow Jones and Reuters.

XOL has established a strategic partnership with Reuters to exchange content and distribute products. Leveraging on the strong reputation and distribution network of Reuters, XOL is already developing new overseas markets and channels.

Solid Progression in Software Development

A further step in developing software business has been made after the formation of the joint venture, Liancheng Hudong Software Co. Ltd. ("Liancheng Hudong") in August 2001. Liancheng Hudong is one of the first Customer Relationship Management ("CRM") software providers in Zhong Guan Cun, Beijing.

The latest version of the company's product, "My CRM for SFA", was released in May 2001, targeting the enterprise market. In order to capture the booming CRM market in China, Liancheng Hudong expanded its sales force from Beijing to Shanghai in August 2001.

In September, the Group established its own software development company in Beijing, 北京泛華通軟件科技有限公司, to complement the Group's four core businesses.

Education and Corporate Training, Financial Services

The Group is pursuing opportunities in the areas of Education and Corporate Training as well as Financial Services. Negotiations are now underway and announcements will be made as soon as they are finalized.

Trading

During the period under review, trading of photographic products in China continued to face keen competition. In order to better co-ordinate the distribution of our products, representative offices have been set up in Beijing, Shanghai and Chengdu. Senior staffs have been recruited to further support and strengthen marketing and the operations of these offices. Moreover, there was a reallocation of resources to focus on products with higher profit margin, such as Nikon photographic products, while trading of low margin products has ceased. This resulted in a drop in trading turnover of 61% to HK\$69 million which represented 9.6% of total Group's turnover.

Material acquisition and disposals

During the period under review, there was no material acquisition or disposal of any subsidiary, associate or joint venture of the Group.

Employees

As at 30th September 2001, the Group excluding Sing Tao employed 75 staffs, including 21 staffs in China and 54 staffs in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

In the opinion of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at annual general meeting in accordance with the Company's bye-laws.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee had reviewed with management of the Company the accounting principles, accounting standards and discussed matters relating auditing, internal controls and financial reporting, including unaudited condensed consolidated financial statements for the six months ended 30th September 2001.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

The Company will submit a CD Rom to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") before 31st December 2001 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules for publication on the Stock Exchange website.

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

Hong Kong, 19th November 2001

* For identification purpose only