

3rd
Quarterly
Report

第三季
業績報告

2003



GreaterChina
Technology Group Limited
大中華科技(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), we hereby present the quarterly unaudited results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the three months and nine months ended 30th April, 2003.

Since November 2001, the Group has expanded its business by producing a range of health supplements with the usage of Traditional Chinese Medicine ("TCM") and Chinese herbs by applying pharmaceutical scientific techniques to TCM remedies. As research and development play a major role in the exploration of TCM, the Group utilises its advanced biotechnology and the support of renowned academic establishments in the Chinese medicinal field to ensure the consistent efficacy of its products and to maintain the stability of the products' chemical ingredients, with a view to ascertain that the products are of higher quality standard than most traditional Chinese medicine.

The mission of the Group is to become a leader in producing TCM health supplements, by using TCM-based ingredients, Western biotechnology and maintaining high international standards by manufacturing under the USA GMP (Good Manufacturing Practice).

The Group is intensely engaged in the study of Proteomics which enables the detection of abnormalities for protein profile in diseases and tissues and apply a TCM/fungal methodology to identify and treat certain life threatening diseases such as leukemia, renal cancer, pancreatic cancer, liver cancer and other genetic diseases in which they are unique in this part of Asia Pacific Region.

During the nine months ended 30th April, 2003, the Group has further diversified its business into the operation of a pharmaceutical manufacturing plant in the People's Republic of China (the "PRC"). In this regard, the Directors consider that the production facilities and the existing product lines of this pharmaceutical manufacturing plant are of such standard as may complement the business development plan of the Group. After the acquisition, having such a strategic and co-operative partner, the Group has fully complied with a vertical integration of its business model, research and product development through its own Chinese Medicinal Fungal ("CMF") Proteomics Laboratory, its manufacturing and processing in the pharmaceutical plant in the PRC and its distribution network in Hong Kong, the PRC and worldwide. Hence, the Group has positioned itself as a leader in this cutting-edge technology in both Chinese herbal and western medicine, broaden its revenue and business base and increase the growth potential and thus enhance the shareholders' worth.

FINANCIAL REVIEW

For the three months ended 30th April, 2003 under review, the Group recorded a total revenue of HK\$6 million of which HK\$5.3 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products, medicine and related services, HK\$0.1 million from advisory and consultation services and HK\$0.6 million from interest income and other sundries. For the comparative figures in the corresponding period in last year, the Group earned a total revenue of HK\$9.6 million of which HK\$0.3 million was contributed from advertising income, HK\$3.7 million from advisory and consultation services and HK\$2.7 million from sales of nutraceutical Chinese herbal products and HK\$2.9 million from interest income and other sundries. Decrease in the overall revenue was due to the completion of various consultation services. Furthermore, additional expenses were incurred which mainly comprised advertising and brand-building expenses of HK\$3.3 million, amortisation costs on intangible assets of HK\$1.2 million, expenses of HK\$3.4 million in relation to Guangdong Jianlibao Pharmaceutical Co., Ltd., a pharmaceutical production and distribution equity joint venture registered in the PRC acquired by the Group in January, 2003, thus resulting in a net loss of HK\$9.4 million for the three months ended 30th April, 2003 as compared to a net profit of HK\$0.6 million in the corresponding period in last year.

BUSINESS REVIEW

The Group is currently engaged in the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine, Chinese herbs, western medicine and healthcare products. During the nine months ended 30th April, 2003, the Group has expanded its business into the operation of a pharmaceutical manufacturing plant, thus completed a vertical integration on the entire business.

During the nine months ended 30th April, 2003, the Company has achieved the following objectives:

- **RESEARCH & PRODUCT DEVELOPMENT:**
 1. Successful setting up of a research and development laboratory – Chinese Medicinal Fungal (CMF) Proteomics Laboratory;
 2. Collaboration with the Chinese University of Hong Kong, Prince of Wales Hospital in the Study of Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps;

3. Collaboration with the Chinese University of Hong Kong, Chinese Medicinal Fungal (CMF) Proteomics Laboratory in the Study of Anti-Tumor Activities of HERBSnSENSES™ Cordyceps Polysaccharides Platinum;
 4. Completed product development of the LINGZHI and POLYSACCHARIDES SERIES;
 5. Contributed a Multi-Fluorescence FACSCalibur Flow Cytometer to the Chinese University of Hong Kong for clinical service and research related to SARS; and
 6. Acquired the state-of-the-art medical equipment “Solid Phase Peptide Synthesiser” to perform biophysical assays on characteristics of the structural and functional relationship among the SARS viral peptides and antibodies.
- OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:
 1. Expanded its business into the operation of a pharmaceutical manufacturing plant and distribution of western medicine in the PRC; and
 2. Conducted feasibility studies on setting up the injection medicine manufacturing plant with Good Manufacturing Practice (GMP) quality and distribution of injection medicine in the PRC.
 - DISTRIBUTION OF HERBAL PRODUCT:
 1. Successful brand-building of HERBSnSENSES™;
 2. Official launching of the Group’s first flagship herbal product HERBSnSENSES™ Cordyceps in both Hong Kong and the US markets;
 3. Marketing and distribution of HERBSnSENSES™ Cordyceps via our websites www.herbsnsenses.com, www.senseshop.com and other healthcare distribution channels;
 4. Obtaining licenses and health regulatory approval in the PRC; and
 5. Exhibitions in Germany and Japan.

FUTURE PLANS AND DEVELOPMENT

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

- **RESEARCH & PRODUCT DEVELOPMENT:**
 1. Research and development in the search of value added therapeutic products to advance and enhance the Group's Cordyceps product range;
 2. Research and development on other TCM product lines, including nutraceutical, herbal and pharmaceutical product lines, either in cooperation with external research institutions or in-house;
 3. With the Proteomics research, we have targeted to identify 20,000 groups of proteins to set up a "Human Disease Proteoms" database;
 4. Discovery of protein-based marker and drug for diagnostic and therapeutic treatment;
 5. Commencement of human clinical trial on Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps conducted at Prince of Wales Hospital;
 6. Develop a biologically active synthetic peptide based vaccine to cure infection or disease caused by SARS Coronavirus; and
 7. Collaboration with local and foreign institutions and universities in the field of research and clinical trials.

- **OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:**
 1. Feasibility studies in relation to the setting up of an international Good Manufacturing Practice (GMP) facility in the existing PRC plant;
 2. Reinforce the brand-awareness of its existing pharmaceutical products and expand its distribution network in the PRC market;
 3. Obtain licenses and health regulatory approval on some of its western medicinal formula in the PRC;

4. Setting up a manufacturing plant for HERBSnSENSES™ Cordyceps and other product series for the distribution in the PRC;
 5. Setting up injection production lines in the PRC to broaden the product diversity;
 6. Establishing strategic partnership to increase the income source; and
 7. Enhance its existing research and development center to upgrade into a more innovative, state-of-the-art laboratory.
- **DISTRIBUTION OF HERBAL PRODUCT:**
 1. Official launching of HERBSnSENSES™ Cordyceps, HERBSnSENSES™ Lingzhi, HERBSnSENSES™ Polysaccharides in Hong Kong, the PRC, the USA and Europe;
 2. Obtaining licenses and health regulatory approval in the PRC, Malaysia, Singapore, Thailand, Indonesia, Philippines, Japan and Korea;
 3. Commencement of regular seminars on health issues in Hong Kong and the PRC; and
 4. Exhibitions and promotions in Japan, Europe, Korea, the USA and Hong Kong.

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

10th June, 2003

UNAUDITED CONSOLIDATED 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 three months and nine months ended 30th April, 2003 together with the comparative unaudited consolidated results for the corresponding periods in 2002 as follows:

	Notes	For the three months ended 30th April,		For the nine months ended 30th April,	
		2003 (unaudited) HK\$	2002 (unaudited) HK\$	2003 (unaudited) HK\$	2002 (unaudited) HK\$
Turnover	3	5,344,399	6,593,704	11,486,559	21,367,212
Cost of sales		(1,258,768)	(1,292,172)	(2,993,210)	(5,125,921)
Gross profit		4,085,631	5,301,532	8,493,349	16,241,291
Other operating income		684,050	2,959,342	3,724,831	13,055,150
Administrative and other operating expenses		(14,191,159)	(5,826,692)	(42,980,477)	(19,135,831)
Profit (loss) from operations		(9,421,478)	2,434,182	(30,762,297)	10,160,610
Finance costs		(339,726)	(1,877,738)	(1,431,757)	(8,397,413)
Profit (loss) before taxation		(9,761,204)	556,444	(32,194,054)	1,763,197
Taxation	4	-	-	-	-
Profit (loss) before minority interests		(9,761,204)	556,444	(32,194,054)	1,763,197
Minority interests		321,124	-	469,036	-
Net profit (loss) attributable to shareholders		(9,440,080)	556,444	(31,725,018)	1,763,197
Profit (loss) per share	5				
Basic		(1.16 cents)	0.08 cents	(4.32 cents)	0.26 cents
Diluted		N/A	N/A	N/A	N/A

Notes:

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are the research and development, manufacturing, marketing and distribution of traditional Chinese medicine, western medicine and healthcare products. The Group is also engaged in the provision of on-line content and the provision of portal development and information technology advisory and consultation services.

2. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. Turnover

The Group's turnover for three months and nine months ended 30th April, 2003, analysed by principal activity were as follows:

	Three months ended 30th April,		Nine months ended 30th April,	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Advertising	-	255,000	-	2,565,333
Advisory services	81,900	3,692,193	838,383	10,319,466
Sales of pharmaceutical and healthcare products	5,262,499	2,646,511	10,648,176	8,482,413
	<u>5,344,399</u>	<u>6,593,704</u>	<u>11,486,559</u>	<u>21,367,212</u>

Sales of pharmaceutical and healthcare products of HK\$2.8 million and related cost of sales for the nine months ended 30th April, 2002 have been reclassified to other operating income as commission income in conformity to the current period's presentation.

4. Taxation

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the three months and nine months ended 30th April, 2003.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

5. Profit (loss) per share

The calculation of the basic profit (loss) per share is based on the net loss for the three months and nine months ended 30th April, 2003 of HK\$9,440,080 and HK\$31,725,018, respectively (the three months and nine months ended 30th April, 2002: profit of HK\$556,444 and profit of HK\$1,763,197 respectively) and on the weighted average of 813,696,000 and 733,921,882 shares in issue during the three months and nine months ended 30th April, 2003, respectively (the three months and nine months ended 30th April, 2002: 678,080,000 shares). No diluted profit (loss) per share has been presented because the effect of exercising an option to subscribe for additional share of the Company is anti-dilutive.

MOVEMENT OF RESERVES

There have been no movements in the reserves of the Group during the period from 1st August, 2002 to 30th April, 2003, except for the increase in share premium of HK\$36,616,320 (1st August, 2001 to 30th April, 2002: nil) arising from issue of shares of the Company as partial consideration in the acquisition of a subsidiary in January 2003, the decrease in investment revaluation reserve of HK\$11,739,200 (1st August, 2001 to 30th April, 2002: nil) and the net loss of HK\$31,725,018 (1st August, 2001 to 30th April, 2002: net profit of HK\$1,763,197).

QUARTERLY DIVIDEND

The directors do not recommend the payment of quarterly dividend for the period from 1st February, 2003 to 30th April, 2003 (1st February, 2002 to 30th April, 2002: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 30th April, 2003, the interests of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and the associated corporation disclosed pursuant to section 352 of the Securities and Futures 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	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 1st August, 2002	Cancelled	Outstanding as at 30th April, 2003
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	16,000,000
	4th June, 2002	0.234	51,808,000	-	51,808,000
Mr. Kam Shing	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
Dr. Lau Lap Ping	19th April, 2002	0.234	1,000,000	-	1,000,000
Mr. Mak Shiu Chung, Godfrey (Resigned)	19th December, 2000	0.218	7,500,000	-	7,500,000
	19th April, 2002	0.234	5,000,000	(5,000,000)	-
Mr. Heng Kwoo Seng (Resigned)	19th April, 2002	0.234	1,000,000	(1,000,000)	-
Ms. Lau Siu Kuan, Vivian (Resigned)	19th April, 2002	0.234	1,000,000	(1,000,000)	-

Options in China Rich Holdings Limited

Name of director	Date of grant	Exercise price HK\$	Number of share options
			outstanding as at 1st August, 2002 and 30th April, 2003
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

Notes:

1. The exercise prices are adjustable in accordance with the provisions of the share option scheme.
2. No options were granted or exercised during the period.

Other than as disclosed above, none of the directors and chief executives had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be recorded in the register pursuant to section 352 of the Securities and Futures Ordinance, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules.

Other than as disclosed above, no person other than as disclosed above had interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register pursuant to section 336 of the Securities and Futures Ordinance.

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 executives, 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.

SHARE OPTIONS SCHEMES

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 authorised to grant options to employees of the Company or its subsidiaries, including executive directors of such companies, 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 20th February, 2010.

As at 30th April, 2003, options to subscribe for an aggregate of 26,300,000 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 period from 1st August, 2002 to 30th April, 2003.

On 8th April, 2002, the Company passed an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the "Revised Scheme") for the primary purpose of providing incentive to the full time employees and directors of the Company and other eligible participants in compliance with the amended Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (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. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. Options granted under the Revised Scheme will entitle the holder to subscribe for shares from the date of grant up to 18th April, 2012. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

During the nine months period ended 30th April, 2003, no options were granted or exercised. 14,000,000 options were cancelled during the nine months ended 30th April, 2003.

Details of the outstanding share options are as follows:

Number of share options	Date of grant	Exercise price per share HK\$	Exercise period
26,300,000 (note 1)	19th December, 2000	0.218	From date of grant or first anniversary date of employment to 20th February, 2010
9,600,000 (note 2)	19th April, 2002	0.234	From date of grant to 18th April, 2012
51,808,000 (note 2)	4th June, 2002	0.234	From date of grant to 18th April, 2012

Notes:

- (1) 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.
- (2) The closing price of the Company's shares and the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately before 19th April, 2002, the date of grant, were HK\$0.23 and HK\$0.234 respectively.

SUBSTANTIAL SHAREHOLDERS

As at 30th April, 2003, the register of substantial shareholders maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance disclosed 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
China Global Gains Investment Limited	135,616,000

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, 2003.

COMPETING INTERESTS

For the period from 1st August, 2002 to 30th April, 2003, 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. 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 Company has complied with Rule 5.23 of the GEM Listing Rules throughout the period from 1st August, 2002 to 30th April, 2003 except there was one independent non-executive director from the period from 31st December, 2002 to 16th March, 2003. The Company obtained a waiver to Rule 5.23 and re-complied with Rule 5.23 of the GEM Listing Rules on 17th March, 2003. 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.

The audit committee has already reviewed the Group's unaudited results for the three months ended 30th April, 2003.

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, 2002 to 30th April, 2003.