

# Quarterly Report 2003

For the period

from 1st August, 2003

to 31st October, 2003

由二零零三年八月一日

至二零零三年十月三十一日

之季度報告



**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 report, 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 report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### **香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）之特色**

創業板乃為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往溢利記錄，亦毋須預測未來溢利。此外，在創業板上市之公司可因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市之公司屬新興性質，在創業板買賣之證券可能會較在聯交所主板買賣之證券承受較大之市場波動風險，同時無法保證在創業板買賣之證券會有高流通量之市場。創業板發佈資料之主要方法為在聯交所為創業板而設之互聯網網頁上刊登。上市公司毋須在憲報指定報章刊登款公佈披露資料。因此，有意投資之人士應注意，彼等須閱覽創業板網頁，方可取得創業板上發行人之最新資料。

香港聯合交易所有限公司對本報告之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本報告全部或任何部份內容而產生或倚賴該等內容而引致之任何損失承擔任何責任。

本報告包括之資料乃遵照聯交所《創業板證券上市規則》（「創業板上市規則」）之規定而提供有關大中華科技（集團）有限公司之資料。大中華科技（集團）有限公司各董事願就本報告共同及個別承擔全部責任，並在作出一切合理查詢後確認，就彼等所知及所信：(1) 本報告所載之資料在各重大方面均屬準確完整，且無誤導成份；(2) 本報告並無遺漏其他事實致使本報告所載任何內容產生誤導；及(3) 本報告所表達之一切意見乃經審慎周詳考慮後始行發表，並以公平合理之基準及假設為依據。

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), we hereby present the quarterly results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the three months period ended 31 October 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 through the establishment of the Chinese Medicinal Fungal ("CMF") – Proteomics Laboratory, a collaboration with the Department of Biology, Chinese University of Hong Kong. This study of Proteomics 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.

In view of the outbreak of the mysterious illness Severe Acute Respiratory Syndrome (SARS) in the early months of 2003, our Group, through our CMF – Proteomics Laboratory had participated in the analysis of the protein structure of SARS and conducted a series of studies on fungal proteins. Our goal was to develop a biologically active synthetic peptide based vaccine. In August 2003, our study "Development of a synthetic vaccine from SARS coronavirus and method of use" was granted a provisional patent license by the United States Patent and Trademark Office.



The Group has further diversified its business by acquiring an 80% interest in 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

### Segment Information

For the three months period ended 31 October 2003 under review, the Group recorded a total revenue of HK\$4.5 million, of which HK\$1.3 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$0.8 million from advisory and consultation services and HK\$2.4 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\$5.2 million, of which HK\$2.6 million was generated from the sale of nutraceutical Chinese herbal products, HK\$0.6 million arose from portal development and information technology advisory and consultation services and HK\$2.0 million arose from interest income and other sundries.

Decrease in the overall revenue was due to the decrease in sales of nutraceutical products because of market stagnancy following the outbreak of SARS. Under the economic downturn, additional expenses were also incurred which mainly attributable to loss on investment of securities of HK\$18.7 million and share of loss of a jointly controlled entity of HK\$2.3 million. Except for the investment loss, the Group had significantly reduced the general and administrative expenses by approximately 50% under stringent financial control policy. The Group incurred a net loss of HK\$24.4 million for the three months ended 31 October, 2003 as compared to a net loss of HK\$8.7 million in the corresponding period in last year.

## **BUSINESS REVIEW**

The Group is continually 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 three months ended 31 October 2003, the Group has continued the vertical integration of the operation of the pharmaceutical manufacturing plant to the entire business.

During the three months period ended 31 October 2003, the Company has achieved the following objectives:

### ***RESEARCH & PRODUCT DEVELOPMENT:***

Conduct research and development at the Chinese Medicinal Fungal (CMF) Proteomics Laboratory;

Collaboration with the Chinese University of Hong Kong, Prince of Wales Hospital in the Study of Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps;

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;

Commencement of human clinical trial on Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps conducted at Prince of Wales Hospital;

Collaboration with the Chinese University of Hong Kong and Guangdong Provincial People's Hospital for clinical service and research related to SARS; and

Performing biophysical assays on characteristics of the structural and functional relationship among the SARS viral peptides and antibodies by using the state-of-the-art medical equipment "Solid Phase Peptide Synthesiser".



## ***OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:***

Continued business integration of a pharmaceutical manufacturing plant and distribution of western medicine in the PRC; and

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:***

Continued the brand-building of HERBSnSENSES™ via promotional activities such as holding seminars, distribution of newsletters and introduction of membership scheme;

Official launching of the Group's first flagship herbal product HERBSnSENSES™ Cordyceps Series in both Hong Kong and the US markets;

Marketing and distribution of HERBSnSENSES™ Cordyceps via our websites [www.herbsnsenses.com](http://www.herbsnsenses.com), [www.senseshop.com](http://www.senseshop.com) and expanding our scope of sphere into more healthcare distribution channels;

Obtaining licenses and health regulatory approval in the PRC; and

Preparation for the launching of new series of products – the LINGZHI and POLYSACCHARIDES SERIES;

## **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:***

Research and development in the search of value added therapeutic products to advance and enhance the Group's Cordyceps product range;

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;

With the Proteomics research, we have targeted to identify 20,000 groups of proteins to set up a "Human Disease Proteoms" database;

Discovery of protein-based marker and drug for diagnostic and therapeutic treatment;

Develop a biologically active synthetic peptide based vaccine to cure infection or disease caused by SARS Coronavirus; and

Collaboration with local and foreign institutions and universities in the field of research and clinical trials.

### ***OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:***

Feasibility studies in relation to the setting up of an international Good Manufacturing Practice (GMP) facility in the PRC;

Reinforce the brand-awareness of its existing pharmaceutical products and expand its distribution network in the PRC market;

Obtain licenses and health regulatory approval on some of its western medicinal formula in the PRC;

Setting up a manufacturing plant for HERBSnSENSES™ Cordyceps and other product series for the distribution in the PRC;

Setting up injection production lines in the PRC to broaden the product diversity;

Establishing strategic partnership to increase the income source; and

Enhance its existing research and development center to upgrade into a more innovative, state-of-the-art laboratory.

### ***DISTRIBUTION OF HERBAL PRODUCT:***

Official launching of HERBSnSENSES™ Cordyceps, HERBSnSENSES™ Lingzhi, HERBSnSENSES™ Polysaccharides in Hong Kong, the PRC, the USA and Europe;

Obtaining licenses and health regulatory approval in the PRC, Malaysia, Singapore, Thailand, Indonesia, Philippines, Japan and Korea;

Commencement of regular seminars on health issues in Hong Kong and the PRC; and

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.

**Kelly Cheng**

*Chairman and Chief Executive Officer*

Hong Kong, 29 October 2004

## 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 ended 31 October 2003 together with the comparative unaudited consolidated results for the corresponding period in 2002 as follows:

	Notes	For the three months ended 31 October,	
		2003 (Unaudited) HK\$	2002 (Unaudited) HK\$
Turnover	2	2,132,569	3,151,856
Cost of sales		(883,544)	(950,327)
Gross profit		1,249,025	2,201,529
Other revenue and gains	2	2,394,715	2,050,114
Administrative and other operating expenses		(25,377,406)	(12,329,283)
Loss from operation	3	(21,733,666)	(8,077,640)
Finance costs	4	(341,539)	(672,171)
Share of loss of a jointly controlled entity		(2,325,893)	-
Loss before taxation		(24,401,098)	(8,749,811)
Taxation	5	-	-
Net loss attributable to shareholders	6	<u>(24,401,098)</u>	<u>(8,749,811)</u>
Loss per share	6		
Basic		<u>3.0 cents</u>	<u>1.29 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of equity investments, which are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis.

## 2. TURNOVER, REVENUE AND GAINS

	For the three months ended 31 October,	
	2003 (unaudited) HK\$	2002 (unaudited) HK\$
<b>Turnover</b>		
Sale of goods	1,312,378	2,576,538
Rendering of services	820,191	575,318
	<u>2,132,569</u>	<u>3,151,856</u>
<b>Other revenue</b>		
Interest income	563,431	1,329,023
Income from the use of trademarks	1,041,667	-
Dividend income	616,438	721,091
	<u>2,221,536</u>	<u>2,050,114</u>
<b>Gains</b>		
Unrealised holding gain on investment in securities	173,179	-
	<u>173,179</u>	<u>-</u>
<b>Other revenue and gains</b>	<u>2,394,715</u>	<u>2,050,114</u>

### 3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/ (crediting):

	<b>For the three months ended</b>	
	<b>31 October,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Depreciation	388,659	654,205
Amortisation of intangible assets	-	718,750
Amortisation of website development costs	-	34,362
Amortisation of goodwill on acquisition of a jointly controlled entity	313,975	-
Research and development costs	<u>666,160</u>	<u>-</u>
Minimum lease payments under operating leases in respect of land and buildings	480,000	1,858,286
Auditors' remuneration	-	-
Staff costs including directors' remuneration:		
Salaries and other allowances	1,758,823	1,842,232
Pension scheme contributions	29,663	30,556
	<u>1,788,486</u>	<u>1,872,788</u>
Realised loss on investment in securities	18,674,037	965,741
Unrealised holding loss on short term investments	<u>-</u>	<u>653,918</u>

### 4. FINANCE COSTS

	<b>For the three months ended</b>	
	<b>31 October,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest on bank loans and overdrafts wholly repayable within five years	<u>341,539</u>	<u>672,171</u>

## 5. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the three months period ended 31 October 2003.

There was no significant unprovided deferred taxation during the three months period ended 31 October 2003.

## 6. LOSS PER SHARE

The calculation of basis loss per share is based on the net loss attributable to shareholders for the three months period ended 31 October 2003 of HK\$24,401,098 (2002: HK\$8,749,811) and the number of shares of 813,696,000 (2002: 678,080,000) in issue during the period.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the three months period ended 31 October 2003, they exerted no dilution effect on the basic loss per share for the three months period ended 31 October 2003. Diluted loss per share amount for the three months period ended 31 October 2002 has not been disclosed as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

## MOVEMENT OF RESERVES

There have been no movements in the reserves of the Group during the three months period ended 31 October 2003, except for the net loss recognized of HK\$24,401,098 (2002: HK\$8,749,811) and decrease in revaluation deficit on investment in securities of HK\$28,061,000.

## DIVIDEND

The directors do not recommend the payment of any dividend for the three months period ended 31 October 2003 (2002: nil).

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

As at 31 October 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

*Long positions in ordinary shares of the Company:*

Name of director owned	Number of shares held, capacity and nature of interest	Directly beneficially share capital	Percentage of the Company's issued
Ms. Cheng Kit Yin, Kelly		<u>44,046,020</u>	<u>5.4</u>

The interests of the directors in the share options of the Company and its associated corporations are separately disclosed under the section "Share Option Scheme" of this report.



In addition to the above, a director has non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed in the share option scheme under the section "Share Option Scheme" of this report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 October 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
China Rich Holdings Limited	258,451,559	32
China Global Gains Investment Limited	135,616,000	17

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief executives' interests in shares and options" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTIONS SCHEME

Pursuant to an ordinary resolution in writing of the sole shareholder of the Company passed on 21 February 2000, the Company adopted a 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 20 February 2010.

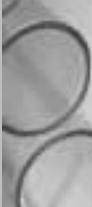


On 8 April 2002, the Company passed scheme an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the “Revised Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations in compliance with the amended Chapter 23 of the GEM Listing Rules. All the share options granted under the Old Scheme which remained outstanding on the date of termination of that scheme continue to be valid and exercisable in accordance with the provisions of that scheme.

Eligible participants of the Revised Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company’s subsidiaries. The Revised Scheme became effective on 18 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Revised Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Revised Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.



The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date of acceptance of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for grant of the option is made subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the period:

	Date of grant of share options	Exercise period of share options	Exercise price HK\$	Number of share options		
				At 1 August 2003	Cancelled during the period	At 31 October 2003
<i>Directors</i>						
Ms. Cheng Kit Yin, Kelly	19.12.2000	<i>note (i)</i>	0.218	16,000,000	-	16,000,000
	4.6.2002	4.6.2002-18.4.2012	0.234	51,808,000	-	51,808,000
Mr. Kam Shing	19.4.2002	19.4.2002-18.4.2012	0.234	1,000,000	-	1,000,000
Dr. Ngai Sai Ming	19.4.2002	19.4.2002-18.4.2012	0.234	5,000,000	-	5,000,000
Dr. Lau Lap Ping	19.4.2002	19.4.2002-18.4.2012	0.234	1,000,000	-	1,000,000
				<u>74,808,000</u>	<u>-</u>	<u>74,808,000</u>
<i>Other employees</i>						
In aggregate	19.12.2000	<i>note (i)</i>	0.218	2,800,000	-	2,800,000
	19.4.2002	19.4.2002-18.4.2012	0.234	2,600,000	(2,000,000)	600,000
				<u>5,400,000</u>	<u>(2,000,000)</u>	<u>3,400,000</u>
				<u>80,208,000</u>	<u>(2,000,000)</u>	<u>78,208,000</u>

*Note:*

- (i) The exercise period is from the vesting date to 20 February 2010. The share options are vested in different tranches and lapse when the grantee ceases to be employed by the Group.



At the balance sheet date, the Company had 78,208,000 share options outstanding under the Old Scheme and the Revised Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 78,208,000 additional ordinary shares of the Company and additional share capital of HK\$782,080 and share premium of HK\$17,217,792 (before issue expenses).

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

In the opinion of the directors, the Company complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period.

## **AUDIT COMMITTEE**

The Company's audit committee was formed on 17 March 2000 with written terms of reference in compliance with Rules 5.23 to 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. Following the resignation of Mr. Ha Shu Tong on 5 October 2004, the audit committee currently comprises the independent non-executive directors, Dr. Lau Lap Ping and Mr. Man Kong Yui.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

For the three months 31 October 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.

## **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 three months period ended 31 October 2003.

By order of the Board of  
**GreaterChina Technology Group Limited**  
**Kelly Cheng**  
*Chairman and Chief Executive Officer*

*Executive Director:*

Ms. Cheng Kit Yin, Kelly

*Non-executive Directors:*

Mr. Kam Shing

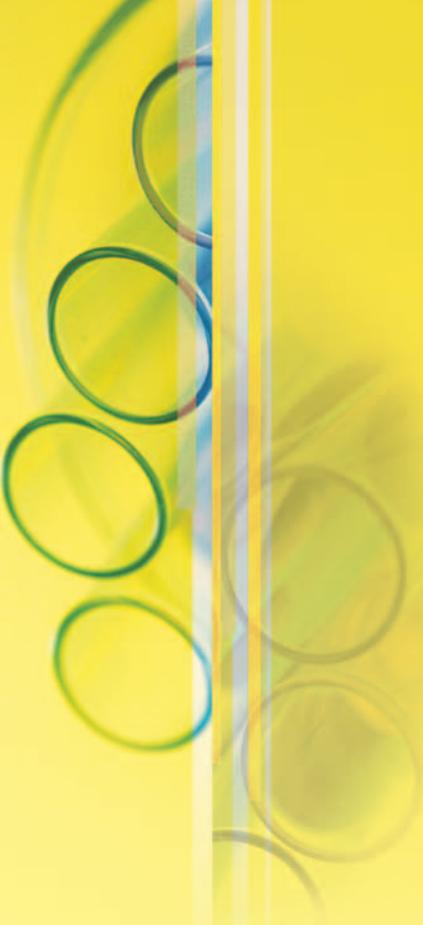
Dr. Ngai Sai Ming

*Independent non-executive Directors:*

Dr. Lau Lap Ping

Mr. Man Kong Yui

Hong Kong, 29 October 2004



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