

# Interim Report

中期業績報告

2004



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

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*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.*

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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之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，方可取得創業板上市發行人之最新資料。

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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 results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the six months period ended 31 January 2004 (the "Interim Period").

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. The 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.

After diversification of the Group's business by acquiring 80% interest in a pharmaceutical manufacturing plant in the People's Republic of China (the “PRC”), the business development plan of the Group are further enhanced by the production facilities and the existing product lines of this pharmaceutical manufacturing plant. 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 six months period ended 31 January 2004 under review, the Group recorded a total revenue of HK\$9.3 million, of which HK\$3.6 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$1.1 million from advisory and consultation services and HK\$4.6 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\$8.3 million, of which HK\$5.1 million was generated from the sale of nutraceutical Chinese herbal products, HK\$0.2 million arose from portal development and information technology advisory and consultation services and HK\$3.0 million arose from interest income and other sundries.

For the six months period under review, the revenue from sales of nutraceutical Chinese herbal products decreased as compared to the corresponding period last year because of the continued stagnancy of economy. However, other revenue was increased due to income received from the use of trademarks of HK\$1.9 million and gain on disposal of a subsidiary of HK\$1.1 million. Except for the loss of HK\$21.0 million on investment in securities due to the poor market condition for the six months period under review, the Group had successfully cut the general and administrative expenses by approximately 50% as compared to the corresponding period last year. The Group incurred net losses of HK\$7.7 million and HK\$32.1 million for the three months and six months ended 31 January 2004 respectively, as compared to net losses of HK\$13.6 million and HK\$22.3 million for the three months and six months ended 31 January 2003 respectively.

## OTHER FINANCIAL INFORMATION

On 9 December 2003, iCare Technology Limited (“iCare”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with a third party, whereby iCare disposed of its 60% interest in a subsidiary, Weston Investment Limited, for a cash consideration of HK\$0.3 million. The principal asset of Weston Investment Limited is its 75% interest in Beijing Weston Biological-technology Co., Limited. Weston Investment Limited had a deficiency in net assets of approximately HK\$0.8 million at the date of disposal. The disposal was completed on 13 December 2003. Except for the disposal of iCare, there was no material acquisitions and disposals of subsidiaries and affiliated companies during the period under review.

The current ratio of the Group was 1.9 as at the end of the Interim Period compared to 1.2 as at 31 July 2003. The gearing ratio, defined as the ratio of total borrowings to total assets, was 29.1% as at 31 January 2004 as compared to 29.5% as at 31 July 2003. The Group’s borrowings as at the end of the Interim Period comprised mainly short term loans and overdrafts, which amounted to HK\$59.6 million and are wholly secured by banks deposits. In view of the bank deposits and the credit facilities granted and the fact that the Group has no non-current liabilities for the period, the Directors consider the Group is in a healthy liquidity position.

Major currencies used for the Group’s transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the PRC government in relation to Renminbi is stable throughout the period, there was no significant currency exposure of the Group. Moreover, as the interest charges on the Group’s borrowings were based on the interest rates in respect of the Company’s deposits, the Group had no significant interest exposure.

As at the end of the Interim Period, the Group had operating lease commitments for various offices of the Group amounting to approximately HK\$0.4 million. Other than the aforementioned, there were no other significant capital commitments of the Group as at the period end date.

The Group employed 13 full time employees at 31 January 2004 (31 July 2003: 12). Remuneration of the staff comprised monthly salary, provident fund contributions, medical claims, education allowances and discretionary options issued based on their contribution to the Group. Details of the options scheme are provided in the relevant section.

Overall, the net assets value of the Group as at 31 January 2004 was HK\$140.3 million, equivalent to approximately HK\$0.17 per share.

## **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 six months ended 31 January 2004, the Group has continued the vertical integration of the operation of the pharmaceutical manufacturing plant to the entire business.

During the six months period ended 31 January 2004, 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, 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 near future, 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, 1 November 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 periods from 1 November 2003 to 31 January 2004 (the "Quarterly Period") and from 1 August 2003 to 31 January 2004 (the "Interim Period") together with the comparative unaudited consolidated results for the corresponding periods in 2003 as follows:

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2004 (Unaudited) HK\$	2003 (Unaudited) *(Restated) HK\$	2004 (Unaudited) HK\$	2003 (Unaudited) *(Restated) HK\$
Turnover	4	2,537,934	2,157,351	4,670,503	5,309,207
Cost of sales		(427,816)	(500,000)	(1,311,360)	(1,450,327)
Gross profit		2,110,118	1,657,351	3,359,143	3,858,880
Other revenue and gains	4	2,344,185	1,474,210	4,602,075	3,040,781
Administrative and other operating expenses		(10,268,470)	(15,728,362)	(35,509,051)	(27,574,102)
Loss from operation	6	(5,814,167)	(12,596,801)	(27,547,833)	(20,674,441)
Finance costs		(208,180)	(376,600)	(549,719)	(1,048,771)
Share of loss of a jointly controlled entity		(1,646,546)	(591,649)	(3,972,439)	(591,649)
Loss before taxation		(7,668,893)	(13,565,050)	(32,069,991)	(22,314,861)
Taxation	7	-	-	-	-
Net loss attributable to shareholders	8	(7,668,893)	(13,565,050)	(32,069,991)	(22,314,861)
Loss per share	8				
Basic		0.9 cents	1.9 cents	3.9 cents	3.2 cents
Diluted		N/A	N/A	N/A	N/A

## CONSOLIDATED BALANCE SHEET

At 31 January 2004

		31 January 2004 (Unaudited) HK\$	31 July 2003 (Audited) HK\$
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	9	3,111,314	3,719,018
Interest in a jointly-controlled entity	10	78,200,936	82,801,323
Long term investments	11	2,289,810	39,836,000
		<u>83,602,060</u>	<u>126,356,341</u>
<b>CURRENT ASSETS</b>			
Inventories		4,354,747	2,561,626
Trade receivables	12	2,663,773	1,943,600
Prepayments, deposits and other receivables	12	29,488,357	25,881,322
Short term investments		-	11,628,052
Pledged deposits		83,506,174	41,766,840
Bank balances and cash		1,502,597	4,023,690
		<u>121,515,648</u>	<u>87,805,130</u>
<b>CURRENT LIABILITIES</b>			
Bills payables		1,022,200	-
Other payables and accruals	14	5,178,687	10,051,748
Interest-bearing bank borrowings	15	58,625,758	63,188,669
		<u>64,826,645</u>	<u>73,240,417</u>
<b>NET CURRENT ASSETS</b>		<u>56,689,003</u>	<u>14,564,713</u>
		<u>140,291,063</u>	<u>140,921,054</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	8,136,960	8,136,960
Reserves	17	132,154,103	132,784,094
		<u>140,291,063</u>	<u>140,921,054</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2004

	For the six months ended 31 January	
	2004 (Unaudited) <i>HK\$</i>	2003 (Unaudited) *(Restated) <i>HK\$</i>
Total equity at 1 August	<b>140,921,054</b>	241,252,748
Increase of share capital and share premium	-	37,972,480
Increase/(decrease) in investment revaluation reserve	<b>31,440,000</b>	(6,856,000)
Net loss for the period	<b>(32,069,991)</b>	(22,314,862)
Total equity at 31 January	<b><u>140,291,063</u></b>	<b><u>250,054,366</u></b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2004

	For the six months ended 31 January	
	2004 (Unaudited) <i>HK\$</i>	2003 (Unaudited) *(Restated) <i>HK\$</i>
Net cash inflow/(outflow) from operating activities	<b>(25,095,283)</b>	33,896,349
Net cash inflow/(outflow) from investing activities	<b>88,750,108</b>	(35,173,890)
Net cash inflow/(outflow) from financing	<b>17,422,988</b>	<b>(1,048,771)</b>
Increase/(decrease) in cash and cash equivalents	<b>81,077,813</b>	(2,326,312)
Cash and cash equivalents at 1 August	<b>(8,717,630)</b>	13,851,663
Cash and cash equivalents at 31 January	<b><u>72,360,183</u></b>	<b><u>11,525,351</u></b>

\* Since the acquisition of the 80% interest in the pharmaceutical plant in the PRC and up to the date of this report, the pharmaceutical plant is in the process of changing its articles of association in order for the Group to obtain the formal board control in terms of the board representation. The pharmaceutical plant was accounted for as a subsidiary of the Group in the last year's interim report for the six months ended 31 January 2003. However, the approval of the change of the articles of association has not yet been obtained, therefore, the pharmaceutical plant in the PRC is accounted for as a jointly controlled entity in the Quarterly Period and Interim Period and the comparative unaudited consolidated results for the corresponding periods in 2003 are also restated.

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 have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are trading of Chinese herbal products, provision of portal development and information technology advisory services and consultation services, and provision of advertising services.

**2. BASIS OF PREPARATION**

The condensed unaudited consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

**3. PRINCIPAL ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31 July 2003.

In current period, the Group had adopted the following revised SSAP issued by the HKICPA which is effective for accounting periods commencing on or after 1 January 2003:

**SSAP 12 (revised): Income taxes**

This SSAP prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements are summarized as follows:

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future, SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying

amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (revised) has no material impact on the results for the current or prior accounting period.

#### 4. TURNOVER, REVENUE AND GAINS

	For the three months ended 31 January		For the six months ended 31 January	
	2004 (Unaudited) HK\$	2003 (Unaudited) (Restated) HK\$	2004 (Unaudited) HK\$	2003 (Unaudited) (Restated) HK\$
<b>Turnover</b>				
Sale of goods	2,262,256	1,976,186	3,574,634	4,552,724
Rendering of services	275,678	181,165	1,095,869	756,483
	<u>2,537,934</u>	<u>2,157,351</u>	<u>4,670,503</u>	<u>5,309,207</u>
<b>Other revenue</b>				
Interest income	248,147	764,615	811,578	2,093,638
Income from the use of trademarks	833,332	-	1,874,999	-
Dividend income	132,000	226,052	748,438	947,143
	<u>1,213,479</u>	<u>990,667</u>	<u>3,435,015</u>	<u>3,040,781</u>
<b>Gains</b>				
Unrealised holding gain on investment in securities	-	-	111,727	-
Gain on disposal of short term and long term investments	-	483,543	-	-
Gain on disposal of a subsidiary	1,055,333	-	1,055,333	-
Exchange gain	75,373	-	-	-
	<u>1,130,706</u>	<u>483,543</u>	<u>1,167,060</u>	<u>-</u>
Other revenue and gains	<u>2,344,185</u>	<u>1,474,210</u>	<u>4,602,075</u>	<u>3,040,781</u>



## 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the herbal products segment engages in the trading of Chinese herbal products;
- (b) the advisory services segment engages in the provision of portal development and information technology advisory services and consultation services; and
- (c) the advertising services segment engages in the provision of advertising services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

(a) **Business segments**

The following table presents revenue and results for the Group's business segment for the period from 1 August 2003 to 31 January 2004:

	Advertising services HK\$	Advisory services HK\$	Herbal products HK\$	Consolidated HK\$
SEGMENT REVENUE				
Turnover	<u>-</u>	<u>1,095,869</u>	<u>3,574,634</u>	<u>4,670,503</u>
SEGMENT RESULTS	<u>(5,364)</u>	<u>(358,594)</u>	<u>(2,698,965)</u>	<u>(3,062,923)</u>
Unallocated corporate expenses				<u>(24,484,910)</u>
Loss from operating activities				<u>(27,547,833)</u>
Finance costs				<u>(549,719)</u>
Share of loss of a jointly controlled entity				<u>(3,972,439)</u>
Loss before taxation				<u>(32,069,991)</u>
Taxation				<u>-</u>
Net loss from ordinary activities attributable to shareholders				<u><u>(32,069,991)</u></u>

The following table presents revenue and results for the Group's business segment for the period from 1 August 2002 to 31 January 2003 (restated):

	Advertising services HK\$	Advisory services HK\$	Herbal products HK\$	Consolidated HK\$
SEGMENT REVENUE				
Turnover	-	245,965	5,063,242	5,309,207
SEGMENT RESULTS	<u>(2,248,868)</u>	<u>(521,344)</u>	<u>(7,844,969)</u>	(10,615,181)
Unallocated corporate expenses				<u>(10,059,260)</u>
Loss from operating activities				(20,674,441)
Finance costs				(1,048,771)
Share of loss of a jointly controlled entity				<u>(591,649)</u>
Loss before taxation				(22,314,861)
Taxation				<u>-</u>
Net loss from ordinary activities attributable to shareholders				<u>(22,314,861)</u>

**(b) Geographical segments**

For the six months periods ended 31 January 2004 and 2003, all the Group's turnover was generated in Hong Kong.

## 6. LOSS FROM OPERATING ACTIVITIES

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

	For the three months ended 31 January		For the six months ended 31 January	
	2004 (Unaudited) HK\$	2003 (Unaudited) (Restated) HK\$	2004 (Unaudited) HK\$	2003 (Unaudited) (Restated) HK\$
Depreciation	328,801	660,511	717,460	1,314,716
Amortisation of intangible assets	-	741,398	-	1,460,148
Amortisation of website development costs	-	34,363	-	68,725
Amortisation of goodwill on acquisition of a jointly controlled entity	313,975	104,658	627,950	104,658
Research and development costs	52,000	-	718,160	-
Minimum lease payments under operating leases in respect of land and buildings	315,000	-	795,000	1,805,786
Auditors' remuneration	-	-	-	-
Staff costs including directors' remuneration:				
Salaries and other allowances	1,938,439	2,435,473	3,697,262	4,277,705
Pension scheme contributions	26,763	29,566	56,426	60,122
	<u>1,965,202</u>	<u>2,465,039</u>	<u>3,753,688</u>	<u>4,337,827</u>
Realised loss on investment in securities	2,391,756	-	21,065,793	482,197
Unrealised holding loss on short term investments	80,052	108,990	18,600	762,908

## 7. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the six months period ended 31 January 2004 (2003: Nil).

There was no significant unprovided deferred taxation during the six months period ended 31 January 2004.

## 8. LOSS PER SHARE

The calculation of basis losses per share are based on the net losses attributable to shareholders for the Quarterly Period and Interim Period of HK\$7,668,893 and HK\$32,069,991 respectively and on the weighted average number of shares of 813,696,000 in issue during the periods. The calculation of basis losses per share in the corresponding periods last year are based on the net losses attributable to shareholders for the three months and six months ended 31 January 2003 of HK\$13,565,050 and HK\$22,314,861 respectively and on the weighted average number of shares of 711,984,000 and 695,124,634 in issue in those periods respectively.

No diluted loss per share has been presented because the effect of exercising an option to subscribe for additional shares of the Company is anti-dilutive.

## 9. FIXED ASSETS

	Leasehold improvements HK\$	Plant and machinery under installation HK\$	Machinery and office equipment HK\$	Motor vehicle HK\$	Furniture and fixtures HK\$	Total HK\$
Cost:						
At 1 August 2003	2,821,250	4,794,175	8,263,759	200,000	318,051	16,397,235
Additions	-	-	109,756	-	-	109,756
At 31 January 2004	<u>2,821,250</u>	<u>4,794,175</u>	<u>8,373,515</u>	<u>200,000</u>	<u>318,051</u>	<u>16,506,991</u>
Accumulated depreciation and impairment:						
At 1 August 2003	2,697,721	4,794,175	4,897,565	16,667	272,089	12,678,217
Provided during the period	120,000	-	551,032	25,000	21,428	717,460
At 31 January 2004	<u>2,817,721</u>	<u>4,794,175</u>	<u>5,448,597</u>	<u>41,667</u>	<u>293,517</u>	<u>13,395,677</u>
Net book value:						
At 31 January 2004 (unaudited)	<u>3,529</u>	<u>-</u>	<u>2,924,918</u>	<u>158,333</u>	<u>24,534</u>	<u>3,111,314</u>
At 31 July 2003 (audited)	<u>123,529</u>	<u>-</u>	<u>3,366,194</u>	<u>183,333</u>	<u>45,962</u>	<u>3,719,018</u>

## 10. INTEREST IN A JOINTLY-CONTROLLED ENTITY

Details of the interest in a jointly-controlled entity, Jianlibao Pharmaceutical Co Ltd are as follows:

	<b>31 January 2004 (Unaudited) HK\$</b>	<b>31 July 2003 (Audited) HK\$</b>
Share of net assets	54,443,483	58,415,920
Goodwill on acquisition	<u>23,757,453</u>	<u>24,385,403</u>
	<u><b>78,200,936</b></u>	<u><b>82,801,323</b></u>

Operating results:

	<b>For the six months ended 31 January</b>	
	<b>2004 (Unaudited) HK\$</b>	<b>2003 (Unaudited) HK\$</b>
Turnover	<u><b>6,463,015</b></u>	<u><b>832,953</b></u>
Loss from ordinary activities before taxation	<u><b>4,965,549</b></u>	<u><b>739,561</b></u>
Loss from ordinary activities before taxation attributable to the Group	<u><b>3,972,439</b></u>	<u><b>591,649</b></u>

## 11. LONG TERM INVESTMENTS

	<b>31 January 2004 (Unaudited) HK\$</b>	<b>31 July 2003 (Audited) HK\$</b>
Listed equity securities in Hong Kong, at market value	<u><b>2,289,810</b></u>	<u><b>39,836,000</b></u>

## 12. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period 60 to 90 days to its trade customers. An aged analysis of the trade receivables as at the balance sheet date is as follows:

	31 January 2004 (Unaudited) HK\$	31 July 2003 (Audited) HK\$
0-60 days	1,877,062	636,965
61-90 days	310,723	53,020
Over 90 days	475,988	1,253,615
Trade debtors	2,663,773	1,943,600
Other receivables	3,355,880	2,796,761
Deposits for investment projects	21,139,148	2,000,000
Utility and other deposits	227,813	15,655,050
Prepayments	4,765,516	5,429,511
	<u>32,152,130</u>	<u>27,824,922</u>

## 13. AMOUNT DUE FROM RELATED COMPANIES

The amounts due from China Rich Holdings Limited and its subsidiaries (the "China Rich Group") are unsecured, non-interest bearing and have no fixed terms of repayment. Ms. Cheng Kit Yin and Mr. Kam Shing have beneficial interests in and are also directors of China Rich and certain of its subsidiaries.

## 14. CREDITORS AND ACCRUED CHARGES

Included in the balance sheet are trade creditors of HK\$5,178,687 (31 July 2003: HK\$10,051,748), which are aged less than 90 days.

## 15. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are secured by bank deposits and certain long term and short term investments of the Group.

## 16. SHARE CAPITAL

	31 January 2004 (Unaudited) HK\$	31 July 2003 (Audited) HK\$
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
813,696,000 ordinary shares of HK\$0.01 each	<u>8,136,960</u>	<u>8,136,960</u>

## 17. RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 31 July 2003 (audited)	394,291,209	(31,440,000)	(230,067,115)	132,784,094
Net loss for the year	-	-	(32,069,991)	(32,069,991)
Decrease in deficit on revaluation	-	31,440,000	-	31,440,000
	<u>394,291,209</u>	<u>-</u>	<u>(262,137,106)</u>	<u>132,154,103</u>
At 31 January 2004 (unaudited)	<u>394,291,209</u>	<u>-</u>	<u>(262,137,106)</u>	<u>132,154,103</u>

## 18. RELATED PARTIES TRANSACTIONS

Other than the amounts due from the China Rich Group as disclosed in note 13, the Group entered into the following transactions with the China Rich Group during the Interim Period:

- (i) The Group paid rental of HK\$495,000 (2003: HK\$1,073,000) to the China Rich Group. The charge is based on the areas occupied by the Group pursuant to the agreements entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.



- (ii) The Group paid an administrative service fee of HK\$547,920 (2003: HK\$924,520) to the China Rich Group. The fee is charged at a fixed monthly fee determined by directors based on estimated time spent by the staff of the China Rich Group on the affairs of the Group.
- (iii) The Group paid website development costs of HK\$240,000 (2003: HK\$360,000) to the China Rich Group pursuant to the agreement entered into between the parties dated 3 January 2000. The fee was determined at prices agreed between the parties.
- (iv) The Group paid rentals of HK\$300,000 (2003: HK\$300,000) to Fitzroya International Holdings Limited, a company of which Mr. Kam Shing is a director. The charges are based on the areas occupied by the Group pursuant to agreements entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.
- (v) The Group received information technology advisory income of HK\$125,450 (2003: HK\$145,300) from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.
- (vi) The Group received information technology advisory income of HK\$970,419 (2003: Nil) from CR Airways Limited, a company beneficially owned by the controlling shareholder of the Company's controlling shareholder.

## **19. CONTINGENT LIABILITIES**

- (a) The Company is currently a defendant in a lawsuit brought by a party alleging that the Company had entered into an agreement with the plaintiff whereby the Company agreed to pay finder's fee in consideration of the plaintiff's service of introducing strategic investor to the Company prior to its initial public offering. The directors believe that the Company has a valid defence to the litigation and on the balance of probabilities, this alleged claim will likely be resolved in favour of the Company.
- (b) The Company has given cross guarantees to banks to secure general banking facilities granted to its subsidiaries.

## DIVIDEND

The directors do not recommend the payment of any dividend for the six months period ended 31 January 2004 (2003: nil).

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

As at 31 January 2004, 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	Number of shares held, capacity and nature of interest	Percentage of the Company's issued share capital
	Directly beneficially owned	
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 January 2004, 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*

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



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 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 January 2004
<b>Directors</b>						
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
				74,808,000	-	74,808,000
<b>Other employees</b>						
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
				5,400,000	(2,000,000)	3,400,000
				80,208,000	(2,000,000)	78,208,000

*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.

The members of the audit committee have reviewed the financial statements of the Group for the six months ended 31 January 2004 and are of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

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

For the six months ended 31 January 2004, 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 six months period ended 31 January 2004.

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, 1 November 2004





GreaterChina Technology Group Limited

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