

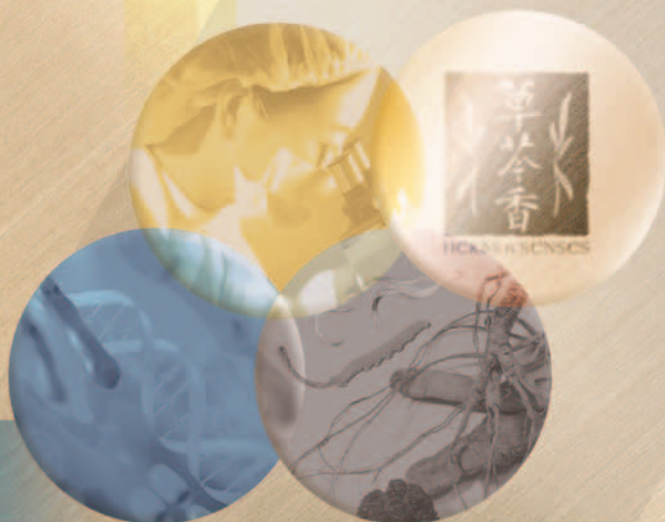


GreaterChina

Technology Group Limited

大中華科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)



**Interim
Report
2005**

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.

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 ended 31 January 2005 (the "Interim Results").

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.

We remain fully committed to our goal of becoming a leader in producing TCM health supplements, by using TCM-based ingredients, western biotechnology and maintaining high international standards by manufacturing under the USA Good Manufacturing Practice ("GMP").

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 tumor, pancreatic tumor, liver tumor and other genetic diseases in which they are unique in this part of Asia Pacific Region.

On 4 November 2004, the Group had gained control of the board of directors of the pharmaceutical manufacturing plant in the People's Republic of China (the "PRC"), in which the Group had 80% ownership interest. After diversification of the Group's business in the PRC, the business development plan of the Group is further enhanced by the production facilities, the existing product lines and the distribution network of this pharmaceutical manufacturing plant. Therefore, 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.

We have devoted our efforts to strengthening our business foundation to ensure we stand a strong position to strive for market opportunities, broaden our revenue, increase the growth potential and thus enhance the shareholders’ worth.

FINANCIAL REVIEW

Segment Information

For the six months period ended 31 January 2005 under review (“Interim Period”), the Group recorded a total revenue of HK\$6.5 million, of which HK\$3.3 million was contributed from the Group’s core business of sales of nutraceutical Chinese herbal products and related services, HK\$1.8 million from sales of western medicine in the PRC, HK\$0.1 million from advisory and consultation services, and HK\$1.3 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\$9.3 million, of which HK\$3.6 million was generated from the sale of nutraceutical Chinese herbal products, HK\$1.1 million arose from portal development and information technology advisory and consultation services and HK\$4.6 million arose from interest income and other sundries.

The Group incurred net losses of HK\$7.1 million and HK\$11.5 million for the three months and six months ended 31 January 2005 respectively, as compared to net losses of HK\$7.7 million and HK\$32.1 million for the three months and six months ended 31 January 2004 respectively. For the period under review, although the overall revenue dropped as a result of the reduction of other revenue such as income from the use of trademarks and interest income, the performance of the Group was improved. The administrative expenses for the six months period were reduced by 60% as compared to the corresponding period last year due to tight cost control policy and no investment loss was incurred during the period.

After diversification of the Group's business in the PRC, 34.5% of the Group's turnover for the six months period under review was derived from sales of western medicine in the PRC. After gaining control of the PRC pharmaceutical company, the Group had taken prudence approach to write off doubtful debts and slow moving inventories amounting HK\$1.9 million of the subsidiary. As a result, loss of approximately HK\$6.1 million was incurred in the PRC business segment.

OTHER FINANCIAL INFORMATION

The current ratio of the Group was 1.9 as at the end of the Interim Period compared to 1.6 as at 31 July 2004. The gearing ratio, defined as the ratio of total borrowings to total assets was 25.2% as at 31 January 2005 as compared to 34.2% as at 31 July 2004. The Group's borrowings as at the end of the Interim Period comprised mainly short term loans and overdrafts, which amounted to HK\$19.2 million (31 July 2004: HK\$65.5 million) and are wholly secured by banks deposits or certain fixed assets in the PRC. In view of the bank deposits and the credit facilities for the period, the Directors consider the Group is in a health 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 on 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\$1.8 million. Other than the aforementioned, there was no other significant capital commitments of the Group as at the period end date.

The Group employed 77 full time employees as at 31 January 2005 (31 July 2004: 11). 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 2005 was HK\$109.5 million, equivalent to approximately HK\$0.13 per share.



BUSINESS REVIEW

The Group is continually engaged in the research and development, manufacturing, marketing and distribution of traditional Chinese medicine, Chinese herbs, western medicine and healthcare products.

During the six months ended 31 January 2005, 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;

Continue 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:

At the completion stage of business integration of a pharmaceutical manufacturing plant and formulation of distribution plans for western medicine in the PRC; and

Setting up the injection medicine manufacturing plant with GMP quality and distribution of injection medicine in the PRC.

BRAND-BUILDING AND DISTRIBUTION OF HERBAL PRODUCT:

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

Continued the promotion of membership scheme to strengthen relations with existing members and to recruit new members;

Marketing and distribution of HERBSnSENSES™ Cordyceps via our websites www.herbsnsenses.com, www.senseshop.com and expanding our scope of sphere into more healthcare distribution channels;

Promoting HERBSnSENSES™ products by organising seminars in Hong Kong as well as major cities in the PRC to educate the public the application and benefit of traditional Chinese medicine;

Participating in various exhibitions of western medicine and nutraceutical products in Hong Kong and the PRC to promote the brand-awareness of the Group's products; and

Obtaining licenses and health regulatory approval in the PRC.



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;

Research and development in new product range such as western herbs and/or western medicine to enhance the Group's competitiveness;

Continue the Proteomics research with a target 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:

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 the PRC, the USA, Canada and Europe;

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

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

Exhibitions and promotions in Hong Kong, the PRC, Japan, Europe, Korea, Canada and the USA.

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, 10 March 2005

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 2004 to 31 January 2005 (the "Quarterly Period") and from 1 August 2004 to 31 January 2005 (the "Interim Period") together with the comparative unaudited consolidated results for the corresponding periods in 2004 as follows:

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover	4	3,175,211	2,537,934	5,191,930	4,670,503
Cost of sales		(1,580,754)	(427,816)	(2,419,044)	(1,311,360)
Gross profit		1,594,457	2,110,118	2,772,886	3,359,143
Other revenue and gains	4	403,336	2,344,185	1,280,363	4,602,075
Administrative and other operating expenses		(9,873,298)	(10,268,470)	(14,161,031)	(35,509,051)
Loss from operation	6	(7,875,505)	(5,814,167)	(10,107,782)	(27,547,833)
Finance costs		(109,612)	(208,180)	(184,990)	(549,719)
Share of loss of a jointly controlled entity		-	(1,646,546)	(2,054,568)	(3,972,439)
Loss before taxation		(7,985,117)	(7,668,893)	(12,347,340)	(32,069,991)
Taxation	7	-	-	-	-
Net loss before minority interests		(7,985,117)	-	(12,347,340)	-
Minority interests		856,172	-	856,172	-
Net loss attributable to shareholders		(7,128,945)	(7,668,893)	(11,491,168)	(32,069,991)
Loss per share					
Basic	8	0.9 cents	0.9 cents	1.4 cents	3.9 cents
Diluted	8	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

At 31 January 2005

		31 January 2005 (Unaudited) HK\$	31 July 2004 (Audited) HK\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	9	90,483,362	3,387,641
Interest in a jointly-controlled entity		-	72,693,423
Intangible assets	10	26,638,851	-
Long term investments	11	840,491	194,200
		<u>117,962,704</u>	<u>76,275,264</u>
CURRENT ASSETS			
Inventories		8,758,064	6,959,861
Debtors, deposits and prepayments	13	28,125,443	27,551,470
Short term investments		-	22,881
Pledged deposits		24,663,724	80,651,247
Bank balances and cash		768,889	391,439
		<u>62,316,120</u>	<u>115,576,898</u>
CURRENT LIABILITIES			
Due to a related company		1,189,350	456,845
Other payables and accruals		13,170,666	4,866,859
Interest-bearing bank borrowings	15	19,201,848	65,520,922
		<u>33,561,864</u>	<u>70,844,626</u>
NET CURRENT ASSETS		28,754,256	44,732,272
LONG TERM LOAN	16	26,179,427	-
MINORITY INTERESTS		11,021,165	-
NET ASSETS		<u>109,516,368</u>	<u>121,007,536</u>
CAPITAL AND RESERVES			
Share capital	17	8,136,960	8,136,960
Reserves	18	101,379,408	112,870,576
Shareholders' funds		<u>109,516,368</u>	<u>121,007,536</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2005

	For the six months ended	
	31 January	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Total equity at 1 August	121,007,536	140,921,054
Increase in investment revaluation reserve	-	31,440,000
Net loss for the period	(11,491,168)	(32,069,991)
Total equity at 31 January	<u>109,516,368</u>	<u>140,291,063</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2005

	For the six months ended	
	31 January	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash outflow from operating activities	(14,441,511)	(25,095,283)
Net cash inflow/(outflow) from investing activities	(450,079)	88,750,108
Net cash inflow/(outflow) from financing activities	(51,036,055)	17,422,988
Increase/(decrease) in cash and cash equivalents	(65,927,645)	81,077,813
Cash and cash equivalents at 1 August	72,158,410	(8,717,630)
Cash and cash equivalents at 31 January	<u>6,230,765</u>	<u>72,360,183</u>

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 in the condensed interim financial statements are consistent with those followed in the 2004 annual accounts. The condensed interim financial statements should be read in conjunction with 2004 annual accounts.

4. TURNOVER, REVENUE AND GAINS

	For the three months ended 31 January		For the six months ended 31 January	
	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover				
Sale of goods	3,076,799	2,262,256	5,080,918	3,574,634
Rendering of services	98,412	275,678	111,012	1,095,869
	<u>3,175,211</u>	<u>2,537,934</u>	<u>5,191,930</u>	<u>4,670,503</u>
Other revenue				
Interest income	69,511	248,147	132,898	811,578
Income from the use of trademarks	277,778	833,332	694,445	1,874,999
Dividend income	6,644	132,000	6,644	748,438
Other sundry	1,119	-	1,119	-
	<u>355,052</u>	<u>1,213,479</u>	<u>835,106</u>	<u>3,435,015</u>
Gains				
Unrealised holding gain on investment in securities	13,704	-	54,051	111,727
Gain on disposal of short term and long term investments	34,580	-	34,580	-
Gain on disposal of a subsidiary	-	1,055,333	-	1,055,333
Gain on disposal of fixed assets	-	-	356,626	-
Exchange gain	-	75,373	-	-
	<u>48,284</u>	<u>1,130,706</u>	<u>445,257</u>	<u>1,167,060</u>
Other revenue and gains	<u>403,336</u>	<u>2,344,185</u>	<u>1,280,363</u>	<u>4,602,075</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 western medicine segment engages in the manufacturing and trading of western medicine;
- (c) the advisory services segment engages in the provision of portal development and information technology advisory services and consultation services; and
- (d) 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 present revenue and results for the Group's business segments for the period from 1 August 2004 to 31 January 2005:

	Advertising services HK\$	Advisory services HK\$	Herbal products HK\$	Western medicine HK\$	Consolidated HK\$
SEGMENT REVENUE					
Turnover	-	111,012	3,292,280	1,788,638	5,191,930
SEGMENT RESULTS	(4,290)	(1,047,328)	(1,573,840)	(4,205,496)	(6,830,954)
Unallocated corporate expenses					(3,276,828)
Impairment losses					-
Loss from operating activities					(10,107,782)
Finance costs					(184,990)
Share of loss of a jointly controlled entity					(2,054,568)
Loss before taxation					(12,347,340)
Taxation					-
Net loss before minority interests					(12,347,340)
Minority interests					856,172
Net loss from ordinary activities attributable to shareholders					(11,491,168)

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

(b) Geographical segments

The following table provides an analysis of the Group's turnover by geographical market:

	Turnover		Loss from operating activities	
	For the six months ended 31 January		For the six months ended 31 January	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
By geographical market:				
Hong Kong	3,403,292	4,670,503	(5,223,808)	(26,627,447)
The People's Republic of China ("PRC")	1,788,638	-	(6,107,208)	(4,600,385)
	<u>5,191,930</u>	<u>4,670,503</u>	<u>(11,331,016)</u>	<u>(31,227,832)</u>
Impairment losses			-	-
Unallocated corporate expenses			<u>(160,152)</u>	<u>(842,159)</u>
Loss from operating activities			<u>(11,491,168)</u>	<u>(32,069,991)</u>

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	
	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Depreciation	1,233,539	328,801	1,559,516	717,460
Amortisation of intangible assets	117,964	-	117,964	-
Amortisation of goodwill on acquisition of a jointly controlled entity	313,975	313,975	627,950	627,950
Research and development costs	-	52,000	10,000	718,160
	<u>1,791,414</u>	<u>1,965,202</u>	<u>3,171,738</u>	<u>3,753,688</u>
Minimum lease payments under operating leases in respect of land and buildings	203,761	315,000	349,801	795,000
Auditors' remuneration	-	-	-	-
Staff costs including directors' remuneration:				
Salaries and other allowances	1,761,757	1,938,439	3,119,283	3,697,262
Pension scheme contributions	29,657	26,763	52,455	56,426
	<u>1,791,414</u>	<u>1,965,202</u>	<u>3,171,738</u>	<u>3,753,688</u>
Realised loss on investment in securities	-	2,391,756	-	21,065,793
Unrealised holding loss on short term investments	-	80,052	-	18,600
	<u>-</u>	<u>2,471,808</u>	<u>-</u>	<u>21,084,393</u>

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 2005 (2004: Nil).

There was no significant unprovided deferred taxation during the six months period ended 31 January 2005.

8. LOSS PER SHARE

The calculation of basic losses per share are based on the net loss attributable to shareholders for the Quarterly Period and Interim Period of HK\$7,128,945 and HK\$11,491,168 respectively and on the weighted average number of shares of 813,696,000 in issue during the periods. The calculation of basis loss per share in the corresponding periods last year are based on the net loss attributable to shareholders for the three months and six months ended 31 January 2004 of HK\$7,668,893 and HK\$32,069,991 respectively and on the weighted average number of shares of 813,696,000 during the periods.

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

	Land and building HK\$	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 2004	-	3,746,250	-	8,444,919	200,000	318,051	12,709,220
Additions	-	-	-	28,224	-	-	28,224
Fixed assets of a subsidiary	98,787,106	-	381,417	23,094,561	2,320,296	-	124,583,380
Disposals	-	(300,000)	-	(330,260)	-	(289,747)	(920,007)
At 31 January 2005	98,787,106	3,446,250	381,417	31,237,444	2,520,296	28,304	136,400,817
Accumulated depreciation and impairment:							
At 1 August 2004	-	2,905,341	-	6,045,909	66,667	303,662	9,321,579
Provided during the period	470,269	168,182	-	896,065	25,000	-	1,559,516
Fixed assets of a subsidiary	21,690,860	-	-	12,320,214	1,755,437	-	35,766,511
Disposals	-	(300,000)	-	(154,793)	-	(275,358)	(730,151)
At 31 January 2005	22,161,129	2,773,523	-	19,107,395	1,847,104	28,304	45,917,455
Net book value:							
At 31 January 2005 (unaudited)	76,625,977	672,727	381,417	12,130,049	673,192	-	90,483,362
At 31 July 2004 (audited)	-	840,909	-	2,399,010	133,333	14,389	3,387,641

10. INTANGIBLE ASSETS

The intangible assets mainly comprises of goodwill of HK\$22,501,533 arose from the acquisition of a subsidiary during the period and licenses of certain western medicines of HK\$4,086,350.

11. LONG TERM INVESTMENTS

	31 January 2005 (Unaudited) HK\$	31 July 2004 (Audited) HK\$
Listed equity securities in Hong Kong, at market value	646,291	-
Unlisted shares, at cost	194,200	194,200
	<u>840,491</u>	<u>194,200</u>

12. INVESTMENT IN A SUBSIDIARY

Since the date of the acquisition of the 80% equity interest in a pharmaceutical plant in the PRC and up to 3 November 2004, the pharmaceutical plant was in the process of changing its articles of association in order for the Group to obtain the formal board control in terms of board representation. Therefore, the pharmaceutical plant was accounted for as a jointly controlled entity in that period. However, since the approval of the change of the articles of association has been approved and the Group gained the board control of the pharmaceutical plant since 4 November 2004, the pharmaceutical plant was accounted as a subsidiary since 4 November 2004.

13. DEBTORS, 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 2005 (Unaudited) <i>HK\$</i>	31 July 2004 (Audited) <i>HK\$</i>
0-60 days	651,740	431,775
61-90 days	203,734	151,299
Over 90 days	<u>1,726,516</u>	<u>202,125</u>
Trade debtors	2,581,990	785,199
Other receivables	2,099,725	2,259,176
Due from related companies	1,858,611	3,096,263
Utility and other deposits	21,293,351	21,164,766
Prepayments	<u>291,766</u>	<u>246,066</u>
	<u><u>28,125,443</u></u>	<u><u>27,551,470</u></u>

14. AMOUNT DUE FROM RELATED COMPANIES

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

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. LONG TERM LOAN

The amount due to a shareholder of the Company is interest free, unsecured and has no fixed term of repayment.

17. SHARE CAPITAL

	31 January 2005 (Unaudited) HK\$	31 July 2004 (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>

18. RESERVES

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 31 July 2004 (audited)	394,291,209	(281,420,633)	112,870,576
Net loss for the year	<u>-</u>	<u>(11,491,168)</u>	<u>(11,491,168)</u>
At 31 January 2005 (unaudited)	<u>394,291,209</u>	<u>(292,911,801)</u>	<u>101,379,408</u>

19. RELATED PARTIES TRANSACTIONS

In addition to the balances detailed elsewhere in these report, the Group had the following transactions with related parties during the six months ended 31 January 2005:

- (i) The Group paid rental of HK\$Nil (2004: HK\$495,000) 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\$Nil (2004: HK\$547,920) 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\$Nil (2004: HK\$240,000) 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 sold goods amounting to HK\$85,950 (2004: HK\$59,393) to CR Airways Limited, a company beneficially owned by the controlling shareholder of the China Rich Group, according to the published prices and conditions offered to the customers of the Group.
- (v) The Group received information technology advisory income of HK\$26,272 (2004: HK\$125,450) 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\$84,740 (2004: HK\$901,679) to CR Airways Limited, a company beneficially owned by the controlling shareholders of the China Rich Group.

20. 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 and pledged its bank deposits 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 ended 31 January 2005 (2004: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

As at 31 January 2005, 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 5.46 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	44,046,020	5.4

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 5.46 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 2005, 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	<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' 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 2004	Cancelled during the period	At 31 January 2005
<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>1,000,000</u>	<u>73,808,000</u>
<i>Other employees</i>						
In aggregate	19.12.2000	<i>Note (i)</i>	0.218	1,500,000	-	1,500,000
	19.4.2002	19.4.2002-18.4.2012	0.234	400,000	-	400,000
				<u>1,900,000</u>	<u>-</u>	<u>1,900,000</u>
				<u>76,708,000</u>	<u>1,000,000</u>	<u>75,708,000</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 75,708,000 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 75,708,000 additional ordinary shares of the Company and additional share capital of HK\$757,080 and share premium of HK\$16,678,592 (before issue expenses).

BOARD PRACTICES AND PROCEDURES AND CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company complied with the board practices and procedures as set out in Rules 5.34 and 5.45 (where applicable) of the GEM Listing Rules throughout the period.

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). All Directors have complied with the required standard as set out in the Code.

AUDIT COMMITTEE

The Company's audit committee was formed on 17 March 2000. The primary duties of the audit committee are to review the Company's internal control procedures and 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 currently comprises the independent non-executive directors, Dr. Lau Lap Ping, Mr. Man Kong Yui and Mr. Yeung Chi Hung. The audit committee members have reviewed this Report.



DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 31 January 2005, 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 2005.

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

Executive Director:

Ms. Cheng Kit Yin, Kelly
Ms. Kuo Kwan

Non-executive Directors:

Dr. Ngai Sai Ming

Independent non-executive Directors:

Dr. Lau Lap Ping
Mr. Man Kong Yui
Mr. Yeung Chi Hung

Hong Kong, 10 March 2005