



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
2009



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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.



Chairman's Statement

On behalf of the Board of Directors (the "Board"), we present the results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 31 January 2009.

We remain committed to our goal of becoming a leader in producing both Traditional Chinese Medicine ("TCM") health supplements and western medicine under the USA Good Manufacturing Practice ("GMP") and Australian TGA GMP. On a worldwide basis, business is getting more difficult and overall activities have slowed down, however we believe that we will still search for further investments to enhance the Company's growth and future.

FINANCIAL REVIEW

Segment Information

For the six months ended 31 January 2009 (the "Interim Period"), the Group recorded a turnover of HK\$6.01 million, of which HK\$1.38 million was contributed from sales of nutraceutical Chinese herbal products and HK\$4.63 million from sales of western generic medicine in the PRC. The Group incurred loss of approximately HK\$10.5 million.

For the Interim Period, the Group's revenue from sales of western medicine was increased by 33% due to the expanded sales network in the PRC. However, overall revenue was decreased by 9% as the Group's sales from herbal products dropped by 55% due to the worldwide economic downturn and the delay of obtaining proper health regulatory approval and licenses in various overseas markets. Selling, administrative and other operating expenses decreased by approximately 1% mainly because of more stringent controls in this area.

Loss attributable to equity holders of the Company for three months ended 31 January 2009 (the "Quarterly Period") and Interim Period were HK\$6.68 million and HK\$10.55 million, as compared to the loss attributable to equity holders of the Company of HK\$5.54 million and HK\$7.66 million for the three months and six months ended 31 January 2008. During the Interim Period, approximately loss of HK\$6.70 million was attributable from operation of the pharmaceutical plant.



Other Financial Information

There were no material acquisitions and disposals of subsidiaries and affiliated companies in the past six months.

Except for certain unlisted securities, no significant investments were held by the Group during the period.

The current ratio of the Group was 0.32 as at the period end compared to 0.50 as at 31 July 2008. The gearing ratio, defined as the ratio of total borrowings to total assets, was 15.35% as compared to 10% as at 31 July 2008. The increase in gearing ratio was mainly due to the decrease in value of the total assets. On 31 January 2009, the Group had cash and cash equivalents of approximately HK\$0.23 million (31 July 2008: HK\$0.23 million).

As at period end, the Group borrowed other loans of approximately HK\$6.4 million securing by all issued ordinary share of GreaterChina Investment Limited, a wholly-owned subsidiary of the Group. These loans were mainly used to repay bank's borrowings which amounted to approximately HK\$5.7 million during the Interim Period.

Major currencies used for the Group's transactions were Hong Kong dollars and Renminbi. As the fiscal policy of the PRC government in relation to Renminbi is stable throughout the years, there was no significant currency exposure.

During the period, the Group has minimized operating costs for various offices of the Group, and there were no other significant capital commitments as at the period end.

The Group employed 71 full time employees as at 31 January 2009 (31 July 2008: 75). Remuneration of the staff comprised of monthly salary, provident fund contributions, medical claims, education allowances and discretionary options issued based on their contribution to the Group. Staff costs including Directors' remuneration for the period under review amounted to HK\$1.5 million (six months ended 31 January 2008: HK\$3.6 million).

Overall, the net assets of the Group were approximately HK\$64.37 million equivalent to approximately HK\$0.032 per share.



BUSINESS REVIEW

The Group is currently engaged in the marketing and distribution of western medicine and healthcare products based on traditional Chinese medicine.

During the six months ended 31 January 2009, the Group had achieved the following objectives:

Research & Product Development:

Continued to conduct testing for some of our herbal products based on Traditional Chinese medicine in order to obtain licenses from the Chinese Medicine Council of Hong Kong.

Operation of a Pharmaceutical Manufacturing Plant:

Expanded the sales network for western medicine in the PRC, especially the Guangdong region.

Distribution of Herbal and Other Products:

Closely monitored the distribution of herbal and other products and look for more cost effective method to promote our products.



FUTURE PLANS AND DEVELOPMENT

In the near future, in addition to the existing business, the Group will continue its efforts in the following areas:

Review our cost and benefit to achieve a better balance in our development;

Establish strategic partnership to increase the income source;

Obtain licenses from the Chinese Medicine Council of Hong Kong for some of our herbal products in order to sustain our business; and

Look for developments which relate to health and environmental care actively.

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.

Cheng Kit Yin, Kelly
Chairman

Hong Kong, 6 March 2009



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 2008 to 31 January 2009 (the "Quarterly Period") and from 1 August 2008 to 31 January 2009 (the "Interim Period") together with the comparative unaudited consolidated results for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2009	2008	2009	2008
		(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover	3	2,468,082	3,211,396	6,008,055	6,590,370
Cost of sales		(1,205,742)	(1,622,205)	(2,581,781)	(2,675,822)
Gross profit		1,262,340	1,589,191	3,426,274	3,914,548
Other revenue and other (losses)	3	(721,142)	842	(854,626)	1,375,596
Selling, administrative and other operating expenses		(6,881,844)	(7,058,125)	(12,611,308)	(12,778,726)
Loss from operation	5	(6,340,646)	(5,468,092)	(10,039,660)	(7,488,582)
Finance costs		(336,997)	(68,329)	(509,700)	(168,153)
Loss before taxation		(6,677,643)	(5,536,421)	(10,549,360)	(7,656,735)
Taxation	6	-	-	-	-
Loss for the period		(6,677,643)	(5,536,421)	(10,549,360)	(7,656,735)
Attributable to:					
Equity holders of the Company		(6,677,643)	(5,536,421)	(10,549,360)	(7,656,735)
Loss per share	7				
Basic		0.33 cents	0.27 cents	0.52 cents	0.38 cents
Diluted		N/A	N/A	N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 January 2009

		31 January 2009 (Unaudited)	31 July 2008 (Audited)
	Notes	HK\$	HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	48,517,027	52,013,949
Land use rights	9	28,649,796	29,224,824
Intangible assets	10	1,527,870	1,797,206
Available-for-sale investment	11	194,200	194,200
		78,888,893	83,230,179
Current assets			
Inventories		3,682,923	3,773,671
Trade receivables	12	1,696,363	2,310,045
Other receivables, deposits and prepayments	13	1,103,813	1,122,330
Held-to-maturity security	11	256,825	393,822
Cash and cash equivalents		230,994	230,347
		6,970,918	7,830,215
Current liabilities			
Trade payables	14	1,063,968	712,268
Other payables and accruals		3,451,242	3,813,038
Receipts in advance		1,130,697	1,398,382
Other tax payables		2,666,560	645,992
Interest-bearing bank borrowings	15	–	5,703,856
Due to ultimate holding company	19(a)	4,082,422	977,472
Director's loan	19(c)	2,198,093	2,166,435
Due to a director	19(b)	97,086	–
Interest-bearing other loans	16, 19(e)	6,613,850	–
Obligations under a finance lease		168,080	178,561
		21,471,998	15,596,004
Net current liabilities		(14,501,080)	(7,765,789)
Total assets less current liabilities		64,387,813	75,464,390



		31 January 2009	31 July 2008
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current liabilities			
Obligations under a finance lease		21,600	63,485
Net assets		64,366,213	75,400,905
EQUITY			
Share capital	17	20,426,956	20,426,956
Reserves	18	43,939,257	54,973,949
Equity attributable to equity holders of the Company		64,366,213	75,400,905



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 January 2009

	For the six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Total equity at beginning of period	75,400,905	94,568,862
Exchange differences arising on translation of overseas operations	(485,332)	3,153,587
Loss for the period	(10,549,360)	(7,656,735)
Total equity at end of period	<u>64,366,213</u>	<u>90,065,714</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 January 2009

	For the six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash used in operating activities	(4,074,214)	(686,895)
Net cash used in investing activities	(15,714)	(12,858)
Net cash generated from/(used in) financing activities	4,091,322	(29,192)
Increase/(decrease) in cash and cash equivalents	1,394	(728,945)
Cash and cash equivalents at beginning of period	230,347	1,974,778
Effect of foreign exchange rate changes	(747)	18,159
Cash and cash equivalents at end of period	230,994	1,263,992



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("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 manufacture and sale of western medicine.

2. BASIS OF PREPARATION

The condensed unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of GEM listing Rules. They have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value, as appropriate.

In preparing these financial statements, the Directors are aware of the loss of approximately HK\$10,549,360 for the six months ended 31 January 2009 and accumulated losses and net current liabilities of approximately HK\$372,341,902 and HK\$14,501,080 respectively as at 31 January 2009. The Directors have prepared these financial statements on the assumption that the Group will continue as a going concern by taking into consideration that the holding company of the Group has agreed to provide adequate financial support to the Group to enable it to meet all its financial obligations as they fall due in the foreseeable future.

The accounting policies and methods of computation used in the preparation of these unaudited consolidated financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 July 2008.



3. TURNOVER AND OTHER REVENUE AND OTHER (LOSSES)

	For the three months ended 31 January		For the six months ended 31 January	
	2009	2008	2009	2008
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover				
Sales	2,468,082	3,211,396	6,008,055	6,589,370
Rendering of services	–	–	–	1,000
	2,468,082	3,211,396	6,008,055	6,590,370
Other revenue				
Interest income	359	842	730	23,184
Others	–	–	–	1,352,412
	359	842	730	1,375,596
Other (losses)				
Impairment loss on held-to-maturity securities	(3,142)	–	(136,997)	–
Write off of fixed assets	(394,562)	–	(394,562)	–
Write off of inventories	(318,228)	–	(318,228)	–
Loss on disposal of property, plant and equipment	(5,569)	–	(5,569)	–
	(721,501)	–	(855,356)	–
	(721,142)	842	(854,626)	1,375,596



4. 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 western medicine products segment engages in the manufacture and sale of western medicine products.

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 segments for the period:

	Herbal products		Advisory services		Western medicine products		Consolidated	
	2009 (unaudited) HK\$	2008 (unaudited) HK\$	2009 (unaudited) HK\$	2008 (unaudited) HK\$	2009 (unaudited) HK\$	2008 (unaudited) HK\$	2009 (unaudited) HK\$	2008 (unaudited) HK\$
Segment Revenue*								
Turnover	1,383,046	3,105,530	-	1,000	4,625,009	3,483,840	6,008,055	6,590,370
Segment Results	(562,310)	(97,076)	-	1,000	(7,018,270)	(3,853,771)	(7,580,580)	(3,949,847)
Unallocated corporate expenses							(2,459,080)	(3,538,735)
Loss from operation							(10,039,660)	(7,488,582)
Finance costs							(509,700)	(168,153)
Loss before taxation							(10,549,360)	(7,656,735)
Taxation							-	-
Loss for the period							(10,549,360)	(7,656,735)

* There were no inter segment sales

**(b) Geographical segments**

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

	Turnover for the six months ended 31 January		Loss from operation for the six months ended 31 January	
	2009	2008	2009	2008
	(unaudited) HK\$	(unaudited) HK\$	(unaudited) HK\$	(unaudited) HK\$
By geographical market:				
Hong Kong	1,383,046	3,106,530	(3,849,384)	(3,618,763)
The People's Republic of China ("PRC")	4,625,009	3,483,840	(6,699,976)	(4,037,972)
	6,008,055	6,590,370	(10,549,360)	(7,656,735)
Unallocated corporate expenses			-	-
Loss from operation			(10,549,360)	(7,656,735)



5. LOSS FROM OPERATION

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

	For the three months ended 31 January		For the six months ended 31 January	
	2009 (Unaudited) HK\$	2008 (Unaudited) HK\$	2009 (Unaudited) HK\$	2008 (Unaudited) HK\$
Depreciation of property, plant and equipment	1,770,674	1,584,450	2,733,029	3,262,046
Amortisation of intangible assets	128,107	179,465	256,213	358,930
Amortisation of land use rights	157,491	157,491	314,981	314,981
Research and development costs	–	7,000	–	7,000
Provision for doubtful debts	253,230	116,344	253,230	116,344
Provision for slow moving inventories	–	626	–	626
Net foreign exchange losses/(gains)	155,864	(341,950)	205,215	(503,160)
Minimum lease payments under operating leases in respect of land and buildings	232,653	495,636	728,289	997,272
Auditors' remuneration	–	–	–	–
Staff costs including directors' remuneration:				
Salaries and other benefits	514,866	1,793,227	1,505,267	3,529,134
Share-based payment	–	–	–	–
Pension scheme contributions	7,767	22,827	24,038	40,429
	522,633	1,816,054	1,529,305	3,569,563



6. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the six months ended 31 January 2009 (2008: Nil). No provision for PRC enterprise income tax has been made as the PRC subsidiary incurred a loss for the six months ended 31 January 2009 (2008: Nil).

There was no significant unprovided deferred taxation during the six months ended 31 January 2009.

7. LOSS PER SHARE

The calculation of basic loss per share are based on the loss attributable to equity holders for the Quarterly Period and Interim Period of HK\$6,677,643 and HK\$10,549,360 respectively and on the weighted average number of shares of 2,042,695,590 in issue during the periods. The calculation of basic loss per share in the corresponding periods last year are based on the net loss attributable to equity holders for the three months and six months ended 31 January 2008 of HK\$5,536,421 and HK\$7,656,735 respectively and on the weighted average number of shares of 2,038,903,866 in issue during the three months and six months ended 31 January 2008.

Diluted loss per share amount for the three months and six months ended 31 January 2009 and 2008 has not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share for those periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2009, disposal of fixed assets and write off of fixed assets amounted to HK\$6,839 and HK\$394,563 at net book value. Addition to fixed assets amounted to HK\$16,984 during the period.

9. LAND USE RIGHTS

The land use rights are valid for a period of 50 years from 1999 and situated in the PRC. At 31 July 2008, part of the land use rights of the Group with a net book value of approximately HK\$12.1 million were pledged to bank to secure the bank loans (note 15). No land use rights was pledged to bank for bank loan as at 31 January 2009.

10. INTANGIBLE ASSETS

The intangible assets represent traditional Chinese medicine formulae, certain protocols for herbal medicine and licences for western medicine acquired by the Group.



11. INVESTMENTS IN SECURITIES

	31 January 2009 (Unaudited) HK\$	31 July 2008 (Audited) HK\$
Held-to-maturity security		
Unlisted debts security at amortised cost	780,000	780,000
Less: Impairment loss	(523,175)	(386,178)
	256,825	393,822
Available-for-sale investment		
Unlisted investment at fair value	194,200	194,200

During the six months ended 31 January 2009, the Group assessed the carrying amount of its investment in held-to-maturity security and determined it is necessary to recognise an impairment loss of HK\$523,175 (31 July 2008: HK\$386,178) to reflect the estimated fair value of the security.

12. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provisions was as follows:

	31 January 2009 (Unaudited) HK\$	31 July 2008 (Audited) HK\$
0-60 days	890,033	1,569,509
61-90 days	83,533	116,059
Over 90 days	722,797	624,477
	1,696,363	2,310,045



13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2009 (Unaudited) HK\$	31 July 2008 (Audited) HK\$
Other receivables	346,806	217,365
Utility and other deposits	615,607	838,174
Prepayments	141,400	66,791
	1,103,813	1,122,330

14. TRADE PAYABLES

As at 31 January 2009, the aged analysis of trade payables was as follows:

	31 January 2009 (Unaudited) HK\$	31 July 2008 (Audited) HK\$
0-60 days	363,956	188,242
61-90 days	116,947	52,347
Over 90 days	583,065	471,679
	1,063,968	712,268



15. INTEREST-BEARING BANK BORROWINGS

As at 31 January 2009, no land use rights was pledged to bank for bank loan as mentioned in note 9. As at 31 July 2008, the bank loans are secured by certain buildings and part of the land use rights of the Group with a total net book value of approximately HK\$32,438,000.

	31 January 2009 (Unaudited) <i>HK\$</i>	31 July 2008 (Audited) <i>HK\$</i>
Within one year	–	5,703,856
In the second year	–	–
	<hr/>	<hr/>
Bank loans – secured	–	5,703,856
	<hr/> <hr/>	<hr/> <hr/>

16. INTEREST-BEARING OTHER LOANS

As at period end, the Group borrowed other loans of approximately HK\$6.4 million securing by all issued ordinary share of GreaterChina Investment Limited (“GC Investment”), a wholly-owned subsidiary of the Group. These loans were mainly used to repay bank’s borrowings which amounted to approximately HK\$5.7 million during the Interim Period (2008: Nil).

17. SHARE CAPITAL

	31 January 2009 (Unaudited) <i>HK\$</i>	31 July 2008 (Audited) <i>HK\$</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	50,000,000	50,000,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
2,042,695,590 ordinary shares of HK\$0.01 each	20,426,956	20,426,956
	<hr/> <hr/>	<hr/> <hr/>



18. RESERVES

The movements in the reserves of the Group are as follows:

	Share premium account HK\$	Share-based payment reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
Balance at 31 July 2007 (audited)	399,094,564	97,449	6,345,229	(331,357,419)	74,179,823
Exchange differences arising on translation of overseas operations	-	-	6,645,019	-	6,645,019
Loss for the year	-	-	-	(30,520,641)	(30,520,641)
Total recognised income and expenses for the year	-	-	6,645,019	(30,520,641)	(23,875,622)
Recognition of equity-settled share-based payment	-	4,525,662	-	-	4,525,662
Cancellation of share options	-	(85,518)	-	85,518	-
Exercise of share options	156,017	(11,931)	-	-	144,086
Balance at 31 July 2008 (audited)	399,250,581	4,525,662	12,990,248	(361,792,542)	54,973,949
Exchange differences arising on translation of overseas operations	-	-	(485,332)	-	(485,332)
Loss for the period	-	-	-	(10,549,360)	(10,549,360)
Total recognised income and expenses for the period	-	-	(485,332)	(10,549,360)	(11,034,692)
Balance at 31 January 2009 (unaudited)	399,250,581	4,525,662	12,504,916	(372,341,902)	43,939,257

19. RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, other than those disclosed elsewhere in these financial statements, are disclosed below.

- (a) Due to ultimate holding company at 31 January 2009 included the principal loan of HK\$4,000,000 and accrued interest of HK\$82,422. On 14 July 2008, the Company signed a loan agreement with Blue Bright Limited ("Blue Bright"), whereby Blue Bright would grant a loan to the Company for the period from 14 July 2008 to 13 July 2009 with a maximum principal sum of HK\$10 million. The loan bears simple interest at the HSBC prime rate on the principal sum. If the loan interest cannot be paid at the month end, the new principal sum will be the original principal plus the overdue interest. The principal loan sum shall be repaid at the end of the loan period and the interest payment shall be settled at the end of each month on a monthly basis.



(b) Due to a director was from Ms. Cheng Kit Yin, Kelly, which was unsecured, interest-free and repayable within one year.

(c) Director's loan

The loan was from Ms. Cheng Kit Yin, Kelly and totalled HK\$2,198,093 at 31 January 2009 including accrued interest of HK\$75,007. On 30 May 2008 the Company signed a loan agreement with Ms. Cheng Kit Yin, Kelly, whereby she would grant a loan to the Company for the period from 29 May 2008 to 29 May 2009 with the maximum principal sum of HK\$2.2 million. The loan bears simple interest at the HSBC prime rate on the principal sum. If the loan interest cannot be paid at the month end, the new principal sum will be the original principal plus the overdue interest. The principal loan shall be repaid at the end of the loan period and the interest payment shall be settled at the end of each month on a monthly basis.

(d) The company paid storage fee of HK\$4,000 to All Star (HK) Limited which Ms. Lam Wing Ah is also a director.

(e) Interest-bearing other loan was financed by United Sky Resources Limited ("United Sky"). A shareholder of United Sky, Mr. Peter Fung Yiu Fai, has indirect interests in Blue Bright. On 6 November 2008 and 22 January 2009, the Company signed promissory notes with United Sky with loan amounts of HK\$5,667,250 and HK\$700,000 respectively. The loans bear simple interest at 18% per annum on the outstanding principal and are repayable on 31 October 2009. They were secured by all issued ordinary share of GC Investment as disclosed in note 16.

20. CONTINGENT LIABILITIES

For the year ended 31 July 2008, Court proceedings started on the case brought by an individual who alleged that he had been assigned the rights to receive the outstanding payments of two PRC contractors which had provided services to RTG, the Group's subsidiary in the PRC. The individual claimed unpaid construction costs of approximately RMB11,971,000 for the construction of staff quarters and other installation work carried out by the two PRC contractors for RTG in or around 2000.

Notwithstanding the PRC Court's first ruling in May 2008 found that RTG is liable for the unpaid costs of approximately RMB11,971,000 plus interest of approximately RMB3,693,000, the directors of the Company are of the strong view that the Court ruling against RTG is flawed as the individual who brought the action against RTG is not even a party to the contracts for the provision of the construction work concerned. The directors of the Company are also of the strong view that as the contractors did not initiate any claim for the unpaid construction costs within the valid time period, they had lost their rights to recover any unpaid amounts from RTG and any subsequent claims against RTG would fail due to limitation of actions. The directors of the Company have continued to deny liability and instructed lawyers to defend RTG by appealing against the Court's first ruling. As at the date of the approval of these financial statements, the outcome of the hearing of the appeal is pending.

Based on legal advice received in October 2008, RTG has a good chance to succeed in the appeal. The lawyers who had acted for RTG in the first hearing and also the lawyers who are now acting for RTG in the appeal also pointed out that even if RTG loses the appeal, the Group has the right to recover the payment to the individual as ruled by the Court under the Sale and Purchase Agreement made between GreaterChina Investment Limited (an investment company within the Group) and the former shareholder of RTG dated 5 November 2002.

On the basis of the above and after due and careful consideration, the directors of the Company have come to the view that no provision is required for this legal claim as at the period ended.



INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 31 January 2009 (2008: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 January 2009, the interests and short positions of the directors in the shares, underlying shares and debentures 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 Rules 5.46 to 5.67 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	Capacity	Number of shares held	Percentage of the Company's issued share capital
Mr. Man Kong Yui*	Interest of spouse	10,764,908	0.53
Dr. Lau Lap Ping*	Beneficial owner	1,263,908	0.06
Mr. Yeung Chi Hung*	Beneficial owner	1,263,908	0.06

* Resigned on 18 February 2009

The interests of the directors in the share options of the Company 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 Rules 5.46 to 5.67 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 2009, 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
Blue Bright Limited	1,075,532,204	52.65
China Global Gains Investment Limited	135,616,000	6.64

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" 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 OPTION 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 entitled 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 to terminate 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 and 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.



Movements of share options of the Company during the period are as follows:

	Date of grant of share options	Exercise price HK\$	Number of share options				Balance as at 31.1.2009
			Balance as at 1.8.2008	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Directors</i>							
Ms. Cheng Kit Yin, Kelly	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Ms. Chung Wai Han	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Ms. Lam Wing Ah	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Mr. Leung King Yue, Alex	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Mr. Leong Chi Wai	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Mr. Ma Man Pong	24.7.2008	0.092	20,000,000	-	-	-	20,000,000
Ms. Kuo Kwan [#]	24.7.2008	0.092	5,000,000	-	-	(5,000,000)	-
			125,000,000	-	-	(5,000,000)	120,000,000
<i>Other employees</i>							
In aggregate	24.7.2008	0.092	1,000,000	-	-	-	1,000,000
			126,000,000	-	-	(5,000,000)	121,000,000

[#] Resigned on 14 September 2008.

At the balance sheet date, the Company had 121,000,000 share options outstanding under 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 121,000,000 additional ordinary shares of the Company and additional share capital of HK\$1,210,000 and share premium of HK\$9,922,000 (before issue expenses).



CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 during the Interim Period.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the Interim Period, except the following deviation:

Code provision A.4.1

The code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all independent non-executive directors are not appointed for specific terms. They are, however, subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 1 August 2005 with written terms of reference. The remuneration committee comprised Mr. Tang Chi Chung, Matthew (chairman of the remuneration committee), Mr. Chee Man Sang, Eric and Ms. Lam Tak Yee. The written terms of reference include the specific duties of making recommendations to the Board of Directors of the Company on the Company's policy and structure for all remuneration of directors and senior management, having the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management and making recommendations to the Board of Directors of the remuneration of the non-executive directors.



AUDIT COMMITTEE

The Company's audit committee was formed on 17 March 2000 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's internal control procedures, annual reports, 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 three independent non-executive directors, Mr. Chee Man Seng, Eric (chairman of the audit committee), Ms. Lam Tak Yee and Mr. Tang Chi Chung, Matthew. The audit committee has reviewed the unaudited consolidated interim results of the Group and has provided advice and comments thereon.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 31 January 2009, 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 ended 31 January 2009.

By order of the Board
GreaterChina Technology Group Limited
Chung Wai Han
Executive Director

Hong Kong, 6 March 2009

At the date of this report, the Board comprises:

Executive Directors:

Ms. Chung Wai Han

Ms. Lam Wing Ah

Mr. Leong Chi Wai

Mr. Leung King Yue, Alex

Mr. Ma Man Pong

Non-executive Director:

Ms. Cheng Kit Yin, Kelly

Independent Non-executive Directors:

Mr. Chee Man Sang, Eric

Ms. Lam Tak Yee

Mr. Tang Chi Chung, Matthew