

(Stock Code: 8032)



**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 2007



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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 hereby present the results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 31 January 2007.

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

Since November 2001, the Group has expanded its business by producing a range of health supplements with the usage of 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 utilizes 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 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, which is currently a wholly owned subsidiary of the Group. 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 CMF Proteomics Laboratory, its manufacturing and procession 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 ended 31 January 2007 (the "Interim Period"), the Group recorded a total revenue of HK\$18.4 million, of which HK\$11.6 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$2.5 million from sales of western medicine in the PRC and HK\$0.2 million from advisory and consultation services, and HK\$4.1 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\$11.8 million, of which HK\$7.5 million was generated from sales of nutraceutical Chinese herbal products, HK\$3.5 million from sales of western medicine, HK\$0.3 million arose from advisory and consultation services and HK\$0.5 million arose from interest income and other sundries.

For the Interim Period, the overall revenue increased because the Group's major revenue from sales of herbal products increased by 54.1% due to the Group's continued effort in exploring new sales network. In December 2006, the Group had entered into collaborative arrangement with a multi-national company to launch the Group's products to overseas. The cost of sales increased with turnover by 51.1% to HK\$8.6 million in the Interim Period from HK\$5.7 million in the corresponding period last year. However, the administrative expenses decreased by 7.2% from HK\$15.9 million to HK\$14.7 million due to the Group's tight cost control policy.

As a result, the overall performance of the Group was improved. The losses attributable to equity holders of the Company for the three months ended 31 January 2007 (the "Quarterly Period") and Interim Period were HK\$0.45 million and HK\$5.1 million, represented decreases of 91.6% and 50% respectively, as compared to the losses attributable to equity holders of the Company of HK\$5.4 million and HK\$10.2 million for the three months and six months ended 31 January 2006. The loss attributable to equity holders of the Company for the Quarterly Period was also significantly reduced by 90.3% as compared with the loss of HK\$4.7 million recorded in the last quarter. During the Interim Period, approximately loss of HK\$4.0 million was attributable from operation of the pharmaceutical plant.



## OTHER FINANCIAL INFORMATION

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 1 September 2006 (the "EGM"), the Company issued 1,220,544,000 ordinary shares of HK\$0.01 each by way of an open offer (the "Open Offer") at an issue price of HK\$0.015 per offer share on the basis of three offer shares for every two existing shares of the Company held on 1 September 2006. Besides, pursuant to an ordinary resolution passed at the EGM, the unauthorized share capital of the Company was increased from HK\$20,000,000 divided into 2,000,000,000 shares to HK\$50,000,000 divided into 5,000,000,000 shares.

In November 2006, the Company acquired a further 10% equity interest of its subsidiary in the PRC. As a result of the acquisition, the Company's equity interest in the subsidiary was increased to 100%.

Except for the above and investment in listed equity securities which the management considered will enhance the overall financial return of the Group, there was no significant investment held by the Group nor material acquisitions or disposals of subsidiaries and affiliated companies during the period.

The current ratio of the Group was 2.9 as at the period end compared to 2.3 as at 31 July 2006. The gearing ratio, defined as the ratio of total borrowings to total assets, was 23.4% as compared to 24.8% as at 31 July 2006. The Group's borrowings mainly comprise short term and long term bank and other loans which amounted to approximately HK\$32.3 million (2006: HK\$31.9 million) as at the period end. The bank loans are wholly secured by part of the land use rights and properties of the Group. The Group therefore has effectively no exposure to its bankers given that the value of the land use rights exceeds the amount of its bank loans. At 31 January 2007, the Group had cash balance of approximately HK\$7.2 million (31 July 2006: HK\$0.4 million) and the Directors consider the Group does not have liquidity problem.

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 period, there was no significant currency exposure of the Group.

At 31 January 2007, the Group has operating lease commitments for various offices of the Group amounting to approximately HK\$2.2 million. Other than the aforementioned, there were no other significant capital commitments and contingent liabilities of the Group as at the period end.



The Group employed 88 full time employees as at 31 January 2007 (31 July 2006: 84). 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\$3.7 million (six months ended 31 January 2006: HK\$3.8 million).

Overall, the net asset value of the Group was approximately HK\$97.3 million equivalent to approximately HK\$0.054 per share.

## **BUSINESS REVIEW**

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

During the six months ended 31 January 2007, the Company has achieved the following objectives:

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

Continue to conduct research and development at the Chinese Medicinal Fungal (CMF) Proteomics Laboratory;

Initial communication with the Guangdong Provincial People's Hospital to conduct human clinical trial on Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Polysaccharides Platinum;

Initial communication with the Peking Union Medical College to conduct human clinical trial on Anti-Hepatitis and Anti-Tumor Activities of HERBSnSENSES™ Liver Enrich; 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:**

Restructured sales team and expanded the sales network for western medicine in the PRC.

## **BRAND-BUILDING AND DISTRIBUTION OF HERBAL AND OTHER PRODUCTS:**

Explored new distribution channels and launched officially the Group's health care products in United Arab Emirates and the South East Asia;

Continued the brand-building of HERBSnSENSES™ via promotional activities such as advertising, distribution of newsletters and promotion 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](http://www.herbsnsenses.com), [www.senseshop.com](http://www.senseshop.com) and expanding our scope of sphere into more healthcare distribution channels;

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

Obtaining licenses and health regulatory approval on our other products in the PRC, South East Asia and the Middle East.

## **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; 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 formulae in the PRC;

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

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.



## **BRAND-BUILDING AND DISTRIBUTION OF HERBAL AND OTHER PRODUCTS:**

Official launching of HERBSnSENSES™ Cordyceps, HERBSnSENSES™ Lingzhi, HERBSnSENSES™ Polysaccharides and HERBSnSENSES™ Perilla Seed Oil in the PRC, the USA, Canada, Europe and the Middle East;

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;

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

Opening of more concept counters at prestigious department stores or reputable pharmacies.

## **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, 14 March 2007

## 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 2006 to 31 January 2007 (the “Quarterly Period”) and from 1 August 2006 to 31 January 2007 (the “Interim Period”) together with the comparative unaudited consolidated results for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2007	2006	2007	2006
		(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover	3	<b>10,509,683</b>	4,089,412	<b>14,326,396</b>	11,294,658
Cost of sales		<b>(7,571,105)</b>	(1,577,883)	<b>(8,597,348)</b>	(5,689,225)
Gross profit		<b>2,938,578</b>	2,511,529	<b>5,729,048</b>	5,605,433
Other revenue and gains	3	<b>4,064,479</b>	258,943	<b>4,106,458</b>	480,534
Administrative and other operating expenses		<b>(7,362,312)</b>	(7,865,522)	<b>(14,714,898)</b>	(15,865,095)
Loss from operation	5	<b>(359,255)</b>	(5,095,050)	<b>(4,879,392)</b>	(9,779,128)
Finance costs		<b>(93,756)</b>	(286,663)	<b>(239,573)</b>	(468,786)
Loss before taxation	6	<b>(453,011)</b>	(5,381,713)	<b>(5,118,965)</b>	(10,247,914)
Taxation		-	-	-	-
Loss for the period		<b>(453,011)</b>	(5,381,713)	<b>(5,118,965)</b>	(10,247,914)
Loss attributable to:					
Equity holders of the Company		<b>(417,524)</b>	(4,852,077)	<b>(4,827,743)</b>	(9,260,183)
Minority interest		<b>(35,487)</b>	(529,636)	<b>(291,222)</b>	(987,731)
		<b>(453,011)</b>	(5,381,713)	<b>(5,118,965)</b>	(10,247,914)
Interim dividend		-	-	-	-
Loss per share					
Basic	7	<b>0.02 cents</b>	0.38 cents	<b>0.27 cents</b>	0.73 cents
Diluted	7	<b>N/A</b>	N/A	<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 January 2007

	Notes	31 January 2007 (Unaudited) HK\$	31 July 2006 (Audited) HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	57,690,795	60,024,927
Land use rights	9	26,182,727	26,162,343
Intangible assets	10	2,915,832	3,228,786
Goodwill		17,373,603	17,373,603
Available-for-sale investment	11	4,094,200	194,200
		<b>108,257,157</b>	<b>106,983,859</b>
<b>Current assets</b>			
Inventories		5,798,082	5,537,751
Trade receivables	12	4,492,600	4,563,975
Prepayments, deposits and other receivables	13	12,177,448	11,085,489
Bank balances and cash		7,153,476	389,678
		<b>29,621,606</b>	<b>21,576,893</b>
<b>Current liabilities</b>			
Trade payables	14	1,977,480	1,268,626
Due to a related company		–	448,460
Due to a director		863,400	1,313,400
Other payables and accruals		5,454,981	3,731,483
Receipts in advance		–	667,674
Other tax payables		–	49,073
Interest-bearing bank borrowings	15	1,971,337	1,946,718
		<b>10,267,198</b>	<b>9,425,434</b>
<b>Net current assets</b>		<b>19,354,408</b>	<b>12,151,459</b>
<b>Total assets less current liabilities</b>		<b>127,611,565</b>	<b>119,135,318</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	15	2,957,005	2,920,077
Other loans	16	27,352,488	27,010,905
		<b>30,309,493</b>	<b>29,930,982</b>
<b>Net Assets</b>		<b>97,302,072</b>	<b>89,204,336</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	20,342,400	8,136,960
Reserves	18	76,959,672	76,372,297
Equity attributable to equity holders of the Company		<b>97,302,072</b>	<b>84,509,257</b>
Minority interest		–	4,695,079
<b>Total equity</b>		<b>97,302,072</b>	<b>89,204,336</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 January 2007

	For the six months ended	
	31 January	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Total equity at 1 August	89,204,336	113,124,788
Increase in share capital arising from open offer	12,205,440	–
Premium arising from open offer	4,444,897	–
Net loss for the period	(5,118,965)	(10,247,914)
Exchange differences arising on translation of overseas operations	970,221	(54,614)
Minority interest	(4,403,857)	(13,654)
Total equity at 31 January	<b>97,302,072</b>	102,808,606

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 January 2007

	For the six months ended	
	31 January	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash used in operating activities	(5,456,962)	(3,106,400)
Net cash (used in)/from investing activities	(4,429,577)	1,505,685
Net cash from financing activities	16,650,337	–
Increase/(decrease) in cash and cash equivalents	6,763,798	(1,600,715)
Cash and cash equivalents at 1 August	389,678	5,186,527
Cash and cash equivalents at 31 January	<b>7,153,476</b>	3,585,812



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

During the period, the Group was involved in the following principal activities:

- trading of Chinese herbal products
- provision of portal development and information technology advisory services and consultation services
- manufacture and sale of western medicine

## 2. BASIS OF PREPARATION

The condensed unaudited consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of this financial statements are the same as those adopted in preparing the annual audited financial statements for the year ended 31 July 2006.

### 3. TURNOVER, REVENUE AND GAINS

	For the three months ended 31 January		For the six months ended 31 January	
	2007 (unaudited) HK\$	2006 (unaudited) HK\$	2007 (unaudited) HK\$	2006 (unaudited) HK\$
<b>Turnover</b>				
Sale of goods	10,440,183	3,842,212	14,136,219	11,015,458
Rendering of services	69,500	247,200	190,177	279,200
	<b>10,509,683</b>	<b>4,089,412</b>	<b>14,326,396</b>	<b>11,294,658</b>
<b>Other revenue</b>				
Interest income	229,980	175,996	271,959	366,073
Dividend income	–	2,705	–	5,410
Others	7,914	75,328	7,914	103,758
	<b>237,894</b>	<b>254,029</b>	<b>279,873</b>	<b>475,241</b>
<b>Other gains and losses</b>				
Recognition of negative goodwill	3,817,383	–	3,817,383	–
Gain on disposal of short term and long term investments	–	4,914	–	4,914
Gain on disposal of fixed assets	9,167	–	9,167	–
Exchange gain	35	–	35	379
	<b>3,826,585</b>	<b>4,914</b>	<b>3,826,585</b>	<b>5,293</b>

#### 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 selling 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 present revenue and results for the Group's business segments for the Interim Period and the corresponding period in 2006:

	Herbal products		Advisory services		Western medicine products		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment Revenue</b>								
Turnover	11,592,215	7,520,888	190,177	279,200	2,544,004	3,494,570	14,326,396	11,294,658
<b>Segment Results</b>	236,011	(934,011)	(1,946,523)	(943,909)	(3,960,089)	(3,880,807)	(5,670,601)	(5,758,727)
Unallocated corporate results							791,209	(4,020,401)
Loss from operating activities							(4,879,392)	(9,779,128)
Finance costs							(239,573)	(468,786)
Loss before taxation							(5,118,965)	(10,247,914)
Taxation							-	-
Loss for the period							(5,118,965)	(10,247,914)

(b) **Geographical segments**

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

	Turnover		Profit/(loss) from	
	for the six months		operating activities	
	ended 31 January		ended 31 January	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
By geographical market:				
Hong Kong	11,782,392	7,800,088	(1,158,876)	(5,309,258)
The People's Republic of China ("PRC")	2,544,004	3,494,570	(3,960,089)	(4,938,656)
	<u>14,326,396</u>	<u>11,294,658</u>	<u>(5,118,965)</u>	<u>(10,247,914)</u>
Unallocated corporate expenses			-	-
Profit/(loss) from operating activities			<u>(5,118,965)</u>	<u>(10,247,914)</u>

## 5. 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	
	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Depreciation	1,453,816	1,679,466	3,353,048	3,371,155
Amortisation of intangible assets	319,719	317,882	643,107	635,764
Amortisation of goodwill	–	313,975	–	627,950
Research and development costs	–	24,050	–	24,050
Minimum lease payments under operating leases in respect of land and buildings	438,481	320,809	659,039	670,117
Auditors' remuneration	–	–	–	–
Staff costs including directors' remuneration:				
Salaries and other allowances	1,924,751	1,882,936	3,857,388	3,738,247
Pension scheme contributions	14,162	20,540	(35,082)	52,859
	1,938,913	1,903,476	3,822,306	3,791,106
Realised loss on financial assets	–	154,440	–	154,440

## 6. 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 2007 (2006: 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 2007 (2006: Nil).

There was no significant unprovided deferred taxation during the six months ended 31 January 2007.



## 7. 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\$417,524 and HK\$4,827,743 respectively and on the weighted average number of shares of 2,034,240,000 and 1,795,939,598 respectively in issue during the Quarterly Period and Interim Period. 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 2006 of HK\$4,852,077 and HK\$9,260,183 respectively and on the weighted average number of shares of 1,264,989,580 (restated) during the periods.

Diluted loss per share amount for the three months and six months ended 31 January 2007 and 2006 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.

The weighted average number of ordinary shares used in the basic loss per share calculation has been adjusted for the effect of the issue of ordinary shares by way of an open offer as referred to in note 17. The basic loss per share for the three months and six months ended 31 January 2006 has been adjusted accordingly.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the 6 months ended 31 January 2007, additions to fixed assets amounted to HK\$559,576 and net book value of fixed assets disposed amounted to HK\$20,833.

## 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 January 2007, part of the land use rights of the Group with a net book value of approximately HK\$10.8 million (31 July 2006: HK\$10.8 million) were pledged to a bank to secure the bank loans.

## 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. LONG TERM INVESTMENTS

	<b>31 January 2007</b> <b>(Unaudited)</b> <b>HK\$</b>	31 July 2006 (Audited) HK\$
Available-for-sale financial assets	<b>4,094,200</b>	194,200

## 12. TRADE RECEIVABLES

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:

	<b>31 January 2007</b> <b>(Unaudited)</b> <i>HK\$</i>	31 July 2006 (Audited) <i>HK\$</i>
0-60 days	<b>56,695</b>	768,000
61-90 days	<b>688,333</b>	–
Over 90 days	<b>3,747,572</b>	3,795,975
	<hr/> <b>4,492,600</b>	<hr/> 4,563,975

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>31 January 2007</b> <b>(Unaudited)</b> <i>HK\$</i>	31 July 2006 (Audited) <i>HK\$</i>
Prepayments	<b>246,577</b>	344,320
Utility and other deposits	<b>2,313,951</b>	1,400,480
Other receivables	<b>8,508,868</b>	8,157,778
Due from related companies	<b>1,108,052</b>	1,182,911
	<hr/> <b>12,177,448</b>	<hr/> 11,085,489

## 14. TRADE PAYABLES

As at 31 January 2007, the aged analysis of trade payables was as follows:

	<b>31 January 2007</b> <b>(Unaudited)</b> <i>HK\$</i>	31 July 2006 (Audited) <i>HK\$</i>
0-60 days	<b>1,194,204</b>	327,821
61-90 days	<b>104,569</b>	252,626
Over 90 days	<b>678,707</b>	688,179
	<hr/> <b>1,977,480</b>	<hr/> 1,268,626

## 15. INTEREST-BEARING BANK BORROWINGS

As at 31 January 2007, the bank loans and overdrafts were secured by the bank deposits of the Group and part of the land use rights of the Group.

	<b>31 January 2007</b> <b>(Unaudited)</b> <b>HK\$</b>	31 July 2006 (Audited) HK\$
Bank loans – secured	<b>4,928,342</b>	4,866,795

## 16. OTHER LOANS

Other loans represent the amounts owing by Richtungen to its ex-owner in the PRC. Pursuant to the agreement on the acquisition of Richtungen, the ex-owner shall discharge this liability of Richtungen. The Group is pursuing the waiver of the loan with the ex-owner. No adjustment has been made to the financial statements pending the outcome.

## 17. SHARE CAPITAL

	<b>31 January 2007</b> <b>(Unaudited)</b> <b>HK\$</b>	31 July 2006 (Audited) HK\$
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<b>20,000,000</b>	20,000,000
Increased in authorised share capital ( <i>Note (a)</i> )	<b>30,000,000</b>	–
	<b>50,000,000</b>	20,000,000
Issued and fully paid:		
813,696,000 ordinary shares of HK\$0.01 each	<b>8,136,960</b>	8,136,960
Open offer ( <i>Note (b)</i> )	<b>12,205,440</b>	–
	<b>20,342,400</b>	8,136,960

Notes:

- (a) Pursuant to an ordinary resolution passed at the extraordinary general meeting (the “EGM”) of the Company on 1 September 2006 (the “EGM”), the authorised share capital of the Company was increased from HK\$20,000,000 divided into 2,000,000,000 shares to HK\$50,000,000 divided into 5,000,000,000 shares.
- (b) Pursuant to an ordinary resolution passed at the EGM, the Company issued 1,220,544,000 ordinary shares at HK\$0.01 each by way of an open offer (the “Open Offer”) at an issue price of HK\$0.015 per offer share on the basis of the three offer shares for every two existing shares of the Company held on 1 September 2006.

## 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\$	Attributable to equity holders of the Company HK\$	Minority interest HK\$	Total HK\$
At 31 July 2005	394,291,209	–	705,525	(301,006,804)	93,989,930	10,997,898	104,987,828
Net loss for the year	–	–	–	(18,457,226)	(18,457,226)	(1,503,638)	(19,960,864)
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	(4,786,576)	(4,786,576)
Recognition of equity-settled share-based payment	–	71,125	–	–	71,125	–	71,125
Exchange differences arising on translation of overseas operations	–	–	768,468	–	768,468	(12,605)	755,863
At 31 July 2006 (audited)	394,291,209	71,125	1,473,993	(319,464,030)	76,372,297	4,695,079	81,067,376
Net loss for the period	–	–	–	(4,827,743)	(4,827,743)	(291,222)	(5,118,965)
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	(4,403,857)	(4,403,857)
Premium arising from open offer, net of expenses	4,444,897	–	–	–	4,444,897	–	4,444,897
Exchange differences arising on translation of overseas operations	–	–	970,221	–	970,221	–	970,221
Balance at 31 January 2007	398,736,106	71,125	2,444,214	(324,291,773)	76,959,672	–	76,959,672



## 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 are disclosed below.

- (a) The Group had the following transactions with related parties in the ordinary course of business during the period:
  - (i) The Group received information technology advisory income of HK\$14,500 (2006: HK\$25,200) from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.
  - (ii) The Group received consultation income of HK\$126,000 (2006: HK\$Nil) from the China Rich Group.
  - (iii) The Group paid administration fees of HK\$20,000 (2006: HK\$Nil) to the China Rich Group.
- (b) Amounts due to a related company/a director are unsecured, interest free and have no fixed terms of repayment.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2007 (2006: nil).

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

As at 31 January 2007, 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	Capacity	Number of shares	Percentage of the Company's issued share capital
Ms. Cheng Kit Yin, Kelly	Beneficial owner	1,071,004,230	52.31
Mr. Man Kong Yui	Interest of spouse	13,764,908	0.68

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 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 2007, 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	14.68
China Global Gains Investment Limited	135,616,000	6.67

*Note:* China Rich Holdings Limited is a company incorporated in Bermuda whose shares are listed on the Main Board of The Stock Exchange. The single largest shareholder of China Rich Holdings Limited is Central Securities Limited which is wholly owned by Everbest Holdings Group Limited which is in turn wholly owned by Mr. Yip Kwong. China Rich Holdings Limited, Central Securities Holdings Limited and Mr. Yip Kwong are holding respectively 258,451,559 shares, 37,229,950 shares and 3,003,750 shares of the Company at 31 January 2007.

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.

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

	Date of grant of share options	Exercise price		Number of share options			
		Before adjustment	After adjustment	At 1 August 2006	Adjusted after open offer	Cancelled during the period	At 31 January 2007
		HK\$	HK\$				
<i>Directors</i>							
Ms. Cheng Kit Yin, Kelly	19.12.2000	0.218	0.140	16,000,000	24,873,950	–	24,873,950
	4.6.2002	0.234	0.151	51,808,000	80,541,849	–	80,541,849
	14.6.2006	0.075	0.048	8,000,000	12,436,975	–	12,436,975
Ms. Kuo Kwan	14.6.2006	0.075	0.048	3,000,000	4,663,866	–	4,663,866
Dr. Lau Lap Ping	19.4.2002	0.234	0.151	1,000,000	1,554,622	–	1,554,622
	14.6.2006	0.075	0.048	813,000	1,263,908	–	1,263,908
Mr. Man Kong Yui	14.6.2006	0.075	0.048	813,000	1,263,908	–	1,263,908
Mr. Yeung Chi Hung	14.6.2006	0.075	0.048	813,000	1,263,908	–	1,263,908
				<u>82,247,000</u>	<u>127,862,986</u>	<u>–</u>	<u>127,862,986</u>
<i>Other employees</i>							
In aggregate	19.12.2000	0.218	0.140	1,500,000	2,331,933	–	2,331,933
	19.4.2002	0.234	0.151	400,000	621,849	–	621,849
	14.6.2006	0.075	0.048	1,100,000	1,710,084	(1,088,235)	621,849
				<u>3,000,000</u>	<u>4,663,866</u>	<u>(1,088,235)</u>	<u>3,575,631</u>
				<u>85,247,000</u>	<u>132,526,852</u>	<u>(1,088,235)</u>	<u>131,438,617</u>



*Notes:*

- (i) On 19 December 2000, the Company granted 16,000,000 and 1,500,000 options to a director, Ms. Cheng Kit Yin, Kelly and employees respectively at the exercise price of HK\$0.218 each for a period of ten years under the Old Scheme. The share options are vested in different tranches and lapsed when the grantee ceases to be employed by the Group.
- (ii) On 19 April 2002, the Company granted 7,400,000 options to the directors and employees of the Group at the exercise price of HK\$0.234 each for a period of ten years. Options of 1,000,000 and 5,000,000 granted to Mr. Kam Shing and Mr. Ngai Sai Ming were cancelled following their resignation as non-executive director of the Company during the years ended 31 July 2005 and 2006 respectively.
- (iii) On 4 June 2002, the Company granted 51,808,000 options to Ms. Cheng Kit Yin, Kelly at the exercise price of HK\$0.234 each for a period of ten years.
- (iv) On 14 June 2006, the Company granted 14,539,000 options to the directors and employees of the Group at the exercise price of HK\$0.075 each for a period of ten years.
- (v) On 22 September 2006, the subscription prices of the outstanding options and the number of shares to be allotted and issued upon exercise of the outstanding options were adjusted in accordance with the rules of the share option schemes of the Company and the supplementary guidance on adjustment of share options enclosed in the letter dated 5 September 2005 from The Stock Exchange to the listed issuers.

At the balance sheet date, the Company had 131,438,617 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 131,438,617 additional ordinary shares of the Company and additional share capital of HK\$1,314,386 and share premium of HK\$16,017,596 (before issue expenses).

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

For the Interim 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.



## 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 for the following deviations:

### **Chairman and chief executive officer**

At present, Ms. Cheng Kit Yin, Kelly is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group’s business. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can effectively formulate and implement the Company’s strategies. The Company also considers that under the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change the arrangement.

### **Non-executive directors**

The Code provision A.4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company has deviated from this provision in that all INEDs are not appointed for specific terms. They are, however, subject to retirement by rotation at least once every three years as all directors are subject to retirement by rotation 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 Dr. Lau Lap Ping (chairman of the remuneration committee), Mr. Man Kong Yui and Mr. Yeung Chi Hung. 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 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 three independent non-executive directors, Dr. Lau Lap Ping, Mr. Man Kong Yui and Mr. Yeung Chi Hung. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 31 January 2007, 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 2007.

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

*Executive Directors:*

Ms. Cheng Kit Yin, Kelly

Ms. Kuo Kwan

*Independent Non-executive Directors:*

Dr. Lau Lap Ping

Mr. Man Kong Yui

Mr. Yeung Chi Hong

Hong Kong, 14 March 2007