



GreaterChina
Technology Group Limited

大中華科技(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report
2009





CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 unaudited results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the three months ended 31 October 2008.

At the same time, 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") and Australian TGA GMP.

Our herbal supplements business entity "HerbnSenses Health Products Limited" continues to produce 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 continues to utilize 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.

We will continue to devote our efforts to strengthening our business foundation to ensure we stand a strong position to strive for market opportunities, increase growth potential and thus enhance the shareholders' value.

FINANCIAL REVIEW

Segment information

For the three months ended 31 October 2008 under review, the Group recorded a total turnover of HK\$5.2 million, of which HK\$2.9 million was contributed from the Group's core business of sales of herbal supplements and related services, HK\$2.3 million from sales of western medicine in the PRC. For the comparative figures in the corresponding period of last year, the Group earned a total turnover of HK\$4.6 million, of which HK\$2.9 million was generated from the sale of herbal supplements and related services, HK\$1.7 million from sales of western medicine in the PRC.



The selling, administrative and other operating expenses increased from approximately HK\$7.0 million to approximately HK\$7.4 million for the three months ended 31 October 2008 as compared to the corresponding period of last year. The increase was mainly due to the increase in marketing and promotion expenses.

The loss attributable to equity holders of the Company amounted to approximately HK\$3.9 million for the three months ended 31 October 2008, compared to the loss attributable to equity holders of the Company of approximately HK\$2.1 million in the corresponding period of last year.

Basic loss per share was approximately HK0.19 cent, compared to basic loss per share of approximately HK0.10 cent for the corresponding period of last year.

BUSINESS REVIEW

The Group is currently engaged in the research and development, manufacturing, marketing and distribution of western medicine and herbal supplements based on TCM.

During the three months ended 31 October 2008, the Group had achieved the following objectives:

OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:

Expanded the sales network for western medicine in the PRC.

BRAND-BUILDING AND DISTRIBUTION OF HERBAL AND OTHER PRODUCTS:

Continued the promotion of membership scheme to strengthen relations with existing members and to recruit new members by promoting the use of the online e-store system and organizing more joint membership programmes with external parties.



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 new product range such as western herbs and/or western medicine to enhance the Group's competitiveness.

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; and

Establishing strategic partnership to increase the income source.

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, 10 December 2008



UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the “Board”) of GreaterChina Technology Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 October 2008 together with the comparative unaudited consolidated results for the corresponding period in 2007 as follows:

	Notes	For the three months ended 31 October	
		2008	2007
		(Unaudited) HK\$	(Unaudited) HK\$
Turnover	3	5,178,669	4,616,426
Cost of sales		(1,376,039)	(1,053,617)
Gross profit		3,802,630	3,562,809
Other revenue	3	371	1,374,754
Other losses		(133,855)	–
Selling, administrative and other operating expenses		(7,368,160)	(6,958,053)
Loss from operation	4	(3,699,014)	(2,020,490)
Finance costs		(172,703)	(99,824)
Loss before taxation		(3,871,717)	(2,120,314)
Taxation	5	–	–
Loss for the period and attributable to equity holders of the Company		(3,871,717)	(2,120,314)
Attributable to:			
Equity holders of the Company		(3,871,717)	(2,120,314)
Minority interest		–	–
		(3,871,717)	(2,120,314)
Loss per share	6		
Basic		0.19 cents	0.10 cents
Diluted		N/A	N/A
Dividends	7	–	–



Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The 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 consultation services, and manufacture and sale of western medicine.

2. BASIS OF PREPARATION

The unaudited consolidated results 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. They have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value, as appropriate.

The accounting policies and methods of computation used in the preparation of this unaudited 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

	For the three months ended 31 October	
	2008 (unaudited) HK\$	2007 (unaudited) HK\$
Turnover		
Sale of goods	5,178,669	4,615,426
Rendering of services	—	1,000
	5,178,669	4,616,426
Other revenue		
Interest income	371	22,342
Sundry income	—	1,352,412
	371	1,374,754



4. LOSS FROM OPERATION

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

	For the three months ended 31 October	
	2008 (unaudited) HK\$	2007 (unaudited) HK\$
Depreciation	962,355	1,722,956
Amortisation of intangible assets and land use rights	338,855	336,956
Net foreign exchange losses/(gains)	49,351	(161,210)
<hr/>		
Minimum lease payments under operating leases in respect of land and buildings	495,636	501,636
Staff costs including directors' remuneration:		
Salaries and other benefits	990,401	1,735,907
Pension scheme contributions	16,271	17,602
	1,006,672	1,753,509
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5. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the three months ended 31 October 2008 (2007: Nil). No provision for PRC enterprise income tax has been made as the PRC subsidiary incurred a loss for the three months ended 31 October 2008 (2007: Nil).

There was no significant unprovided deferred taxation during the three months ended 31 October 2008.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the three months ended 31 October 2008 of HK\$3,871,717 (2007: HK\$2,120,314) and on 2,042,695,590 (2007: 2,038,903,866) ordinary shares in issue during the period.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the three months ended 31 October 2008 and 31 October 2007, they exerted no dilution effect on the basic loss per share for the three months ended 31 October 2008 and 31 October 2007.



7. DIVIDENDS

The directors do not recommend the payment of any dividend for the three months ended 31 October 2008 (2007: Nil).

8. RESERVES

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

	Share premium <i>HK\$</i>	Share-based payment reserve <i>HK\$</i>	Translation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31 July 2007	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	399,250,581	4,525,662	12,990,248	(361,792,542)	54,973,949
Exchange differences arising on translation of overseas operations	-	-	(277,814)	-	(277,814)
Loss for the period	-	-	-	(3,871,717)	(3,871,717)
Balance at 31 October 2008	399,250,581	4,525,662	12,712,434	(365,664,259)	50,824,418



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 October 2008, 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	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

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 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 October 2008, 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, underlying shares and debentures of the Company and associated corporations" 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 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 at 1 August 2008 and 31 October 2008
<i>Directors</i>			
Ms. Cheng Kit Yin, Kelly	24.7.2008	0.092	20,000,000
Ms. Chung Wai Han	24.7.2008	0.092	20,000,000
Ms. Lam Wing Ah	24.7.2008	0.092	20,000,000
Mr. Leung King Yue, Alex	24.7.2008	0.092	20,000,000
Mr. Leong Chi Wai	24.7.2008	0.092	20,000,000
Mr. Ma Man Pong	24.7.2008	0.092	20,000,000
			120,000,000
<i>Other employees</i>			
In aggregate	24.7.2008	0.092	1,000,000
			1,000,000
			121,000,000

Note: On 24 July 2008, the Company granted 121,000,000 options to the directors and an employee of the Group at the exercise price of HK\$0.092 each for a period of ten years from the date of grant.



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).

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, 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 three months ended 31 October 2008, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.



PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 October 2008.

For and on behalf of the Board
GreaterChina Technology Group Limited
Ma Man Pong
Executive Director

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:

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

Hong Kong, 10 December 2008