

2006

First Quarterly Report

For the period
from 1st August, 2005
to 31st October, 2005

Herbs



Health



Research



GreaterChina
Technology Group Limited

大中華科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of GreaterChina Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to GreaterChina Technology Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.





CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), we hereby present the results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the three months ended 31 October 2005.

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 (the "PRC"), in which the Group already had an 80% ownership interest. After diversification of the Group's business in the PRC, the business development plan of the Group is further

enhanced by the production facilities, the existing product lines and the distribution network of this pharmaceutical manufacturing plant. Therefore, the Group has fully complied with a vertical integration of its business model, research and product development through its own Chinese Medicinal Fungal ("CMF") Proteomics Laboratory, its manufacturing and processing in the pharmaceutical plant in the PRC and its distribution network in Hong Kong, the PRC and worldwide. Hence, the Group has positioned itself as a leader in this cutting edge technology in both Chinese herbal and western medicine.

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



FINANCIAL REVIEW

Segment Information

For the three months ended 31 October 2005 under review, the Group recorded a total revenue of HK\$7.4 million, of which HK\$5.6 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$1.6 million from sales of western medicine in the PRC and HK\$0.2 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\$2.9 million, of which HK\$2.0 million was generated from the sale of nutraceutical Chinese herbal products and related services, and HK\$0.9 million from interest income and other sundries.

During the period under review, the Group recorded a significant increase in sales of pharmaceutical and healthcare products, which was approximately 2.8 times of that in the corresponding period last year. Since November 2004, the Group's results had consolidated the operating results of the pharmaceutical company in the PRC. Therefore, revenue of HK\$1.6 million was derived from sales of western medicine in the PRC and expenses of HK\$2.8 million was incurred by the pharmaceutical company in the PRC during the period.



The net loss for the three months ended 31 October 2005 was HK\$4.4 million, which was approximately the same as the net loss for the three months ended 31 October 2004.

BUSINESS REVIEW

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

During the three months ended 31 October 2005, the Company has achieved the following objectives:

Research & Product Development:

Conduct research and development at the Chinese Medicinal Fungal (CMF) Proteomics Laboratory;

Collaboration with the Chinese University of Hong Kong, Prince of Wales Hospital in the Study of Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps;

Collaboration with the Chinese University of Hong Kong, Chinese Medicinal Fungal (CMF) Proteomics Laboratory in the Study of Anti-Tumor Activities of HERBSnSENSES™ Cordyceps Polysaccharides Platinum;

Continue human clinical trial on Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps conducted at Prince of Wales Hospital;

Collaboration with the Chinese University of Hong Kong, Guangdong Provincial People's Hospital for clinical service and research related to SARS; and

Performing biophysical assays on characteristics of the structural and functional relationship among the SARS viral peptides and antibodies by using the state-of-the-art medical equipment “Solid Phase Peptide Synthesiser”.

Operation of a Pharmaceutical Manufacturing Plant:

Restructured sales team and commenced the distribution plans for western medicine in the PRC.

Brand-building and Distribution of Herbal and Other Products:

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, www.sensesshop.com and expanding our scope of sphere into more healthcare distribution channels;

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

Opened a new concept counter at a reputable pharmacy; and

Obtaining licenses and health regulatory approval in the PRC.



FUTURE PLANS AND DEVELOPMENT

In the near future, in addition to the overall business plan, the Group will continue to focus its efforts and resources in the following areas:

Research & Product Development:

Research and development in the search of value added therapeutic products to advance and enhance the Group's Cordyceps product range;

Research and development on other TCM product lines, including nutraceutical, herbal and pharmaceutical product lines, either in cooperation with external research institutions or in-house;

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

Continue the Proteomics research with a target to identify 20,000 groups of proteins to set up a "Human Disease Proteoms" database;

Discovery of protein-based marker and drug for diagnostic and therapeutic treatment;

Develop a biologically active synthetic peptide based vaccine to cure infection or disease caused by SARS Coronavirus; and

Collaboration with local and foreign institutions and universities in the field of research and clinical trials.

Operation of a Pharmaceutical Manufacturing Plant:

Setting up of an international Good Manufacturing Practice (GMP) facility in the PRC;

Reinforce the brand-awareness of its existing pharmaceutical products and expand its distribution network in the PRC market;

Obtain licenses and health regulatory approval on some of its western medicinal 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 in the PRC, the USA, Canada and Europe;

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

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

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, 13 December 2005



UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the "Board") of GreaterChina Technology Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 October 2005 together with the comparative unaudited consolidated results for the corresponding period in 2004 as follows:

	<i>Notes</i>	For the three months ended 31 October	
		2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover	2	7,205,246	2,016,719
Cost of sales		(4,111,342)	(838,290)
Gross profit		3,093,904	1,178,429
Other revenue and gains	2	221,591	877,027
Administrative and other operating expenses		(7,999,575)	(4,287,733)
Loss from operating activities	3	(4,684,080)	(2,232,277)
Finance costs		(182,123)	(75,378)
Share of loss of a jointly controlled entity		-	(2,054,568)
Loss before taxation		(4,866,203)	(4,362,223)
Taxation	4	-	-
Loss after taxation		(4,866,203)	(4,362,223)
Minority interest		458,095	-
Net loss attributable to shareholders	5	(4,408,108)	(4,362,223)
Loss per share	5		
Basic		0.5 cents	0.5 cents
Diluted		N/A	N/A

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 financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of equity investments, which are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis.

2. TURNOVER, REVENUE AND GAINS

	For the three months ended 31 October	
	2005	2004
	(unaudited)	(unaudited)
	HK\$	HK\$
Turnover		
Sale of goods	7,173,246	2,004,119
Rendering of services	32,000	12,600
	7,205,246	2,016,719
Other revenue		
Interest income	190,077	63,387
Income from the use of trademarks	-	416,667
Dividend income	2,705	-
Sundry income	28,430	-
	221,212	480,054
Gains		
Unrealised holding gain on investment in securities	-	40,347
Gain on disposal of fixed assets	-	356,626
Exchange gain	379	-
	379	396,973
Other revenue and gains	221,591	877,027



3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the three months ended 31 October	
	2005	2004
	(unaudited)	(unaudited)
	HK\$	HK\$
Depreciation	989,455	325,977
Amortisation of intangible assets	323,389	-
Amortisation of goodwill on acquisition of a jointly controlled entity	-	313,975
Amortisation of goodwill	313,975	-
Research and development costs	-	10,000
	<hr/> <hr/>	
Minimum lease payments under operating leases in respect of land and buildings	349,308	146,040
Auditors' remuneration	-	-
Staff costs including directors' remuneration:		
Salaries and other allowances	1,938,255	1,357,526
Pension scheme contributions	32,319	22,798
	<hr/> <hr/>	
	1,970,574	1,380,324

4. 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 2005 (2004: 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 2005 (2004: Nil).

There was no significant unprovided deferred taxation during the three months ended 31 October 2005.

5. LOSS PER SHARE

The calculation of basis losses per share are based on the net losses attributable to shareholders for the three months ended 31 October 2005 of HK\$4,408,108 (2004: HK\$4,362,223) and the number of shares of 813,696,000 (2004: 813,696,000) 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 2005, they exerted no dilution effect on the basic loss per share for the three months ended 31 October 2005. Diluted loss per share amount for the three months ended 31 October 2004 has not been disclosed as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

6. RESERVES

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

	Share premium account HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 31 July 2004	394,291,209	-	(281,420,633)	112,870,576
Net loss for the year	-	-	(19,586,171)	(19,586,171)
Exchange differences arising on translation of overseas operations	-	705,525	-	705,525
Balance at 31 July 2005	394,291,209	705,525	(301,006,804)	93,989,930
At 1 August 2005	394,291,209	705,525	(301,006,804)	93,989,930
Net loss for the period	-	-	(4,408,108)	(4,408,108)
Exchange differences arising on translation of overseas operations	-	(37,332)	-	(37,332)
Balance at 31 October 2005	394,291,209	668,193	(305,414,912)	89,544,490



DIVIDEND

The directors do not recommend the payment of any dividend for the three months ended 31 October 2005 (2004: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 October 2005, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares directly and beneficially owned	Percentage of the Company's issued share capital
Ms. Cheng Kit Yin, Kelly	44,046,020	5.4

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 October 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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





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 OPTIONS SCHEME

Pursuant to an ordinary resolution in writing of the sole shareholder of the Company passed on 21 February 2000, the Company adopted a share option scheme (the “Old Scheme”) pursuant to which the directors were authorised to grant options to employees of the Company or its subsidiaries, including executive directors of such companies, to subscribe for shares of the Company. Options granted under the Old Scheme will entitle the holder to subscribe for shares from the date of grant up to 20 February 2010.

On 8 April 2002, the Company passed scheme an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the “Revised Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations in compliance with the amended Chapter 23 of the GEM Listing Rules. All the share options granted under the Old Scheme which remained outstanding on the date of termination of that scheme continue to be valid and exercisable in accordance with the provisions of that scheme.

Eligible participants of the Revised Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company’s subsidiaries. The Revised Scheme became effective on 18 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Revised Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Revised Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date of acceptance of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for grant of the option is made subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.



Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the period:

	Date of grant of share options	Exercise period of share options	Exercise price HK\$	Number of share options		
				At 1 August 2005	Cancelled during the period	At 31 October 2005
<i>Directors</i>						
Ms. Cheng Kit Yin, Kelly	19.12.2000	<i>note (i)</i>	0.218	16,000,000	-	16,000,000
	4.6.2002	4.6.2002- 18.4.2012	0.234	51,808,000	-	51,808,000
Dr. Ngai Sai Ming	19.4.2002	19.4.2002- 18.4.2012	0.234	5,000,000	-	5,000,000
Dr. Lau Lap Ping	19.4.2002	19.4.2002- 18.4.2012	0.234	1,000,000	-	1,000,000
				73,808,000	-	73,808,000
<i>Other employees</i>						
In aggregate	19.12.2000	<i>note (i)</i>	0.218	1,500,000	-	1,500,000
	19.4.2002	19.4.2002- 18.4.2012	0.234	400,000	-	400,000
				1,900,000	-	1,900,000
				75,708,000	-	75,708,000

Note:

- (i) The exercise period is from the vesting date to 20 February 2010. The share options are vested in different tranches and lapse when the grantee ceases to be employed by the Group.

At the balance sheet date, the Company had 75,708,000 share options outstanding under the Old Scheme and the Revised Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 75,708,000 additional ordinary shares of the Company and additional share capital of HK\$757,080 and share premium of HK\$16,678,592 (before issue expenses).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in the process of reviewing its corporate governance practices and will report in its half-year financial announcement on the compliance of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR 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.

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 three months ended 31 October 2005, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months period ended 31 October 2005.

By Order of the Board of
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 Hung

Hong Kong, 13 December 2005