

**GREATERCHINA TECHNOLOGY GROUP LTD:
YOU OWE ME \$HK118 MILLION**

Publicly listed GreaterChina Technology Group Ltd (Code: 8032, The Growth Enterprise Market [The GEM], The Stock Exchange of Hongkong Ltd), via a wholly owned subsidiary, has launched a \$HK118-million-plus lawsuit in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

There are 2 Defendants in this lawsuit, both of which appear to be partly owned by GreaterChina Technology:

China Global Gains Investment Ltd*
Fai Yin Investment Company Ltd**

First Defendant
Second Defendant

* China Global Gains Investment Ltd is 16.67 percent owned by GreaterChina Technology
** Fai Yin Investment Company Ltd is 10 percent owned by GreaterChina Technology Group Ltd Group Ltd

The Plaintiff in HKSAR High Court Action Number 852 is GreaterChina Investment Ltd, which alleges that, on November 5, 2002, it came into an agreement with China Global Gains whereby it would acquire *'one fully paid share representing the entire issued share capital of Power Essence Ltd ("Company")*, a company incorporated under the laws of the British Virgin Islands which would, upon completion of the Agreement, through Golden Unit Limited (**"Subsidiary"**), hold 80% of the entire equity interest in 廣東健力寶藥業有限公司 (Guangdong Jianlibao Pharmaceutical Co., Ltd.) (**"JV Company"**). The JV Company is a sino-foreign equity joint venture enterprise established in the People's Republic of China (**"PRC"**) ... '.

Fai Yin Investment Company Ltd, the Second Defendant, came into the picture because it is alleged that this company was a warrantor to the agreement between GreaterChina Investment Ltd and China Global Gains.

(A warrantor is defined as being an undertaking by one of the parties to a contract, a breach of which entitles the innocent party to damages, but not to terminate the contract.)

According to Paragraph 6 of the Statement of Claim, it is alleged that the 2 Defendants *'jointly and severally, unconditionally and irrevocably represented, warranted, guaranteed to and undertook with the Plaintiff, among other matters, that the earnings before interest, tax, depreciation and amortization ("**Ebitda**") of the JV Company for the year ending on 31 December 2003 should exceed RMB8,000,000 ("**2003 Guaranteed Profit**") and for the year ending on 31 December 2004 should exceed RMB12,000,000 ("**2004 Guaranteed Profit**") respectively (collectively "**Guaranteed Profit**").'*

(RMB=Renminbi: RMB1.00=\$HK0.9434)

In the event that there was a shortfall in the Guaranteed Profit, it is alleged that the Second Defendant had agreed to pay to the Plaintiff *'an amount equivalent to 80% of the shortfall of each of the 2003 Guaranteed Profit and the 2004 Guaranteed Profit from immediately available funds.'*

It was agreed, at the time of the Agreement, that the First Defendant would *'discharge all liabilities of the JV Company as at the Completion Date of the Agreement ...'*.

Also, the value of the fixed assets of the JV Company, as at the Completion Date, was said to be not less than RMB91,235,483.16.

Again, in the event that there was any shortfall in respect of the value of the fixed assets, as at the Completion Date, the Second Defendant allegedly undertook to pay to the Plaintiff *'an amount equal to 80% of the full amount of any increase in liabilities in immediately available funds.'*

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