

" Live it up,  
create the balance."

Annual  
Report  
年報  
2002



**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.

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*This document, 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 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

#### 香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）之特色

創業板乃為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往溢利記錄，亦毋須預測未來溢利。此外，在創業板上市之公司可因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市之公司屬新興性質，在創業板買賣之證券可能會較在聯交所主板買賣之證券承受較大之市場波動風險，同時無法保證在創業板買賣之證券會有高流通量之市場。創業板發佈資料之主要方法為在聯交所為創業板而設之互聯網網頁上刊登。上市公司毋須在憲報指定報章刊登付款公佈資料。因此，有意投資之人士應注意，彼等須閱覽創業板網頁，方可取得創業板上市發行人之最新資料。

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本文件包括之資料乃遵照聯交所《創業板證券上市規則》之規定而提供有關大中華科技（集團）有限公司之資料。大中華科技（集團）有限公司各董事願就本文件共同及個別承擔全部責任，並在作出一切合理查詢後確認，就彼等所知及所信：(1)本文件所載之資料在各重大方面均屬準確完整，且無誤導成份；(2)本文件並無遺漏其他事實致使本文件所載任何內容產生誤導；及(3)本文件所表達之一切意見乃經審慎周詳考慮後始行發表，並以公平合理之基準及假設為依據。

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# Corporate Profile

## **DIRECTORS**

### **Executive Directors**

Ms. Cheng Kit Yin, Kelly  
(Chairman and Chief Executive Officer)  
Mr. Mak Shiu Chung, Godfrey

### **Non-executive Directors**

Dr. Ngai Sai Ming, Ice  
Mr. Kam Shing  
Ms. Lau Sio Kuan, Vivian

### **Independent Non-executive Directors**

Mr. Heng Kwoo Seng  
Dr. Lau Lap Ping

## **AUTHORIZED REPRESENTATIVES**

Ms. Cheng Kit Yin, Kelly  
Mr. Mak Shiu Chung, Godfrey

## **AUDIT COMMITTEE MEMBERS**

Mr. Heng Kwoo Seng  
Dr. Lau Lap Ping

## **COMPLIANCE OFFICER**

Mr. Mak Shiu Chung, Godfrey

## **COMPANY SECRETARY**

Miss Wong Siu Hing, Denise

## **QUALIFIED ACCOUNTANT**

Miss Wong Siu Hing, Denise

## **AUDITORS**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## **BANKERS**

Bank of China (Hong Kong) Limited  
Standard Chartered Bank  
DBS Kwong On Bank  
Citibank, N.A.

## **LEGAL ADVISERS**

On Hong Kong Law  
Chiu & Partners  
41st Floor Jardine House  
1 Connaught Place  
Hong Kong

## *On Cayman Islands Law*

Conyers, Dills & Pearman, Cayman  
Zephyr House  
Mary Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## *On PRC Law*

Guangzhou Foreign Economic Law Office  
15th Floor, Chengyue Plaza  
No. 448-458 Dongfeng Zhong Road  
Guangzhou  
PRC

## **SPONSOR**

Ernst & Young Corporate Finance Limited  
16th Floor, Hutchison House  
10 Harcourt Road, Central  
Hong Kong

## **REGISTERED OFFICE**

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies

## **PRINCIPAL PLACE OF BUSINESS**

33rd Floor, 118 Connaught Road West  
Hong Kong

## **SHARE REGISTRARS AND TRANSFER OFFICE**

### **Cayman Islands**

Bank of Butterfield International (Cayman) Limited  
Butterfield House  
Fort Street  
P.O. Box 705 George Town  
Grand Cayman  
Cayman Islands

### **Hong Kong**

Secretaries Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of GreaterChina Technology Group Limited (the "Company") will be held at 33/F, 118 Connaught Road West, Hong Kong on 11th November, 2002 at 4:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st July, 2002;
2. To re-elect a retiring director and to fix his remuneration;
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

**A. "THAT:**

- (i) subject to paragraph (iii) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or, (b) the exercise of rights of conversion under any securities which are convertible into shares of the Company or, (c) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the directors and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights issue" means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the directors of the Company made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

**B. "THAT:**

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own issued shares of HK\$0.01 each in the capital of the Company on the GEM of the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognized for this purpose by the Securities and Future Commission and the Stock Exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (iii) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

- C. "THAT** conditional upon the resolution numbered 4B in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities pursuant to resolution numbered 4A in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B."

By Order of the Board  
**Wong Siu Hing**  
Company Secretary

Hong Kong, 9th October, 2002

**Notes:**

1. In order to qualify for attending the forthcoming annual general meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited, 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.
2. Every member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarized certified copy thereof, must be deposited at the Company's principal place of business at 33/F, 118 Connaught Road West, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution.
4. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the form of proxy must be deposited at the Company's principal place of business at 33/F, 118 Connaught Road West, Hong Kong not less than forty-eight hours before the time fixed for the taking of the poll.
5. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The book close date for the forthcoming annual general meeting of the Company will be 7th November, 2002 to 11th November, 2002, both dates inclusive.

## Chairman's Statement

On behalf of the Board of Directors (the "Board"), we hereby present the Annual Report of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st July, 2002.

The mission of the Group is to become one of the leading providers of interactive contents on the internet in the health and lifestyle sectors. The Group is focused on providing a balanced portfolio using both on-line and off-line technologies to explore possible ventures to promote premium and quality lifestyle for our community. The Group has set up a health product division to develop traditional Chinese medicine and Chinese herbs into high quality and safe health supplements. The Group's health products division utilizes advanced biotechnology to ensure the consistent efficacy of its products and to maintain the stability of the products' chemical ingredients and with a view to ensuring that the Group's products are of a higher quality than most traditional Chinese medicine.

The year was a difficult year, witnessing the continuing downturn in global outlook for internet and e-commerce business and the 9-11 tragedy which hindered the recovery of the global economy. However, despite all these negative operating elements, the management of the Group still managed to maintain a strong revenue momentum by executing their business strategies with stringent financial and cost controls and succeeded in achieving an operating profit before deduction of finance costs of approximately HK\$1 million.



During the year, the Group has achieved the following objectives:

- ◆ **Successful Brand-Building**  
Our Group has successfully established co-branded sites and linkage to international search engines which not only created global brand recognition but also a significant boost in our revenue stream.
- ◆ **Revenue Growth**  
The Group's revenue has shown a strong growth of over 156% as compared to the previous financial year.
- ◆ **Additional Revenue**  
The Group has achieved an attractive interest and sundry income of HK\$20 million to enhance the Group's overall income stream by utilizing the management's financial expertise and by adopting a well managed portfolio.

◆ **Strong Financial Position**

As at the year end, the Group managed to maintain a total of net cash and investment position of approximately HK\$110,840,000 or HK\$0.16 per share.

◆ **E-commerce platform [www.senseshop.com](http://www.senseshop.com)**

The Group has successfully launched the e-commerce platform [www.senseshop.com](http://www.senseshop.com) in the People's Republic of China ("PRC").

◆ **Launching of the Group's first flagship herbal product HERBSnSENSES™ Cordyceps**

The expansion into an off-line business in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine products was approved by the independent shareholders of the Company on 9th November, 2001. Subsequently, the Group has launched its first flagship herbal product HERBSnSENSES™ Cordyceps in Hong Kong and also in some cities in the United States ("US") via the Group's on-line concept store and other healthcare products distribution channels.

◆ **In Search of Investment Opportunities**

As part of the Group's overall strategy, it is consistently in search of and identifying direct investment opportunities to expand and diversify our business model within our stated industry of health and lifestyle, with a view to enhancing our revenue streams.



Cordyceps



[www.herbsnsenses.com](http://www.herbsnsenses.com)



Print advertisement & Advertorials



Safety Manufacturing Certificate

1. Active ingredients, Cordycepin and Adenosine, are verified by CUCAMED Company Limited.
2. Tested by SGS Hong Kong Limited.
3. Nutrition facts are verified by the Michelson Laboratories Inc. in the U.S.A.



## **FINANCIAL REVIEW**

### **Segment Information**

For the twelve months ended 31st July, 2002, the Group recorded a total revenue of HK\$44 million, of which HK\$2.6 million was contributed by the Group's advertising activities, HK\$11.5 million was generated from the sale of nutraceutical Chinese herbal products, HK\$9.9 million arose from portal development and information technology advisory and consultation concerning the setting up of production lines conforming with Good Manufacturing Practice ("GMP") standard in the PRC and HK\$20 million arose from interest income and other sundries. For the comparative figures in the previous financial year, the Group earned a total revenue of HK\$28 million, of which HK\$6.7 million was mainly contributed by the Group's advertising activities and portal development and information technology advisory services and HK\$21.3 million arose from interest income and other sundries. The increase in revenues from advisory and consultation as well as sale of nutraceutical Chinese herbal products were due to the Group's expansion of business off-line in relation to the research and development, marketing and distribution of traditional Chinese medicine and Chinese herbs during the year both in Hong Kong and in the US.

During the financial year, although the Group has enhanced its revenue base, the Directors decided to reevaluate the carrying value of the assets of the Group and therefore impairment losses on plant and machinery under installation owed by a subsidiary of the Group of HK\$4,794,175 and an investment of HK\$560,495 were made during the year. Therefore, a net loss of HK\$4.8 million was recorded for the year, representing a net loss of 0.7 cents per share, compared with a net loss of HK\$69 million in the previous financial year.

### **Other Financial Information**

Except for the investment in funds, listed equity securities and marketable bonds 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 and disposals of subsidiaries and affiliated companies during the year.

The current ratio of the Group was 1.58 as at the year end compared to 2.52 as at 31st July, 2001. The decrease was mainly due to the investment in the off-line traditional Chinese medicine business and increased investment in listed equity securities which were classified as non-current assets as at the year end. The gearing ratio, defined as the ratio of total borrowings to total assets, was 46% as compared to 36% as at 31st





July, 2001. The increase is mainly due to the implementation of our business plan and a revaluation deficit on listed equity securities arising from the fluctuation of the securities market in Hong Kong. The Group's borrowings mainly comprise short term loan and overdrafts which amounted to approximately HK\$218.9 million as at the year end and are wholly secured by bank deposits and investments in securities. The Group therefore has effectively no outstanding debts or exposure to its bankers given that the Group's cash deposits and investments in securities held at its banks exceed the amount of its bank borrowings. In view of the bank deposits and the credit facilities granted and the fact that the Group has no non-current liabilities for the year, the Directors consider the Group is in a healthy liquidity position.

Major currencies used for the Group's transactions were Hong Kong Dollars and US Dollars. As Hong Kong Dollars are pegged to the US Dollars, there was no significant currency exposure faced by the Group. Moreover, as the interest charges on the Group's borrowings were based on the interest rates in respect of the Company's deposits, the Group had no significant interest exposure.

As at the year end, the Group has operating lease commitments for various offices of the Group amounting to approximately HK\$1.6 million. There were no other significant capital commitments and contingent liabilities of the Group as at the year end.

The Group employed 20 full time employees as at 31st July, 2002 (31.07.2001:28). 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 financial year under review amounted to HK\$8,498,080 (31.07.2001: HK\$10,321,796). The decrease is mainly attributable to the reduction of the number of staff employed.

Overall, the net asset value of the Group was approximately HK\$241 million equivalent to approximately HK\$0.36 per share.

### ***BUSINESS REVIEW***

The Group is currently a provider of interactive healthcare and lifestyle contents on the internet and has expanded its business into off-line businesses in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine, Chinese herbs and healthcare products promoting quality lifestyles.

The Directors are of the view that it is in the best interests of the Group to diversify its business to include off-line businesses where the Group can leverage its expertise and its market reputation in the fields of traditional Chinese medicine and lifestyle issues to broaden the Group's revenue and business base and increase its growth potential.





## **FUTURE PLANS AND DEVELOPMENT**

Due to the gloomy internet market sentiment, the Group has carefully reviewed its business strategies and revenue model and has decided to seek out investment opportunities with the intention to broaden the Group's revenue and business base and to maximize the growth potential of the Company. The expansion into off-line business in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine products was approved by the independent shareholders of the Company on 9th November, 2001. Therefore, in addition to its on-line business, the Group will continue to focus its efforts and resources in the following areas:

- ◆ **Introduction of further traditional Chinese medicine product lines**  
The Group's expansion will involve the launch of further traditional Chinese medicine including nutraceutical and herbal products depending on the market response and product development progress.
  - ◆ **Research and Development**  
The Group intends to develop additional traditional Chinese medicine product lines which are value added therapeutic products, to advance and enhance the Group's Cordyceps product range either in co-operation with external research institutions or in-house. Our in-house research specialist, who is a PhD in the field of biochemistry, is responsible for the Group's research and development and in the midst of setting up a Chinese Medicinal Fungal (CMF) Proteomics Laboratory. A proposed study of immunomodulatory and anti-tumor activities of our products is already underway. Moreover, the Group will continue to explore the possibilities of collaborating with foreign institutions and universities in the field of research and clinical trials.
  - ◆ **Manufacturing**  
The manufacturing of our traditional Chinese medicine products is contracted to GMP certified pharmaceutical and nutraceutical manufacturing companies. The Group is conducting various feasibility studies in relation to the setting up of a GMP facility in Hong Kong, the PRC and other countries.
  - ◆ **Marketing and Distribution**  
Our nutraceutical products are sold through the Group's website [www.senseshop.com](http://www.senseshop.com) and in other pharmacies, healthcare chain stores and other retail outlets in Hong Kong. Promotion and advertising campaigns are
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launched continuously in Hong Kong and will be considered in other areas such as Asia, Europe and the North America at a later stage. Licences and health-related regulatory approvals are underway in PRC, Singapore and Malaysia for most of our products. The Group is in the midst of obtaining licences and health-related regulatory approvals in other countries such as Thailand, Indonesia, Philippines, Japan and Korea.

◆ **Strategic alliances with universities and other distance learning institutions**

In addition to the on-line traditional Chinese medicine education programmes, the Group will continue to explore other cooperative opportunities with the Chinese University of Hong Kong, other universities or distance learning institutions. The move by the Group into traditional Chinese medicine (including nutraceutical and herbal products) is designed to enable the Group to leverage its existing experience and expertise to satisfy the market demand for high quality traditional Chinese medicine and herbal products, evidenced by the substantial amount of interest the Group has received from users of its website inquiring on traditional Chinese medicine and herbs. The possible expansion of the Group's business to produce and/or distribute traditional Chinese medicine and herbs through different channels will enhance the Group's revenue and business base. This off-line business is a natural development from the Group's focus and expertise in traditional Chinese medicine, Chinese herbs and lifestyle issues. Moreover, the Group will consider the commencement of Modules III and IV of the traditional Chinese medicine joint on-line education programme with the Chinese University of Hong Kong.

**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, 8th October, 2002





## **D**irectors, Senior Management and Staff

### ***DIRECTORS***

The Company has two executive Directors, three non-executive Directors and two independent non-executive Directors. Their details are set out below:

#### ***Executive Directors***

***Ms. Cheng Kit Yin, Kelly***, aged 50, is the founding Chairman and Chief Executive Officer of the Company where she developed [www.greaterchinaherbs.com](http://www.greaterchinaherbs.com) and [www.ladiesasia.com](http://www.ladiesasia.com). In 2001, she founded the Group's first flagship herbal product HERBSnSENSES™ Cordyceps and was the Group's driving force behind the Group's expansion into off-line business related to the promotion of traditional Chinese medicine with the assistance of advanced biotechnology. Ms. Cheng is actively involved in the strategic planning, financial management and the daily operations of the Group. She graduated from York University, Toronto, Canada with a bachelor degree in mathematics and obtained a master degree in computer science from the University of Toronto, Canada. She has over 24 years' experience in banking, auditing and finance. Ms. Cheng is the Deputy Chairman and Chief Financial Officer of China Rich Holdings Limited ("China Rich"). She is also a Member of the Council, the Chinese University of Hong Kong and also a Member of the Board of Trustees, Shaw College, the Chinese University of Hong Kong.

***Mr. Mak Shiu Chung, Godfrey***, aged 39, is an executive director of the Company. Prior to his appointment, Mr. Mak was the managing director of the corporate finance department of a well known European bank, where he was responsible for providing corporate finance services to corporations in Hong Kong and the People's Republic of China. From 1990 to 1997, Mr. Mak was responsible for marketing equity and equity-linked products to corporations in the Greater China region, South East Asia and Korea for two well known investment banks. Mr. Mak began his career in 1988 as an administrative officer in the Hong Kong Government. Mr. Mak holds a bachelor of science honours degree in business studies from the Bradford University School of Management, United Kingdom and a master of business administration degree from the University of Wales, United Kingdom. Mr. Mak is a member of the Hong Kong Securities Institute and a member of the Chartered Institute of Marketing. Mr. Mak joined the Group in January 2000.

### ***Non-executive Directors***

***Dr. Ngai Sai Ming, Ice***, aged 37, is an Assistant Professor of the Department of Biology of the Chinese University of Hong Kong ("CUHK"). He joined the Group in September 2001 and has participated in the Group's overall product development and application. Recently, he had set up the Chinese Medicinal Fungal Proteomic Laboratory for the Group. Dr. Ngai was a Bioinformatics Specialist in the Hong Kong Bioinformatics Centre in CUHK from 1996 to mid 2001 and participated in launching the Hong Kong Bioinformatics Centre and in implementing the in-house data-searching algorithm for the human genome project in CUHK. He was also responsible for the compilation and maintenance of the Traditional Chinese Medicine (TCM) databases in the Institute of Chinese Medicine (ICM) in CUHK. Besides, Dr. Ngai also took part in designing and conducting Bioinformatics and TCM related researches. Dr. Ngai has an honor Bachelor of Science degree in Biochemistry from the University of Waterloo and a PhD in protein and peptide Biochemistry from the University of Alberta, Canada.

***Mr. Kam Shing***, aged 71, graduated from Beijing University, the PRC. Mr. Kam has over 44 years' experience in business administration while working for the Guangxi Provincial Government in the PRC. Since 1981, Mr. Kam has been working in Hong Kong as a director of three private companies owned by the Guangxi Provincial Government of the PRC. He joined the Group in January 2000. Mr. Kam is currently an executive director of China Rich.

***Ms. Lau Sio Kuan, Vivian***, aged 37, is the Managing Partner of Reach Insights Company, an executive coaching and leadership development company. Prior to joining Reach Insights, Ms. Lau was appointed as Director of SmarTone's broadband division in August 2000 and Director of Marketing of SmarTone in May 2001. Prior to joining SmarTone, Ms. Lau was the Managing Director of Grey Interactive of Hong Kong which she founded and where she developed and implemented many successful internet business solutions for clients in Hong Kong and China. Ms. Lau received a Bachelors of Arts Degree from the University of Texas at Austin, and a Masters Degree from Macquarie University, Australia. She is a fellow member of the Australian Institute of Management and executive board member of Management Information Services Asia.

### ***Independent Non-executive Directors***

***Mr. Heng Kwoo Seng***, aged 54, is the senior partner of a firm of Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Society of Accountants.





### ***Independent Non-executive Directors (continued)***

***Dr. Lau Lap Ping***, aged 50, graduated from Zhongshan Medical University of Medicine. She held the position of Attending Physician in Internal Medicine and Pediatrics of Dong San Regional People's Hospital from 1973 to 1994. After that, she worked in a herbal medicinal trading company as a Deputy General Manager and joined the Group in January 2000.

### ***SENIOR MANAGEMENT***

#### ***Research and Development***

***Dr. Zou Ling***, aged 42, graduated from Zhongshan Medical University of Medicine. She works for Internal Diseases Department of Guangdong Provincial People's Hospital and specializes in internal secretion. Dr. Zou has a deep understanding in the treatment of diabetes and hyperthyroidism. She has written numerous articles for various magazines in the PRC. Dr. Zou joined the Group in May 1997 and is the chief physician and medical adviser on the product development of the Company.

#### ***Corporate Finance and Communications***

***Ms. Ho Chung-Yee, Marian***, aged 30, is the Vice President of Corporate Communications of the Group. She executes feasibility studies on the Group's investment projects and is responsible for the overall marketing plan of our first flagship herbal product HERBSnSENSES™ Cordyceps and its global business development. Ms. Ho started her career in Hong Kong in 1994 and was previously with VP Private Equity as a financial analyst before joining the Group in August, 2001. Ms. Ho is a graduate of the University of British Columbia and holds a degree of Bachelor of Arts, majoring in Economics. She is a member of the AIMR, as well as the Hong Kong Securities Institute since 1999. She has more than 7 years of experience in the finance field and mainly involved in investment banking, investment analysis and investment management.

#### ***Corporate Accounts and Secretarial***

***Miss Wong Siu Hing, Denise***, aged 28, is the Assistant Vice President of Corporate Accounts of the Group. She is also the Company Secretary of the Company. Miss Wong joined the Group in 2002 and is in charge of the accounts department and corporate secretarial division. Miss Wong is a member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Society of Accountants. Miss Wong graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Accounting. She has more than 6 years of experience in the accounting and auditing field.



## **ADVISORY BOARD**

### **Medical and Clinical Advisers**

**Dr. Lin Shu Guang**, aged 51, is the Governor of Guangdong Provincial People's Hospital and the Dean of Guangdong Provincial Cardiovascular Research Institute and specializes in cardiovascular pharmacological research. He has been practising extensively in cardiology for more than 20 years, and is a fellow of the American College of Cardiology. He was awarded as the Outstanding Returned Scientist by the National Expert, and the National Prizes for Advancement in Science and Technology. He has published more than twenty papers and two books on cardiology.

**Dr. Liao Xin Bo**, aged 45, graduated from the Guangzhou Medical College of Medicine and continued his study at the University of George Washington, USA. He acted as the Vice Governor for the Guangdong People's Provincial Hospital and also in charge of the entire Hospital's administration.

**Dr. Zeng Guo Hong**, aged 48, graduated from Zhongshan Medical University. He specializes in pediatric cardiac catheterization and is a specialist in the PRC in radio frequency ablation and treatments for paroxysmal supraventricular tachycardia in children. He is the tutor for MM Candidates in Cardiovascular Pediatric, Deputy Dean of the Guangdong Province Blood Vessels Study Institute, Vice Governor of the Guangdong Provincial People's Hospital, and Deputy General Manager of the Guangdong Concord Medical Center. He has published various papers and journals relating to heart diseases and was awarded the Provincial Prizes for Advancement in Science and Technology.

**Dr. Luo Song Ping**, aged 44, is the chief professor at the Gynecological Teaching and Research Section of the First Clinical Medical College under the Guangdong University of Traditional Chinese Medicine. She was conferred the title of "Middle-aged or Young Expert with Prominent Contributions" by the Ministry of Personnel. She has also received awards from the State Education Commission and the Ministry of Health on several occasions.



# **C**omparison of Business Objectives and Actual Businesses

**COMPARISON BETWEEN PROPOSED REVISED BUSINESS OBJECTIVES AS PUBLISHED IN THE CIRCULAR ISSUED BY THE COMPANY DATED 24TH OCTOBER, 2001 AND ACTUAL PERFORMANCE FROM 31ST JANUARY, 2002 TO 31ST JULY, 2002**

## **Proposed**

## **Actual**

### **ON-LINE PROVISION OF INTERACTIVE HEALTHCARE AND LIFESTYLE CONTENTS**

#### ***Content development***

\*Launch content known as "Acupuncture" on greaterchinaherbs.com

Contents for "Acupuncture" is under review and will be included in a future module of the on-line education programme

Increase knowledge repository of herbal encyclopedia to 1,500 herbs

Research and development in the knowledge repository of herbal encyclopedia is carried out with the assistance from the Chinese University of Hong Kong. Over 1,000 and over 1,500 herbs were published on the website in English and Chinese respectively

Continue to sponsor research and development in spearheading health content on a global basis

Research and development in spearheading health content is carried out with the assistance from the Chinese University of Hong Kong

Continue to sponsor research and development on content relating to ladiesasia.com on a global basis

Not yet achieved because the Group has been applying a high standard in selecting the right contents for inclusion in the portal. It is continuing seeking and evaluating potential projects

#### ***e-commerce development***

Source more products for e-commerce development

Arrangements have been set up with various small to medium enterprises in relation to the offering of unique products for on-line shopping on consignment basis



## Proposed

## Actual

Continue to align with more partners for e-commerce on-line shopping

Arrangements have been set up with various small to medium enterprises in relation to the offering of unique products for on-line shopping on consignment basis

### ***Product and technology development and enhancement***

Continue to explore new products and technology to support the Group's websites with advance state-of-the-art technology, products and development

Not yet achieved, the Group is evaluating the features and acceptance of different technologies and products

\*\*Develop and deploy interactive multimedia channels including discussion forum, chat rooms, learning space device and video over Internet to provide on-line medical health and consultation services

The Group is evaluating the costs of using different service providers

### ***Market penetration***

Continue to organize roadshows, exhibitions, sponsorship, etc. on the Group's websites

The Group has not organized roadshows, exhibitions, sponsorship, etc. on the Group's website. Instead, the Group has promoted its websites through placing advertisement in different media

Commence promotion campaigns in other countries through various media

Not yet achieved, the Group is designing the promotion campaigns which will be launched in other countries at a later stage.

### ***Resources employment***

\*Employ project manager (1)

None

\*Employ database team (1)

None

Increase e-commerce staff (2)

None





## Proposed

## Actual

\*Employ content development team (1)

None

Increase content development team (2)

None

The Group feels that in order to expand progressively, it should be selective in finding the best possible candidates even if that results in a slower than expected personnel expansion

### OFF-LINE BUSINESS OF TRADITIONAL CHINESE MEDICINE

#### *Research and development*

Continue to perform quality testing on further traditional Chinese medicine products under the brandnames developed by the Group or using third party brandnames

Quality testing on further traditional Chinese medicine products and pure Cordyceps capsules under the Group's brandname "HERBSnSENSES™" was conducted through the cooperation of the Chinese University of Hong Kong and SGS Hong Kong Limited

Continue to develop and launch further traditional Chinese medicine product line

Not yet achieved because the Group has been applying a high standard in selecting the right product line for development

#### *Manufacturing*

Commerce manufacturing of further traditional Chinese medicine products developed by the Group

Not yet achieved because the Group has been applying a high standard in selecting the right product line for development

Consider acquiring technology in the manufacturing of traditional Chinese medicine products from other third party

Discussions with various factories with regard to possible acquisition of manufacturing technology were carried out

## Proposed

## Actual

### *Distribution*

Discuss with potential major distribution agents to launch additional traditional Chinese medicine product line in Hong Kong and probably in other countries in Asia, Europe and the United States

Discussions with various distributors in other Asian countries, Europe and the United States were carried out

### *Market penetration*

Liaise with marketing agent to roll-out the promotion campaign and the launch of the Group's first traditional Chinese medicine product in other countries in Asia, Europe and the United States

Discussions with various distributors in other Asian countries, Europe and the United States were carried out

Liaise with marketing agent to organize advertising campaign to promote additional traditional Chinese medicine product line of the Group

The Group is in the process of examining the market capacity for further traditional Chinese medicine products before liaising with marketing agents

### *Human resources employment*

Increase additional research and development staff

Research team of the Chinese University of Hong Kong is engaged to carry out the research and development function for the Group. The Group is considering to employ more consultants on a worldwide basis to carry out its research and development

(\* Objectives scheduled for the period from 31st July, 2001 to 31st January, 2002)

(\*\* Objectives scheduled for the period from 31st January, 2001 to 31st July, 2001)





# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st July, 2002.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 15 to the financial statements.

The principal activities of the Group are the provision of on-line content and the provision of portal development and information technology advisory services and consultation services in Hong Kong. From November 2001, the Group is also engaged in off-line businesses in relation to the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine products.

## **RESULTS**

The results of the Group for the year ended 31st July, 2002 are set out in the consolidated income statement on page 28.

The directors do not recommend the payment of a dividend.

## **SHARE CAPITAL**

Details of the Company's share capital are set out in note 21 to the financial statements. There was no movement in the Company's share capital during the year.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## **DISTRIBUTABLE RESERVES**

At 31st July, 2002, the Company's reserves available for distribution to shareholders comprising share premium less accumulated losses and investment revaluation reserve, amounted to HK\$271,832,316.

Details of movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

## **PLANT AND EQUIPMENT**

During the year, the Group acquired plant and equipment amounting to HK\$3,040,067.

Details of movements in plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.





# Directors' Report

## **DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

### **Executive directors**

Ms. Cheng Kit Yin, Kelly *(Chairman and Chief Executive Officer)*

Mr. Mak Shiu Chung, Godfrey

### **Non-executive directors**

Ms. Lau Sio Kuan, Vivian

Mr. Kam Shing

Dr. Ngai Sai Ming *(appointed on 2nd January, 2002)*

### **Independent non-executive directors**

Mr. Heng Kwoo Seng

Dr. Lau Lap Ping

In accordance with of the Company's Articles of Association, Mr. Heng Kwoo Seng retires and, being eligible, offers himself for re-election.

The terms of office of each directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

## **CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS**

Details of the discloseable connected transactions and directors' interest in contracts for the year are set out in note 26 to the financial statements. Save as disclosed therein, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The independent non-executive directors have reviewed the connected transactions set out in note 26 to the financial statements and, in their opinion, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.





# Directors' Report

## **DIRECTORS' SERVICE CONTRACTS**

Each of Ms. Cheng Kit Yin, Kelly and Mr. Mak Shiu Chung, Godfrey, being the executive directors, has entered into a service contract with the Company for an initial term of 35 months commencing from 18th February, 2000 and will continue thereafter until terminated in writing served by either party expiring at the end of the initial term of the director's appointment or at any time thereafter.

Other than as disclosed above, no other director has a service contract that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31st July, 2002, the interests of the directors and the chief executive of the Company in the share capital of the Company and the associated corporation disclosed pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### **(i) Shares**

#### **Shares in the Company**

<b>Name of director</b>	<b>Number of shares</b>
	<b>Personal and total interests</b>
Ms. Cheng Kit Yin, Kelly	44,046,020

#### **Shares in China Rich Holdings Limited**

<b>Name of director</b>	<b>Number of shares</b>
	<b>Personal and total interests</b>
Ms. Cheng Kit Yin, Kelly	71,574,000



# Directors' Report

## DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS (continued)

### (ii) Options

#### Options in the Company

Name of director	Date of grant	Exercise price HK\$	Number of share options			Outstanding as at 31.7.2002
			Outstanding as at 1.8.2001	Granted	Exercised	
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	-	16,000,000
	4th June, 2002	0.234	-	51,808,000	-	51,808,000
Mr. Mak Shiu Chung, Godfrey	19th December, 2000	0.218	7,500,000	-	-	7,500,000
	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Ms. Lau Sio Kuan, Vivian	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Mr. Kam Shing	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Ngai Sai Ming	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Mr. Heng Kwoo Seng	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Lau Lap Ping	19th April, 2002	0.234	-	1,000,000	-	1,000,000
			<u>23,500,000</u>	<u>65,808,000</u>	<u>-</u>	<u>89,308,000</u>

#### Options in China Rich Holdings Limited

Name of director	Date of grant	Exercise price HK\$	Number of share options			Outstanding as at 31.7.2002
			Outstanding as at 1.8.2001	Granted	Exercised	
Ms. Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000	-	-	5,000,000
	26th January, 2000	0.30	4,000,000	-	-	4,000,000
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000
Mr. Kam Shing	26th January, 2000	0.30	3,000,000	-	-	3,000,000
			<u>22,000,000</u>	<u>-</u>	<u>-</u>	<u>22,000,000</u>



# Directors' Report

## ***DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS (continued)***

### ***(ii) Options (continued)***

Notes:

1. The exercise prices are adjustable in accordance with the provisions of the share option scheme.
2. No options were exercised or cancelled during the year.

Other than as disclosed above, none of the directors had any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 of, or Part I of the Schedule to the SDI Ordinance), or pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Company, at 31st July, 2002, neither the directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

### ***SHARE OPTION SCHEMES***

Pursuant to an ordinary resolution in writing of the sole shareholder of the Company passed on 21st February, 2000, the Company adopted the old 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 20th February, 2010.

As at 31st July, 2002, options to subscribe for an aggregate of 31,300,000 shares of the Company (which includes the options granted to Ms. Cheng Kit Yin, Kelly and Mr. Mak Shiu Chung, Godfrey) had been granted to certain employees pursuant to the Old Scheme. No options were granted or exercised during the year ended 31st July, 2002.





# Directors' Report

## **SHARE OPTION SCHEMES (continued)**

On 8th 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 primary purpose of providing incentive to the full time employees and directors of the Company and other eligible participants in compliance with the amended Chapter 23 of the GEM Listing Rules. Under the terms of the Revised Scheme, the board of directors of the Company may, at their discretion, grant options to the participants falls within the definition prescribed in the Revised Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the nominal value of the shares; (ii) an amount not less than the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options; and (iii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. Options granted under the Revised Scheme will entitle the holder to subscribe for shares from the date of grant up to 18th April, 2012. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

As at 31st July, 2002, options to subscribe for an aggregate of 70,408,000 shares of the Company representing 10% of the shares of the Company in issue at that date, had been granted to certain directors and employees pursuant to the Revised Scheme. No options were exercised during the year ended 31st July, 2002.

The fair value of the options granted in the current year measured as at 19th April, 2002, the date of grant, totalled approximately HK\$14,000,000. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

1. An expected volatility of 79.56% based on historical volatility;
2. No annual dividends; and
3. The estimated expected life of the option granted during the year is ten years. The corresponding ten-year Hong Kong Exchange Fund Notes rates at the date the option was granted was 5.86%.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to the lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

# Directors' Report

## SHARE OPTION SCHEMES (continued)

No charge is recognised in the income statement in respect of the value of options granted in the year.

The following table discloses movements in the Company's share options during the year:

Director	Date of grant	Exercise price HK\$	Number of share options			Outstanding as at 31.7.2002
			Outstanding as at 1.8.2001	Granted	Lapsed	
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	-	16,000,000
	4th June, 2002	0.234	-	51,808,000	-	51,808,000
Mr. Mak Shiu Chung, Godfrey	19th December, 2000	0.218	7,500,000	-	-	7,500,000
	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Ms. Lau Sio Kuan, Vivian	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Mr. Kam Shing	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Ngai Sai Ming	19th April, 2002	0.234	-	5,000,000	-	5,000,000
Mr. Heng Kwo Seng	19th April, 2002	0.234	-	1,000,000	-	1,000,000
Dr. Lau Lap Ping	19th April, 2002	0.234	-	1,000,000	-	1,000,000
			<u>23,500,000</u>	<u>65,808,000</u>	<u>-</u>	<u>89,308,000</u>
Employees	19th December, 2000	0.218	11,900,000	-	4,100,000	7,800,000
	19th April, 2002	0.234	-	4,600,000	-	4,600,000
			<u>11,900,000</u>	<u>4,600,000</u>	<u>4,100,000</u>	<u>12,400,000</u>
Total			<u>35,400,000</u>	<u>70,408,000</u>	<u>4,100,000</u>	<u>101,708,000</u>

The 51,808,000 share options granted to Ms. Cheng Kit Yin, Kelly during the year were approved in the Company's extraordinary general meeting held on 4th June, 2002.

# Directors' Report

## **SHARE OPTION SCHEMES (continued)**

Details of the outstanding share options are as follows:

<b>Number of share options</b>	<b>Date of grant</b>	<b>Exercise price per share HK\$</b>	<b>Exercise period</b>
31,300,000 ( <i>note 1</i> )	19th December, 2000	0.218	From date of grant or first anniversary date of employment to 20th February, 2010
18,600,000 ( <i>note 2</i> )	19th April, 2002	0.234	From date of grant to 18th April, 2012
51,808,000 ( <i>note 2</i> )	4th June, 2002	0.234	From date of grant to 18th April, 2012

*Notes:*

- (1) The options may be exercised at any time within the exercise period provided that the options have been vested. Generally, the options are vested in different tranches and lapse where the grantee ceases to be employed by the Group.
- (2) The closing price of the Company's shares and the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately before 19th April, 2002, the date of the offer of grant, were HK\$0.23 and HK\$0.234 respectively.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st July, 2002, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses the following company as having an interest of 10% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of shares</b>
China Rich Holdings Limited	258,451,559

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st July, 2002.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **AUDIT COMMITTEE**

The Company's audit committee was formed on 17th March, 2000 comprising the independent non-executive directors, Mr. Heng Kwo Seng and Dr. Lau Lap Ping. The terms of reference of the audit committee have been established with regard to Rules 5.23, 5.24 and 5.25 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules"). The primary duties of the audit committee are to review the Company's annual report, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the board of directors.

During the year, the audit committee met four times for reviewing the Group's quarterly, half year and annual financial results and other matters.



# Directors' Report

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied throughout the year ended 31st July, 2002 the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 to the GEM Listing Rules.

## **SPONSOR INTEREST**

Pursuant to the agreement dated 20th February, 2001 entered into between the Company and Ernst & Young Corporate Finance Limited ("Ernst & Young"), Ernst & Young has been appointed as the Company's sponsor for the period from and including such date to 31st July, 2002, in respect of which Ernst & Young received a fee.

At 31st July, 2002, neither the directors, employees nor their associates of Ernst & Young, had any interest in any securities of the Company or any of its associated corporations.

## **COMPETING INTERESTS**

For the year ended 31st July, 2002, 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.

## **LARGEST SUPPLIERS AND CUSTOMERS**

The five largest suppliers of the Group for the year accounted for approximately 90% of the Group's cost of purchases such as purchases of herbs and consultancy services. The Group's largest supplier accounted for approximately 37% of its cost of purchases and services for the year.

The five largest customers of the Group for the year accounted for approximately 85% of the Group's turnover. The Group's largest customer accounted for approximately 45% of its turnover for the year.

As far as the directors are aware, neither the directors, their associates nor those shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

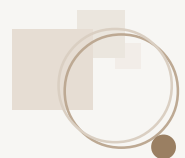
## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**Cheng Kit Yin, Kelly**  
*Chairman and Chief Executive Officer*

8th October, 2002





# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE MEMBERS OF GREATERCHINA TECHNOLOGY GROUP LIMITED**

大中華科技(集團)有限公司列位股東

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 28 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### ***RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS***

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### ***BASIS OF OPINION***

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### ***OPINION***

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st July, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
8th October, 2002



# C Consolidated Income Statement

For the year ended 31st July, 2002

	Notes	2002 HK\$	2001 HK\$
Turnover	4	23,966,892	6,769,009
Cost of sales		<u>(5,139,167)</u>	<u>(89,431)</u>
Gross profit		18,827,725	6,679,578
Other operating income	5	20,045,152	21,364,896
Administrative and other operating expenses		(32,448,823)	(72,343,735)
Impairment losses	6	<u>(5,354,670)</u>	<u>(20,438,351)</u>
Profit (loss) from operations	6	1,069,384	(64,737,612)
Finance costs	7	<u>(5,835,324)</u>	<u>(8,582,008)</u>
Loss before taxation		(4,765,940)	(73,319,620)
Taxation	9	<u>-</u>	<u>-</u>
Loss before minority interests		(4,765,940)	(73,319,620)
Minority interests		<u>-</u>	<u>4,260,493</u>
Net loss for the year		<u>(4,765,940)</u>	<u>(69,059,127)</u>
Loss per share	10		
Basic		<u>0.7 cents</u>	<u>10.2 cents</u>



# Consolidated Balance Sheet

At 31st July, 2002

	Notes	2002 HK\$	2001 HK\$
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	4,712,343	9,405,546
Intangible assets	12	55,900,000	-
Website development costs	13	377,987	-
Investment	14	-	560,495
Investments in securities, secured for credit facilities	16	45,524,000	-
		<u>106,514,330</u>	<u>9,966,041</u>
<b>CURRENT ASSETS</b>			
Inventories – finished goods at cost		5,798,422	48,636
Debtors, deposits and prepayments	17	76,935,116	40,816,105
Investments in securities	16	51,464,972	43,533,135
Amounts due from the China Rich Group	18	688,183	402,517
Bank deposits, secured for credit facilities		201,189,062	194,252,518
Deposits with other financial institutions		21,073,726	-
Bank balances and cash		10,517,312	154,706,277
		<u>367,666,793</u>	<u>433,759,188</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accrued charges	19	11,820,938	10,758,057
Bills payable		2,179,000	-
Bank loans – due within one year, secured	20	69,300,620	44,252,518
Bank overdrafts, secured	20	149,627,817	116,943,966
		<u>232,928,375</u>	<u>171,954,541</u>
<b>NET CURRENT ASSETS</b>		<u>134,738,418</u>	<u>261,804,647</u>
		<u>241,252,748</u>	<u>271,770,688</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	6,780,800	6,780,800
Reserves	22	234,471,948	264,989,888
		<u>241,252,748</u>	<u>271,770,688</u>

The financial statements on pages 28 to 55 were approved and authorised for issue by the Board of Directors on 8th October, 2002 and are signed on its behalf by:

Cheng Kit Yin, Kelly  
DIRECTOR

Mak Shiu Chung, Godfrey  
DIRECTOR



# Balance Sheet

At 31st July, 2002

	Notes	2002 HK\$	2001 HK\$
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	2,231,121	4,611,371
Investments in subsidiaries	15	-	-
Investments in securities, secured for credit facilities	16	45,524,000	-
		<u>47,755,121</u>	<u>4,611,371</u>
<b>CURRENT ASSETS</b>			
Debtors, deposits and prepayments		15,304,348	31,144,328
Investments in securities	16	51,116,222	41,487,135
Amounts due from subsidiaries		33,391,563	5,000,000
Bank deposits, secured for credit facilities		169,630,572	170,281,928
Deposits with other financial institutions		21,073,726	-
Bank balances		61,005	154,245,659
		<u>290,577,436</u>	<u>402,159,050</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accrued charges		915,424	8,826,828
Amounts due to subsidiaries		33,358,523	47,525,416
Bank loan – due within one year, secured	20	-	1,997,653
Bank overdrafts, secured	20	25,445,494	9,625,943
		<u>59,719,441</u>	<u>67,975,840</u>
<b>NET CURRENT ASSETS</b>		<u>230,857,995</u>	<u>334,183,210</u>
		<u>278,613,116</u>	<u>338,794,581</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	6,780,800	6,780,800
Reserves	22	271,832,316	332,013,781
		<u>278,613,116</u>	<u>338,794,581</u>

Cheng Kit Yin, Kelly  
DIRECTOR

Mak Shiu Chung, Godfrey  
DIRECTOR





# Consolidated Cash Flow Statement

For the year ended 31st July, 2002

	Notes	2002 HK\$	2001 HK\$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	<u>(69,467,868)</u>	<u>(78,518,833)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		10,019,538	22,345,035
Dividend received		1,637,729	108,274
Interest paid on bank loans and overdrafts		(6,250,631)	(8,205,456)
Interest paid on obligations under a hire purchase contract		-	(40,532)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>5,406,636</u>	<u>14,207,321</u>
INVESTING ACTIVITIES			
Proceeds from disposals of plant and equipment		200,000	-
Acquisition of investments in securities		(71,276,000)	-
Acquisition of intellectual properties		(37,500,000)	-
Purchase of plant and equipment		(861,067)	(2,609,151)
Website development costs		(412,349)	(13,302,938)
Decrease in bank deposits secured or credit facilities with original maturity over three months		-	152,636,324
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		<u>(109,849,416)</u>	<u>136,724,235</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING ACTIVITIES		<u>(173,910,648)</u>	<u>72,412,723</u>
FINANCING ACTIVITIES	24		
Receipt of proceeds from issue of shares		-	23,340,000
Repayment of obligation under a finance lease		-	(258,333)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>-</u>	<u>23,081,667</u>

# **C**onsolidated Cash Flow Statement

For the year ended 31st July, 2002

	2002	2001
	HK\$	HK\$
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(173,910,648)</b>	95,494,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<b><u>187,762,311</u></b>	<u>92,267,921</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b><u>13,851,663</u></b>	<u>187,762,311</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank deposits secured for credit facilities	<b>201,189,062</b>	194,252,518
Deposits with other financial institutions	<b>21,073,726</b>	-
Bank balances and cash	<b>10,517,312</b>	154,706,277
Bank loans and overdrafts	<b><u>(218,928,437)</u></b>	<u>(161,196,484)</u>
	<b><u>13,851,663</u></b>	<u>187,762,311</u>



# **C**onsolidated Statement of Recognised Gains and Losses

*For the year ended 31st July, 2002*

	2002 HK\$	2001 HK\$
Decrease in investment revaluation reserve not recognised in income statement	(25,752,000)	-
Net loss for the year	<u>(4,765,940)</u>	<u>(69,059,127)</u>
Total net recognised losses	<u>(30,517,940)</u>	<u>(69,059,127)</u>





# Notes to the Financial Statements

For the year ended 31st July, 2002

## 1. GENERAL

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 of The Stock Exchange of Hong Kong Limited ("GEM").

The Company is an investment holding company. Details of the activities of the Company's subsidiaries (together with the Company referred to as "the Group") are set out in note 15.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation. However, none of these amendments has affected the results for the current or prior periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st July each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### *Investments in subsidiaries*

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



# Notes to the Financial Statements

For the year ended 31st July, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

Advertising income is recognised ratably over the period in which the advertisement is displayed, provided that no significant obligations remain at the end of a period. Obligations typically include the guarantee of a minimum number of impressions or times that an advertisement appears in pages viewed by the users of the Group's online properties. To the extent that minimum guaranteed impressions are not met, the Group defers recognition of the corresponding revenue until the remaining impressions are delivered.

Portal development and information technology advisory and consultation income is recognised when the services are provided.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

#### Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment other than plant and machinery under installation over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

	Over the term of the lease
Leasehold improvements	
Machinery and office equipment	33 <sup>1</sup> / <sub>3</sub> %
Motor vehicle	25%
Furniture and fixtures	33 <sup>1</sup> / <sub>3</sub> %

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Inventories

Inventories are stated at the lower of cost and net realisable value and are calculated using the weighted average method.





# Notes to the Financial Statements

For the year ended 31st July, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Website development costs*

The costs incurred in acquiring website databases, website applications and infrastructure are capitalised and amortised over a period of three years. The carrying values of these costs are reviewed annually to determine whether any impairment loss is required. Other website development costs are charged to the income statement in the year in which they are incurred.

#### *Investments*

All securities other than held-to-maturity debt securities are initially recorded at cost and are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

#### *Research and development costs*

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are amortised over the life of the project from the date of commencement of commercial operations.

#### *Impairment*

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### *Advertising expenses*

The cost of advertising is expensed as incurred.

#### *Operating leases*

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant lease.





# Notes to the Financial Statements

For the year ended 31st July, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Foreign currencies*

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the year in which the operation is disposed of.

#### *Taxation*

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 4. SEGMENT INFORMATION

The Group is currently engaged in the businesses of trading of Chinese herbal products and the provision of advertising, and portal development and information technology advisory and consultation services ("Advisory Services").

Segment information about these businesses is presented below:

### Business segments

2002

#### Results

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
SEGMENT REVENUE				
Turnover	<u>2,565,333</u>	<u>9,906,014</u>	<u>11,495,545</u>	<u>23,966,892</u>
SEGMENT RESULTS	<u>181,714</u>	<u>4,742,702</u>	<u>3,462,074</u>	<u>8,386,490</u>
Unallocated corporate expenses				(1,962,436)
Impairment losses				<u>(5,354,670)</u>
Profit from operations				<u>1,069,384</u>
Finance costs				<u>(5,835,324)</u>
Loss before taxation				<u>(4,765,940)</u>
Taxation				<u>-</u>
Loss before minority interests				<u>(4,765,940)</u>
Minority interests				<u>-</u>
Net loss for the year				<u><u>(4,765,940)</u></u>



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 4. SEGMENT INFORMATION (continued)

### Business segments (continued)

2002

#### Other information

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
Additions to plant and equipment	263,533	263,534	2,499,000	3,026,067
Additions to intangible assets	-	-	57,500,000	57,500,000
Additions to website development costs	412,349	-	-	412,349
Depreciation of plant and equipment	759,153	759,153	17,778	1,536,084
Amortisation of website development costs	34,362	-	-	34,362
Amortisation of intellectual properties	-	-	1,600,000	1,600,000

#### Balance sheet

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
<b>ASSETS</b>				
Segment assets	9,584,925	786,259	64,179,644	74,550,828
Unallocated				399,630,295
				474,181,123
<b>LIABILITIES</b>				
Segment liabilities	123,202	75,249	9,996,983	10,195,434
Unallocated				222,732,941
				232,928,375

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 4. SEGMENT INFORMATION (continued)

### Business segments (continued)

2001

#### Results

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
<b>SEGMENT REVENUE</b>				
Turnover	<u>4,048,639</u>	<u>2,473,822</u>	<u>246,548</u>	<u>6,769,009</u>
<b>SEGMENT RESULTS</b>	<u>(27,256,348)</u>	<u>(8,952,044)</u>	<u>(1,224,871)</u>	<u>(37,433,263)</u>
Unallocated corporate expenses				(6,865,998)
Impairment losses				<u>(20,438,351)</u>
Loss from operations				(64,737,612)
Finance costs				<u>(8,582,008)</u>
Loss before taxation				(73,319,620)
Taxation				<u>-</u>
Loss before minority interests				(73,319,620)
Minority interests				<u>4,260,493</u>
Net loss for the year				<u>(69,059,127)</u>

#### Other information

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
Additions to plant and equipment	320,698	320,697	-	641,395
Additions to website development costs	13,302,938	-	-	13,302,938
Depreciation of plant and equipment	631,761	631,760	-	1,263,521
Amortisation of website development costs	5,868,734	-	-	5,868,734
Impairment losses	<u>18,943,467</u>	<u>1,494,884</u>	<u>-</u>	<u>20,438,351</u>

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 4. SEGMENT INFORMATION (continued) Business segments (continued)

2001

Balance sheet

	Advertising HK\$	Advisory Services HK\$	Sale of Chinese herbal products HK\$	Consolidated HK\$
<b>ASSETS</b>				
Segment assets	2,118,622	1,202,447	48,636	3,369,705
Unallocated	–	–	–	440,355,524
	<u>2,118,622</u>	<u>1,202,447</u>	<u>48,636</u>	<u>443,725,229</u>
<b>LIABILITIES</b>				
Segment liabilities	283,672	246,000	–	529,672
Unallocated	–	–	–	171,424,869
	<u>283,672</u>	<u>246,000</u>	<u>–</u>	<u>171,954,541</u>

### Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Revenue		Profit (loss) from operations	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
By geographical market:				
Hong Kong	13,255,812	6,769,009	4,693,290	(36,169,742)
The United States of America ("USA")	10,711,080	–	5,175,568	–
	<u>23,966,892</u>	<u>6,769,009</u>	<u>9,868,858</u>	<u>(36,169,742)</u>
Impairment losses			(5,354,670)	(20,438,351)
Unallocated corporate expenses			<u>(3,444,804)</u>	<u>(8,129,519)</u>
Profit (loss) from operations			<u>1,069,384</u>	<u>(64,737,612)</u>

All of the segment assets and additions to tangible and intangible assets are located in Hong Kong.



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 5. OTHER REVENUE

	2002 HK\$	2001 HK\$
Commission income	891,000	-
Dividend income	1,637,729	108,274
Gain on disposal of investments in securities	3,073,526	-
Gain on disposal of plant and equipment	38,542	-
Income from the use of intellectual properties	2,430,556	-
Interest income	11,070,434	21,111,058
Sundry income	903,365	145,564
	<u>20,045,152</u>	<u>21,364,896</u>

## 6. PROFIT (LOSS) FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit (loss) from operations has been arrived at after charging (crediting):		
Advertising and promotion expenses	957,192	26,338,246
Auditors' remuneration	316,820	361,710
Amortisation of website development costs (included in administrative and other operating expenses)	34,362	5,868,734
Amortisation of intangible assets (included in administrative and other operating expenses)	1,600,000	-
Depreciation on:		
Owned assets	2,777,637	1,949,506
An asset held under a finance lease	-	12,917
	2,777,637	1,962,423
Impairment loss on website development costs	-	18,943,467
Impairment loss of intangible asset	-	1,494,884
Impairment loss on investment	560,495	-
Impairment loss on plant and machinery under installation	4,794,175	-
	5,354,670	20,438,351
Unrealised holding loss on investments in securities	5,961,881	2,141,907
Operating leases payment in respect of rented premises	1,860,000	550,000
Research and development costs	359,127	10,544,015
Staff costs including directors' remuneration:		
Salaries and allowances	8,347,906	10,176,574
Retirement benefits scheme contributions	150,174	145,222
	8,498,080	10,321,796
Website development costs	1,172,089	15,011,074
Less: Amount capitalised	(412,349)	(13,302,938)
	<u>759,740</u>	<u>1,708,136</u>

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 7. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	5,835,324	8,541,476
Finance lease	–	40,532
	<u>5,835,324</u>	<u>8,582,008</u>

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002 HK\$	2001 HK\$
<b>Directors' other emoluments</b>		
Executive directors		
Salaries and other allowances	3,400,000	3,910,000
Retirement benefits scheme contributions	24,000	16,000
	<u>3,424,000</u>	<u>3,926,000</u>
Non-executive directors		
Salaries and other allowances	248,000	184,000
Independent non-executive directors		
Salaries and other allowances	192,000	192,000
	<u>3,864,000</u>	<u>4,302,000</u>

During the year, there were two directors who received emoluments of HK\$1,812,000 (2001: HK\$2,168,000) and HK\$1,612,000 (2001: HK\$1,758,000) respectively. Each of the other four directors received emoluments of HK\$96,000 (2001: HK\$96,000) and the remaining director received emoluments of HK\$56,000 (2001: HK\$88,000) respectively. None of the directors has waived any emoluments during the year.

During the year, no directors' fees were paid by the Group. No emoluments were paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office.



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 8. DIRECTORS AND EMPLOYEES' EMOLUMENTS (continued)

### Employees' emoluments

During the year, the five highest paid individuals included two directors, details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals were as follows:

	2002 HK\$	2001 HK\$
Salaries and other allowances	1,342,248	1,224,494
Retirement benefits scheme contributions	<u>36,000</u>	<u>21,097</u>
	<u>1,378,248</u>	<u>1,245,591</u>

The aggregate emolument of each of the highest paid individuals was less than HK\$1,000,000 for the year.

## 9. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for the year.

Details of unprovided deferred taxation during the year are set out in note 25.

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$4,765,940 (2001: HK\$69,059,127) and the number of shares of 678,080,000 (2001: 678,080,000) in issue during the year.

No diluted loss per share has been presented because the effect of exercising an option to subscribe for additional share of the Company is anti-dilutive.

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 11. PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Plant and machinery under installation HK\$	Machinery and office equipment HK\$	Motor vehicle HK\$	Furniture and fixtures HK\$	Total HK\$
<b>The Group</b>						
<b>COST</b>						
At 1st August, 2001	2,521,250	4,794,175	4,146,279	310,000	276,051	12,047,755
Additions	-	-	3,026,067	-	14,000	3,040,067
Disposals	-	-	-	(310,000)	-	(310,000)
At 31st July, 2002	<u>2,521,250</u>	<u>4,794,175</u>	<u>7,172,346</u>	<u>-</u>	<u>290,051</u>	<u>14,777,822</u>
<b>DEPRECIATION AND IMPAIRMENT LOSS</b>						
At 1st August, 2001	681,700	-	1,741,385	129,167	89,957	2,642,209
Provided for the year	1,125,883	-	1,536,084	19,375	96,295	2,777,637
Impairment loss	-	4,794,175	-	-	-	4,794,175
Eliminated on disposals	-	-	-	(148,542)	-	(148,542)
At 31st July, 2002	<u>1,807,583</u>	<u>4,794,175</u>	<u>3,277,469</u>	<u>-</u>	<u>186,252</u>	<u>10,065,479</u>
<b>NET BOOK VALUES</b>						
At 31st July, 2002	<u>713,667</u>	<u>-</u>	<u>3,894,877</u>	<u>-</u>	<u>103,799</u>	<u>4,712,343</u>
At 31st July, 2001	<u>1,839,550</u>	<u>4,794,175</u>	<u>2,404,894</u>	<u>180,833</u>	<u>186,094</u>	<u>9,405,546</u>
<b>The Company</b>						
<b>COST</b>						
At 1st August, 2001	2,521,250	4,146,279	310,000	276,051	7,253,580	
Additions	-	527,067	-	14,000	541,067	
Disposals	-	-	(310,000)	-	(310,000)	
At 31st July, 2002	<u>2,521,250</u>	<u>4,673,346</u>	<u>-</u>	<u>290,051</u>	<u>7,484,647</u>	
<b>DEPRECIATION</b>						
At 1st August, 2001	681,700	1,741,385	129,167	89,957	2,642,209	
Provided for the year	1,125,883	1,518,306	19,375	96,295	2,759,859	
Eliminated on disposals	-	-	(148,542)	-	(148,542)	
At 31st July, 2002	<u>1,807,583</u>	<u>3,259,691</u>	<u>-</u>	<u>186,252</u>	<u>5,253,526</u>	
<b>NET BOOK VALUES</b>						
At 31st July, 2002	<u>713,667</u>	<u>1,413,655</u>	<u>-</u>	<u>103,799</u>	<u>2,231,121</u>	
At 31st July, 2001	<u>1,839,550</u>	<u>2,404,894</u>	<u>180,833</u>	<u>186,094</u>	<u>4,611,371</u>	

The directors have reviewed the carrying value of plant and machinery under installation and considered that full provision should be made as their realisable value is minimal.

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 12. INTANGIBLE ASSETS

	Intellectual properties HK\$	Technology knowhow HK\$	Total HK\$
<b>The Group</b>			
<b>COST</b>			
At 1st August, 2001	-	1,494,884	1,494,884
Additions	57,500,000	-	57,500,000
At 31st July, 2002	57,500,000	1,494,884	58,994,884
<b>AMORTISATION AND IMPAIRMENT LOSS</b>			
At 1st August, 2001	-	1,494,884	1,494,884
Provided for the year	1,600,000	-	1,600,000
At 31st July, 2002	1,600,000	1,494,884	3,094,884
<b>CARRYING AMOUNT</b>			
At 31st July, 2002	55,900,000	-	55,900,000
At 31st July, 2001	-	-	-

The intellectual properties represent the traditional Chinese medicine formulae and certain protocols for herbal medicine. The amount is stated at cost and is amortised over 20 years.

The technology knowhow represents the concept and insecticidal mechanism of bioinsecticide.

## 13. WEBSITE DEVELOPMENT COSTS

	HK\$
<b>The Group</b>	
<b>COST</b>	
At 1st August, 2001	26,533,671
Additions	412,349
At 31st July, 2002	26,946,020
<b>AMORTISATION AND IMPAIRMENT LOSS</b>	
At 1st August, 2001	26,533,671
Provided for the year	34,362
At 31st July, 2002	26,568,033
<b>NET BOOK VALUES</b>	
At 31st July, 2002	377,987
At 31st July, 2001	-



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 14. INVESTMENT

The investment represents the Group's 18.75% investment in 北京科谷苑工貿有限公司.

## 15. INVESTMENTS IN SUBSIDIARIES

	2002 HK\$	2001 HK\$
<b>The Company</b>		
Unlisted shares, at cost	13,227,650	13,227,650
Less: Impairment loss	<u>(13,227,650)</u>	<u>(13,227,650)</u>
	<u>                    -</u>	<u>                    -</u>

Details of the Company's principal subsidiaries as at 31st July, 2002 are as follows:

Name of subsidiary	Place of incorporation	Paid up share capital	Proportion of nominal value of issued capital by the Company		Principal activities
			Directly %	Indirectly %	
herbs N senses Health Products Limited	Hong Kong	HK\$2	100	-	Trading of Chinese herbal products
Greaterchinaherbs.com Limited	British Virgin Islands	US\$2	100	-	Provision of online healthcare content
Ladiesasia Limited	British Virgin Islands	US\$1	100	-	Provision of online general content for Asian women
iBusiness Limited	Hong Kong	HK\$2	100	-	Portal development
GreaterChina Technology Exchange Limited	Hong Kong	HK\$2	100	-	Consultation services
iCare Technology Limited	British Virgin Islands	US\$1	100	-	Investment holding
iSolutions Development Limited	Hong Kong	HK\$2	100	-	Portal development

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 16. INVESTMENTS IN SECURITIES

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Securities, at market value:				
Listed equity securities in Hong Kong	74,342,452	3,984,600	73,993,702	1,938,600
Marketable bonds outside Hong Kong	-	39,548,535	-	39,548,535
Quoted fund investment outside Hong Kong	22,646,520	-	22,646,520	-
	<u>96,988,972</u>	<u>43,533,135</u>	<u>96,640,222</u>	<u>41,487,135</u>
Carrying amount analysed for reporting purposes as:				
Current	51,464,972	43,533,135	51,116,222	41,487,135
Non-current	45,524,000	-	45,524,000	-
	<u>96,988,972</u>	<u>43,533,135</u>	<u>96,640,222</u>	<u>41,487,135</u>

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 60 to 90 days to its trade customers. The following is an aged analysis of trade debtors at the balance sheet date:

	The Group	
	2002 HK\$	2001 HK\$
0 - 60 days	42,400	2,213,662
61 - 90 days	3,708	-
Over 90 days	303,600	-
Trade debtors	349,708	2,213,662
Other receivables	1,896,935	1,226,346
Deposits for investment projects (note i)	43,110,000	30,000,000
Utility and other deposits (note ii)	6,083,353	556,097
Prepayments (note iii)	25,495,120	6,820,000
	<u>76,935,116</u>	<u>40,816,105</u>



# Notes to the Financial Statements

For the year ended 31st July, 2002

## **17. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)**

Notes:

- (i) At 31st July, 2002, the deposits for investment projects included an aggregate of HK\$40 million paid in respect of the acquisition of two pharmaceutical manufacturing plant in the People's Republic of China and the USA. The Group is in the process of conducting due diligence work on these two factories and the formal sales and purchase agreements are expected to be signed within one year.
- (ii) At 31st July, 2002, an amount of HK\$5 million, representing a deposit paid to acquire intellectual properties, was included in other deposits.
- (iii) At 31st July, 2002, the prepayments included HK\$15 million paid in respect of acquiring the right to use farmland as a research and development centre. In addition, an aggregate of approximately HK\$10 million was paid in respect of an advertising campaign to be launched after the year end.

## **18. AMOUNTS DUE FROM CHINA RICH HOLDINGS LIMITED AND ITS SUBSIDIARIES (THE "CHINA RICH GROUP")**

### ***The Group***

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Ms. Cheng Kit Yin, Kelly and Mr. Kam Shing have beneficial interests in and are also directors of China Rich and certain of its subsidiaries.

## **19. CREDITORS AND ACCRUED CHARGES**

All of the trade creditors of the Group as at 31st July, 2002 and 2001 were aged less than 90 days.

## **20. BANK LOANS AND OVERDRAFTS**

### ***The Group and the Company***

The bank loans and overdrafts are secured by bank deposits and securities of the Group and the Company respectively.



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 21. SHARE CAPITAL

	2002 & 2001	
	Number of shares	Amount HK\$
Authorised:		
Shares of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
Shares of HK\$0.01 each	<u>678,080,000</u>	<u>6,780,800</u>

### Options

At 31st July, 2002, the following options to subscribe for shares were outstanding under the Company's Share Option Schemes.

Number of share options	Date of grant	Exercise price per share HK\$	Exercise period
31,300,000	19th December, 2000	0.218	From date of grant or first anniversary date of employment to 20th February, 2010
18,600,000	19th April, 2002	0.234	From date of grant to 18th April, 2012
51,808,000	4th June, 2002	0.234	From date of grant to 18th April, 2012
<u>101,708,000</u>			

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 22. RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Accumulated (losses) profit HK\$	Total HK\$
<b>The Group</b>				
At 1st August, 2000	361,065,289	-	(27,016,274)	334,049,015
Net loss for the year	-	-	(69,059,127)	(69,059,127)
At 31st July, 2001	361,065,289	-	(96,075,401)	264,989,888
Net loss for the year	-	-	(4,765,940)	(4,765,940)
Unrealised holding loss	-	(25,752,000)	-	(25,752,000)
At 31st July, 2002	361,065,289	(25,752,000)	(100,841,341)	234,471,948
<b>The Company</b>				
At 1st August, 2000	361,065,289	-	258,860	361,324,149
Net loss for the year	-	-	(29,310,368)	(29,310,368)
At 31st July, 2001	361,065,289	-	(29,051,508)	332,013,781
Net loss for the year	-	-	(34,429,465)	(34,429,465)
Unrealised holding loss	-	(25,752,000)	-	(25,752,000)
At 31st July, 2002	361,065,289	(25,752,000)	(63,480,973)	271,832,316

Under the Companies Law (1998 Revised) of the Cayman Islands, the share premium and reserves of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of the dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

In accordance with the Company's Articles of Association, the Company may make a distribution out of share premium and reserves accounts subject to the provision of the Companies Law (1998 Revision) of the Cayman Islands.



# Notes to the Financial Statements

For the year ended 31st July, 2002

## 23. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$	2001 HK\$
Loss before taxation	(4,765,940)	(73,319,620)
Interest income	(11,070,434)	(21,111,058)
Dividend income	(1,637,729)	(108,274)
Interest expenses	5,835,324	8,582,008
Amortisation and impairment loss of website development costs	34,362	24,812,201
Amortisation of intangible assets	1,600,000	-
Depreciation	2,777,637	1,962,423
Gain on disposal of plant and equipment	(38,542)	-
Impairment loss on investment	560,495	-
Impairment loss of intangible asset	-	1,494,884
impairment loss of plant and machinery under installation	4,794,175	-
Increase in inventories	(5,749,786)	(48,636)
(Increase) decrease in debtors, deposits and prepayments	(35,068,115)	40,990,755
Increase in investments in securities	(7,931,837)	(43,533,135)
(Increase) decrease in amounts due from the China Rich Group	(285,666)	562,249
Decrease in creditors and accrued charges	(18,521,812)	(18,802,630)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(69,467,868)</b>	<b>(78,518,833)</b>

A deposit of HK\$20 million outstanding at 31st July, 2001 was transferred to intellectual properties during the year.

## 24. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES DURING THE YEAR

	Share capital and share premium HK\$	Obligation under a finance lease HK\$
At 31st July, 2000	367,846,089	258,333
Repayments of amount borrowed	-	(258,333)
Receipt of proceeds from issue of shares	23,340,000	-
Decrease in debtors, deposits and prepayment	(23,340,000)	-
<b>At 31st July, 2001 and at 31st July, 2002</b>	<b>367,846,089</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31st July, 2002

## 25. DEFERRED TAXATION

At the balance sheet date, the major components of the net unrecognised deferred taxation asset (liability) are approximately as follows:

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(184,000)	(610,000)	(91,000)	(610,000)
Estimated tax losses	<u>20,864,000</u>	<u>21,227,000</u>	<u>7,689,000</u>	<u>8,000,000</u>
	<u>20,680,000</u>	<u>20,617,000</u>	<u>7,598,000</u>	<u>7,390,000</u>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profit as it is not certain that the tax losses will be utilised in the foreseeable future.

The components of unprovided deferred tax credit (charge) for the year are approximately as follows:

	The Group	
	2002 HK\$	2001 HK\$
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	426,000	60,000
Estimated tax losses (utilised) arising	<u>(363,000)</u>	<u>15,908,000</u>
	<u>63,000</u>	<u>15,968,000</u>





# Notes to the Financial Statements

For the year ended 31st July, 2002

## 26. RELATED PARTY TRANSACTIONS

Other than the amounts due from the China Rich Group as disclosed in note 18, during the year, the Group entered into the following transactions with the China Rich Group:

- (i) The Group paid rental of HK\$804,000 (2001: HK\$474,000) to the China Rich Group. The charge is based on the areas occupied by the Group pursuant to the agreements entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.
- (ii) The Group paid an administrative service fee of HK\$1,530,885 (2001: HK\$480,000) to the China Rich Group. The fee is charged at a fixed monthly fee pursuant to the agreements entered into between the parties. The fee was determined by directors based on estimated time spent by the staff of China Rich Group on the affairs of the Group.
- (iii) The China Rich Group provided qualified Chinese herbalist doctors to handle online enquiries by the users of the Group's website. In respect of the services provided, the Group paid a consultancy fee of HK\$161,667 (2001: HK\$600,000) to the China Rich Group. The fee is charged at a fixed monthly fee of HK\$50,000 pursuant to the agreement entered into between the parties dated 11th November, 1999.
- (iv) The Group paid website development costs of HK\$720,000 (2001: HK\$670,000) to the China Rich Group pursuant to the agreement entered into between the parties dated 3rd January, 2000. The fee was determined at prices agreed between the parties.
- (v) The Group received advertising fee income of HK\$810,000 (2001: HK\$1,900,000) from the China Rich Group. The fee was determined at prices agreed between the parties.
- (vi) The Group received information technology advisory income of HK\$345,300 (2001: HK\$328,822) from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.





# Notes to the Financial Statements

For the year ended 31st July, 2002

## 27. LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had the following future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	The Group		The Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Operating leases which expire:				
- within one year	1,310,000	1,673,000	710,000	1,073,000
- in the second to fifth year inclusive	250,000	1,560,000	-	710,000
	<u>1,560,000</u>	<u>3,233,000</u>	<u>710,000</u>	<u>1,783,000</u>

Operating leases payments in respect of land and buildings represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two years.

## 28. CONTINGENT LIABILITIES

### *The Group*

The Group did not have any contingent liabilities as at 31st July, 2002.

### *The Company*

The Company and certain subsidiaries have given unlimited cross guarantees to banks to secure general banking facilities granted to the Group. The extent of such facilities utilised by the subsidiaries at 31st July, 2002 amounted to HK\$195,663,000 (2001: HK\$149,573,000).

## 29. RETIREMENT BENEFITS SCHEME

Since 1st December, 2000, the Group has operated a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The contributions are charged to the income statement as incurred. No forfeited contribution is available to reduce the contribution payable in future years.



# Financial Summary

For the year ended 31st July, 2002

	(Note 1)			(Notes 2) 13.1.2000 to	(Notes 3)	
	1998	1999	2000	31.7.2000	2001	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	-	-	3,205,239	3,205,239	6,769,009	<b>23,966,892</b>
Cost of sales	-	-	(648,690)	(648,690)	(89,431)	<b>(5,139,167)</b>
Gross profit	-	-	2,556,549	2,556,549	6,679,578	<b>18,827,725</b>
Other operating income	-	-	8,547,260	8,547,260	21,364,896	<b>20,045,152</b>
Administrative and other operating expenses	(1,126,622)	(1,414,652)	(16,722,235)	(13,686,821)	(72,343,735)	<b>(32,448,823)</b>
Impairment losses	-	-	-	-	(20,438,351)	<b>(5,354,670)</b>
Slotting fee	-	-	(23,340,000)	(23,340,000)	-	-
Profit (loss) from operations	(1,126,622)	(1,414,652)	(28,958,426)	(25,923,012)	(64,737,612)	<b>1,069,384</b>
Finance costs	-	-	(723,746)	(723,746)	(8,582,008)	<b>(5,835,324)</b>
Loss before taxation	(1,126,622)	(1,414,652)	(29,682,172)	(26,646,758)	(73,319,620)	<b>(4,765,940)</b>
Taxation	-	-	-	-	-	-
Loss before minority interests	(1,126,622)	(1,414,652)	(29,682,172)	(26,646,758)	(73,319,620)	<b>(4,765,940)</b>
Minority interests	-	-	(369,516)	(369,516)	4,260,493	-
Net loss for the year/period	<u>(1,126,622)</u>	<u>(1,414,652)</u>	<u>(30,051,688)</u>	<u>(27,016,274)</u>	<u>(69,059,127)</u>	<u><b>(4,765,940)</b></u>
<b>ASSETS AND LIABILITIES</b>						
Total assets	-	-	-	457,555,514	443,725,229	<b>474,181,123</b>
Total liabilities	-	-	-	(112,465,206)	(171,954,541)	<b>(232,928,375)</b>
Minority interests	-	-	-	(4,260,493)	-	-
Shareholders' funds	-	-	-	340,829,815	271,770,688	<b>241,252,748</b>

## Notes:

- The Company was incorporated in the Cayman Islands on 13th January, 2000. The combined results of the Group for the each of the three years ended 31st July, 2000 have been prepared on the basis that the current group structure had been in existence throughout each of the three years ended 31st July, 2000 and on the basis that the Group had operated the website business – www.greaterchinaherbs.com throughout each of the three years ended 31st July, 2000.

The combined results of the Group for the year ended 31st July, 2000 presented above have been extracted from the Company's annual report dated 16th October, 2001.

The combined results of the Group for each of the two years ended 31st July, 1999 presented above have been extracted from the Company's prospectus dated 30th March, 2000.

- The consolidated results for the period from 13th January, 2000 (date of incorporation of the Company) to 31st July, 2000 and the assets and liabilities as at 31st July, 2000 of the Group have been extracted from the Company's published annual reports.
- The consolidated results for the two years ended 31st July, 2002 and assets and liabilities as at 31st July, 2001 and 2002 of the Group are set out on pages 28 and 29 respectively.



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