



GreaterChina
Technology Group Limited
大中華科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)



**Annual
Report
2004**

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

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

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

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

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

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Corporate Profile

DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Kam Shing
Dr. Ngai Sai Ming, Ice

Independent

Non-executive Directors

Dr. Lau Lap Ping
Mr. Man Kong Yui

AUTHORIZED REPRESENTATIVES

Ms. Cheng Kit Yin, Kelly
Ms. Kuo Kwan, Belinda

AUDIT COMMITTEE MEMBERS

Dr. Lau Lap Ping
Mr. Man Kong Yui

COMPLIANCE OFFICER

Ms. Cheng Kit Yin, Kelly

COMPANY SECRETARY

Ms. Kuo Kwan, Belinda

QUALIFIED ACCOUNTANT

Ms. Kuo Kwan, Belinda

AUDITORS

Horwath Hong Kong CPA Limited
Certified Public Accountants
2001 Central Plaza,
18 Harbour Road
Wanchai,
Hong Kong

BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank
DBS Bank (Hong Kong) Limited
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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Suite 3408 Two Exchange Square
Central
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
28/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Board"), we hereby present the results of GreaterChina Technology Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 July 2004.

The year 2004 remained a difficult one for Hong Kong. Although the government has implemented several policies to stimulate the recovery of market, domestic activities remained generally weak and had not yet kept up with the pace of the improving economy. The performance of the Group was unquestionably affected by the poor market sentiment, but the management of the Group is optimistic about the potential in Chinese and western medicinal market. During the year, the Group had continued to strengthen its product quality and explore new product lines in order to develop a more concrete business foundation to support its growth in the future. Besides, continuous efforts had been exerted on improving our operational structure, achieving cost effectiveness, enhancing our brand name, and maintaining our network and relationship with our strategic partners and alliances.

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

Since November 2001, the Group has expanded its business by producing a range of health supplements with the usage of TCM and Chinese herbs by applying pharmaceutical scientific techniques to TCM remedies. As research and development play a major role in the exploration of TCM, the Group utilizes its advanced biotechnology and the support of renowned academic establishments in the Chinese medicinal field to ensure the consistent efficacy of its products and to maintain the stability of the products' chemical ingredients, with a view to ascertain that the products are of higher quality standard than most traditional Chinese medicine.

The Group is intensely engaged in the study of Proteomics through the establishment of the Chinese Medicinal Fungal ("CMF") – Proteomics Laboratory, a collaboration with the Department of Biology, Chinese University of Hong Kong. This study of Proteomics enables the detection of abnormalities for protein profile in diseases and tissues and apply a TCM/fungal methodology to identify and treat certain life threatening diseases such as leukemia, renal cancer, pancreatic cancer, liver cancer and other genetic diseases in which they are unique in this part of Asia Pacific Region.



Chairman's Statement

On 4 November 2004, the Group had gained control of the board of directors of the pharmaceutical manufacturing plant in the People's Republic of China, in which the Group had 80% ownership interest. After diversification of the Group's business in the PRC, the business development plan of the Group is further enhanced by the production facilities, the existing product lines and the distribution network of this pharmaceutical manufacturing plant. Therefore, the Group has fully complied with a vertical integration of its business model, research and product development through its own Chinese Medicinal Fungal ("CMF") Proteomics Laboratory, its manufacturing and processing in the pharmaceutical plant in the PRC and its distribution network in Hong Kong, the PRC and worldwide. Hence, the Group has positioned itself as a leader in this cutting-edge technology in both Chinese herbal and western medicine.

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

FINANCIAL REVIEW

Segment Information

For the year ended 31 July 2004, the Group recorded a total revenue of HK\$13.3 million, of which HK\$3.1 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$1.1 million from advisory and consultation services and HK\$9.1 million from interest income and other sundries. For the comparative figures in the previous financial year, the Group earned a total revenue of HK\$19.2 million, of which HK\$7.4 million was generated from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK\$1.2 million arose from portal development and information technology advisory and HK\$10.5 million arose from interest income and other sundries.

For the year under review, the overall revenue of the Group dropped by 30.7% because of the dismal economic conditions in the first half of the financial year 2004 following the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Although the market started to recover in the latter half of the financial year 2004, considerable amount of time was required for the consumers to regain confidence. The hesitant responses from the market had unquestionably affected the performance of the Group including the Group's core business of sales of nutraceutical Chinese herbal products. However, the Group's general and administrative expenses were decreased by 57.6% to HK\$24.7 million under the Group's tight cost control policy. The loss attributable to shareholders was also reduced by 60.3% to HK\$51.4 million for the year ended 31 July 2004 as compared to the loss attributable to shareholders of HK\$129.2 million for the year ended 31 July 2003.

Other Financial Information

On 9 December 2003, iCare Technology Limited ("iCare"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with a third party, whereby iCare disposed of its 60% interest in a subsidiary, Weston Investment Limited, for a cash consideration of HK\$0.3 million. The principal asset of Weston Investment Limited is its 75% interest in Beijing Weston Biological-technology Co., Limited. Weston Investment Limited had a deficiency in net assets of approximately HK\$0.8 million at the date of disposal. The disposal was completed on 13 December 2003. Except for the disposal of iCare, 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 1.6 as at the year end compared to 1.2 as at 31 July 2003. The gearing ratio, defined as the ratio of total borrowings to total assets, was 34.2% as compared to 29.5% as at 31 July 2003. The Group's borrowings mainly comprise short term loans and overdrafts which amounted to approximately HK\$65.5 million (2003: HK\$63.2 million) as at the year end and are wholly secured by bank deposits. The Group therefore has effectively no outstanding debts or exposure to its bankers given that the Group's cash deposits 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, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the PRC government in relation to Renminbi is stable throughout the years, there was no significant currency exposure of 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\$2.2 million. Other than the aforementioned, there were no other significant capital commitments of the Group as at the year end.

The Group employed 11 full time employees as at 31 July 2004 (2003:12). 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\$6,879,775 (2003: HK\$8,971,285).

Overall, the net asset value of the Group was approximately HK\$121.0 million, equivalent to approximately HK\$0.15 per share.



Chairman's Statement

BUSINESS REVIEW

The Group is currently engaged in the research and development, manufacturing, marketing and distribution of a new line of traditional Chinese medicine ("TCM"), Chinese herbs, western medicine and healthcare products.

During the year ended 31 July 2004, the Company has achieved the following objectives:

RESEARCH & PRODUCT DEVELOPMENT:

Obtained a provisional patent license on the "Development of a synthetic vaccine from SARS coronavirus and method of use" from the United States Patent and Trademark Office;

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

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

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

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

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

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

OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:

Continued business integration of a pharmaceutical manufacturing plant and distribution of western medicine in the PRC; and

Setting up the injection medicine manufacturing plant with Good Manufacturing Practice (GMP) quality and distribution of injection medicine in the PRC.

DISTRIBUTION OF HERBAL PRODUCT:

Continued the brand-building of HERBSnSENSES™ via promotional activities such as holding seminars, distribution of newsletters and advertising via newspaper and magazines;

Promotion of membership scheme and successfully recruited 8,000 members during the year;

Marketing and distribution of HERBSnSENSES™ Cordyceps via our websites www.herbsnsenses.com, www.senseshop.com and expanding our scope of sphere into more healthcare distribution channels;

Obtaining licenses and health regulatory approval in the PRC; and

Official launching of new series of products – the LINGZHI and POLYSACCHARIDES SERIES.

FUTURE PLANS AND DEVELOPMENT

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

RESEARCH & PRODUCT DEVELOPMENT:

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

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

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

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

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

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

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



Chairman's Statement

OPERATION OF A PHARMACEUTICAL MANUFACTURING PLANT:

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

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

Obtain licenses and health regulatory approval on some of its western medicinal formula in the PRC;

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

Setting up injection production lines in the PRC to broaden the product diversity;

Establishing strategic partnership to increase the income source; and

Enhance its existing research and development center to upgrade into a more innovative, state-of-the-art laboratory.

DISTRIBUTION OF HERBAL PRODUCT:

Official launching of HERBSnSENSES™ Cordyceps, HERBSnSENSES™ Lingzhi, HERBSnSENSES™ Polysaccharides in the PRC, the USA and Europe;

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

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

Exhibitions and promotions in Japan, Europe, Korea, the USA and 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, 23 November 2004

Directors, Senior Management and Staff

DIRECTORS

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

Executive Director

Ms. Cheng Kit Yin, Kelly, aged 52, is the founding Chairman and Chief Executive Officer of the Company where she developed www.greaterchinaherbs.com and 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 26 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 ("CUHK").

Non-executive Directors

Mr. Kam Shing, aged 73, graduated from Beijing University, the PRC. Mr. Kam has over 40 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.

Dr. Ngai Sai Ming, Ice, aged 39, is an Assistant Professor of the Department of Biology of the 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.



Directors, Senior Management and Staff

Independent Non-executive Directors

Dr. Lau Lap Ping, aged 52, 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.

Mr. Man Kong Yui, age 44, has been involved in the financial and securities industries for over 25 years and has extensive experience in bullion, futures and foreign exchange business. He is a director of Hantec Investment Holdings Limited, a listed company in Hong Kong, and has held various senior positions with prominent banks and international financial institutions. Mr. Man holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong. He joined the Group in March 2004.

SENIOR MANAGEMENT

Research and Development

Dr. Liu Chi, aged 39, joined the Group in September 2004 as the Manager of Research & Development. She has over ten years of experience in the research and development of Traditional Chinese Medicine (TCM). Since 2000, she was engaged in the studies of immunomodulatory and anti-tumor functions of polysaccharides from various TCM herbs. She held a Bachelor of Chemical Engineering degree from South China University of Technology, Master of Philosophy in Chemistry from the Auckland University, New Zealand, PHD in Biochemistry from the Chinese University of Hong Kong.

Dr. Zou Ling, aged 44, 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 Accounts and Secretarial

Miss Kuo Kwan, Belinda, aged 34, is the Financial Controller and Company Secretary of the Group. Ms. Kuo joined the Group in January 2004 and is in charge of the accounts and corporate secretarial department. Ms. Kuo holds a Bachelor's Degree in Commerce from the University of Melbourne and has over 9 years' accounting and auditing experience. Prior to joining the Group, she worked for a listed company in Hong Kong and an international accounting firm. She is a member of the Australia Society of CPAs, and an associate member of the Hong Kong Institute of Certified Public Accountants.

ADVISORY BOARD

Medical and Clinical Advisers

Dr. Lin Shu Guang, aged 53, 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 47, 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 50, 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 46, 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.



Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 July 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 July 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 66.

The directors do not recommend the payment of any dividend for the year ended 31 July 2004.

FIXED ASSETS

Movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 26 and 27 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity on page 26 respectively.

DISTRIBUTABLE RESERVES

At 31 July 2004, the Company's reserves available for distribution to shareholders comprising share premium account less accumulated losses, amounted to HK\$193,337,342.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 87% of the sales for the year and sales to the largest customer included therein accounted for approximately 40%.

Purchases from the Group's five largest suppliers accounted for approximately 94% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 58%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.



Report of the Directors

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

Non-executive directors:

Mr. Kam Shing

Dr. Ngai Sai Ming

Independent non-executive directors:

Dr. Lau Lap Ping

Mr. Man Kong Yui *(appointed on 31 March 2004)*

Mr. Ha Shu Tong *(resigned on 5 October 2004)*

In accordance with the Company's articles of association, Mr. Kam Shing will retire at the forthcoming annual general meeting.

The terms of office of each director are subject to retirement by rotation in accordance with the Company's articles of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Ms. Cheng Kit Yin, Kelly, being an executive director, has a service contract with the Company for an initial term of 36 months commencing on 18 February 2003 which is subject to termination by either party giving not less than three months' notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the Group's transactions with a director, Ms. Cheng Kit Yin, Kelly and with China Rich Holdings Limited and its subsidiaries, in which Ms. Cheng Kit Yin, Kelly is interested by virtue of her shareholding in China Rich and being the Deputy Chairman of China Rich, and Mr. Kam Shing and Dr. Lau Lap Ping being executive and independent non-executive directors of China Rich, respectively, are set out in notes 20 and 30 to the financial statements. Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 July 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company

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

The interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.



Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

In addition to the above, a director has non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 July 2004, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:-

Long positions:

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

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in note 30 to the financial statements.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 33 to the financial statements.



Report of the Directors

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the directors, the Company complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company's audit committee was formed on 17 March 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of 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. Following the resignation of Mr. Ha Shu Tong on 5 October, 2004, the audit committee currently comprises two independent non-executive directors, namely Dr. Lau Lap Ping and Mr. Man Kong Yui.

During the year, the audit committee met 4 times for reviewing the Group's quarterly, half-year and annual financial results and other matters.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 July 2004, 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.

AUDITORS

The financial statements have been audited by Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Cheng Kit Yin, Kelly
Chairman

Hong Kong, 23 November 2004

Report of the Auditors



Horwath Hong Kong CPA Limited

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Wanchai, Hong Kong
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Facsimile : (852) 2810 0502
www.horwath.com.hk

TO THE SHAREHOLDERS OF GREATERCHINA TECHNOLOGY GROUP LIMITED

大中華科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 66 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes an 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 Company's and the Group's circumstances, consistently applied and adequately disclosed.



Report of the Auditors

BASIS OF OPINION *(continued)*

We planned 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. However, the evidence available to us was limited as follows:

1. Scope limitation - opening inventory

As explained in the report of the auditors for the year ended 31 July 2003, we were appointed auditors subsequent to 31 July 2003 and accordingly were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of the inventory as at 31 July 2003. Any adjustment to the opening inventory may have a consequential significant effect on the net loss of the Group for the year ended 31 July 2004.

2. Scope limitation - gain on disposal of a subsidiary based on its unaudited management accounts for the year ended 31 July 2001

The consolidated financial statements incorporated the unaudited management accounts of a subsidiary disposed of on 9 December 2003 up to the date of disposal. Management represented that the subsidiary was dormant with no material transactions during the period. The subsidiary had not prepared any financial statements subsequent to 31 July 2001. In respect of the year ended 31 July 2003, the auditors could not express an opinion as to whether or not other payables and accruals amounting to HK\$785,000 included in the consolidated balance sheet as at 31 July 2003 were fairly stated. We are also unable to carry out alternative procedures to satisfy ourselves that the gain on disposal of the subsidiary of approximately HK\$1,055,000 has been fairly stated in the consolidated income statement for the year.

BASIS OF OPINION *(continued)*

3. Scope limitations - deposit paid for the construction of a pharmaceutical plant in the PRC and amounts due from subsidiaries

Prepayments, deposits and other receivables in the consolidated balance sheet as at 31 July 2004 included a deposit of HK\$15,630,000 paid to a contractor for the construction of pharmaceutical production facilities in the PRC. The deposit represented approximately 98% of the total contracted sum of RMB17,000,000, which was paid in advance of the specified progress payment terms in the contract. Although construction work on the production facilities has commenced, the completion of the work will depend on the granting of the relevant Good Manufacturing Practice ("GMP") certificates by the PRC government. There is no information available to indicate the stage of completion of the work performed, if and when the GMP certificates will be granted or the fair value of the pharmaceutical production facilities as and when they are fully constructed. At this stage, there are no practicable audit procedures that we could adopt to ascertain the recoverable amount of the above deposit paid in advance.

The subsidiary which recorded the above deposit in its balance sheet owed the Company approximately HK\$17,300,000 and had a net deficit of approximately HK\$1,600,000 as at 31 July 2004. Although the Company had provided against the net deficit of the subsidiary, as a result of the scope limitations detailed in the above paragraph, we were unable to assess whether or not the provision made by the Company in respect of this subsidiary is adequate.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 1 to 3 above. Any adjustments in respect of the foregoing matters to the above would affect the net assets of the Group and the Company as at 31 July 2004 or the loss and cash flows of the Group for the year then ended or the related disclosures thereof in these financial statements.

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.



Report of the Auditors

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the recoverable amount of the deposit paid for the construction of pharmaceutical production facilities in the PRC, 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 31 July 2004. Except for the effects of such adjustments, if any, as might have been determined to be necessary had a physical count of the inventories as at 1 August 2003 been carried out and the financial position of the subsidiary disposed of on 9 December 2003 be ascertained, in our opinion, the financial statements give a true and fair view of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work referred to above:

- (i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) we were unable to determine whether proper books of accounts had been kept.

HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

Shiu Hong Ng

Practising Certificate number P03752

23 November 2004

Consolidated Income Statement

For the year ended 31 July 2004

	Note	2004 HK\$	2003 HK\$
Turnover	5	4,180,437	8,670,341
Cost of sales		<u>(2,007,280)</u>	<u>(12,456,567)</u>
Gross profit/(loss)		2,173,157	(3,786,226)
Other revenue and gains	5	9,107,721	10,542,940
Administrative and other operating expenses		(24,729,956)	(58,281,165)
Loss on disposal of long term investments		(23,491,178)	-
Impairment losses		-	(58,542,585)
Prepayments written off		<u>(4,598,750)</u>	<u>(12,500,000)</u>
Loss from operating activities	6	(41,539,006)	(122,567,036)
Finance costs	7	(962,510)	(1,583,071)
Share of loss of a jointly controlled entity	17	<u>(8,852,002)</u>	<u>(5,075,667)</u>
Loss before taxation		(51,353,518)	(129,225,774)
Taxation	10	<u>-</u>	<u>-</u>
Net loss from ordinary activities attributable to shareholders	11	<u>(51,353,518)</u>	<u>(129,225,774)</u>
Loss per share	12		
Basic		<u>6.3 cents</u>	<u>17.1 cents</u>

The notes on pages 29 to 66 form part of these financial statements.



Consolidated Balance Sheet

At 31 July 2004

	Note	2004 HK\$	2003 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	13	3,387,641	3,719,018
Intangible assets	14	-	-
Website development costs	15	-	-
Interest in a jointly-controlled entity	17	72,693,423	82,801,323
Long term investments	18	194,200	39,836,000
		<u>76,275,264</u>	<u>126,356,341</u>
Current assets			
Inventories	19	6,959,861	2,561,626
Trade receivables	20	785,199	1,943,600
Prepayments, deposits and other receivables	21	26,766,271	25,881,322
Short term investments	22	22,881	11,628,052
Pledged deposits	24	80,651,247	41,766,840
Bank balances and cash		391,439	4,023,690
		<u>115,576,898</u>	<u>87,805,130</u>
Current liabilities			
Due to a related company	23	456,845	-
Other payables and accruals		4,866,859	10,051,748
Interest-bearing bank borrowings	24	65,520,922	63,188,669
		<u>70,844,626</u>	<u>73,240,417</u>
Net current assets		<u>44,732,272</u>	<u>14,564,713</u>
Net assets		<u>121,007,536</u>	<u>140,921,054</u>
CAPITAL AND RESERVES			
Share capital	26	8,136,960	8,136,960
Reserves		<u>112,870,576</u>	<u>132,784,094</u>
Shareholders' funds		<u>121,007,536</u>	<u>140,921,054</u>

Cheng Kit Yin, Kelly
Director

Ngai Sai Ming
Director

The notes on pages 29 to 66 form part of these financial statements.

Balance Sheet

At 31 July 2004

	Note	2004 HK\$	2003 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	13	136,677	407,732
Interest in subsidiaries	16	-	-
Due from subsidiaries		124,824,784	118,794,884
Long term investments	18	-	39,836,000
		<u>124,961,461</u>	<u>159,038,616</u>
Current assets			
Prepayments, deposits and other receivables	21	1,672,318	373,007
Short term investments	22	22,881	11,516,452
Pledged deposits	24	77,237,820	34,611,213
Bank balances		39,162	446,611
		78,972,181	46,947,283
Current liabilities			
Other payables and accruals		2,002,495	3,226,000
Due to a related company	23	456,845	-
Interest-bearing bank borrowings	24	-	5,106,506
		<u>2,459,340</u>	<u>8,332,506</u>
Net current assets		<u>76,512,841</u>	<u>38,614,777</u>
Net assets		<u>201,474,302</u>	<u>197,653,393</u>
CAPITAL AND RESERVES			
Share capital	26	8,136,960	8,136,960
Reserves	28	<u>193,337,342</u>	<u>189,516,433</u>
Shareholders' funds		<u>201,474,302</u>	<u>197,653,393</u>

Cheng Kit Yin, Kelly
Director

Ngai Sai Ming
Director

The notes on pages 29 to 66 form part of these financial statements.



Consolidated Statement of Changes in Equity

For the year ended 31 July 2004

	Note	Issued share capital HK\$	Share premium account HK\$	Long term investment revaluation reserves HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 August 2002		6,780,800	361,065,289	(25,752,000)	(100,841,341)	241,252,748
Issue of shares	26	1,356,160	33,225,920	-	-	34,582,080
Deficit on revaluation not recognised in the profit and loss account		-	-	(5,688,000)	-	(5,688,000)
Net loss for the year		-	-	-	(129,225,774)	(129,225,774)
Balance at 31 July 2003		8,136,960	394,291,209	(31,440,000)	(230,067,115)	140,921,054
Realised on disposal		-	-	31,440,000	-	31,440,000
Net loss for the year		-	-	-	(51,353,518)	(51,353,518)
Balance at 31 July 2004		<u>8,136,960</u>	<u>394,291,209*</u>	<u>-*</u>	<u>(281,420,633)*</u>	<u>121,007,536</u>
Reserves retained by:						
Company and subsidiaries		8,136,960	394,291,209	-	(267,492,963)	134,935,206
Jointly controlled entity		-	-	-	(13,927,670)	(13,927,670)
31 July 2004		<u>8,136,960</u>	<u>394,291,209</u>	<u>-</u>	<u>(281,420,633)</u>	<u>121,007,536</u>
Company and subsidiaries		8,136,960	394,291,209	(31,440,000)	(224,991,448)	145,996,721
Jointly controlled entity		-	-	-	(5,075,667)	(5,075,667)
31 July 2003		<u>8,136,960</u>	<u>394,291,209</u>	<u>(31,440,000)</u>	<u>(230,067,115)</u>	<u>140,921,054</u>

* These reserve amounts comprise the consolidated reserves of HK\$112,870,576 (2003: HK\$132,784,094) in the consolidated balance sheet.

The notes on pages 29 to 66 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 July 2004

	Note	2004 HK\$	2003 HK\$
Cash flows from operating activities			
Loss before tax		(51,353,518)	(129,225,774)
Adjustment for:			
Finance costs		962,510	1,583,071
Share of loss of a jointly controlled entity		8,852,002	5,075,667
Interest income		(1,167,368)	(3,307,953)
Dividend income		(748,438)	(2,202,693)
Amortisation of website development costs		–	137,450
Amortisation of intangible assets		–	3,033,538
Amortisation of goodwill on acquisition of a jointly controlled entity		1,255,901	732,609
Depreciation		1,437,536	2,612,738
Gain on disposal of subsidiaries	29	(1,055,333)	–
Impairment loss on website development costs		–	240,537
Loss on disposal of long term investments		23,491,178	–
Impairment loss on intellectual properties		–	58,302,048
Unrealised holding loss on short term investments		3,570	456,738
Prepayments written off		4,598,750	12,500,000
		<u>(13,723,210)</u>	<u>(50,062,024)</u>
Operating loss before working capital changes			
(Increase)/decrease in inventories		(4,398,235)	3,236,796
Decrease/(increase) in trade receivables		1,158,401	(1,593,892)
(Increase)/decrease in prepayments, deposits and other receivables		(6,000,996)	32,826,639
Decrease in short term investments		11,601,601	39,380,182
Decrease in bills payable		–	(2,179,000)
(Decrease)/increase in trust receipt loans		(4,230,000)	4,230,000
Decrease in other payables and accruals		(4,399,556)	(1,769,190)
Increase in amount due to a related company		456,845	–
		<u>(19,535,150)</u>	<u>24,069,511</u>
Cash (used in)/generated from operations			
Interest received		1,684,665	3,937,998
Dividends received		748,438	2,202,693
Interest paid		(962,510)	(1,583,071)
		<u>(18,064,557)</u>	<u>28,627,131</u>
Net cash (used in)/generated from operating activities			



Consolidated Cash Flow Statement

For the year ended 31 July 2004

	Note	2004 HK\$	2003 HK\$
Cash flows from investing activities			
Acquisition of a jointly controlled entity		-	(54,027,520)
Proceeds from disposal of subsidiaries	29	270,000	-
Acquisition of long term investments		(194,200)	-
Proceeds from disposal of long term investments		47,784,822	-
Purchase of fixed assets		(1,106,159)	(1,619,413)
Release of pledged deposits		23,300,000	120,730,115
Net cash generated from investing activities		<u>70,054,463</u>	<u>65,083,182</u>
Cash flows from financing activities			
New bank loans		33,543,581	48,758,094
Repayment of bank loans		(4,657,447)	(90,308,205)
Net cash generated from/(used in) financing activities		<u>28,886,134</u>	<u>(41,550,111)</u>
Net increase in cash and cash equivalents		80,876,040	52,160,202
Cash and cash equivalents at beginning of year		<u>(8,717,630)</u>	<u>(60,877,832)</u>
Cash and cash equivalents at end of year		<u>72,158,410</u>	<u>(8,717,630)</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		391,439	4,023,690
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities		80,651,247	18,466,840
Bank overdrafts		(8,884,276)	(31,208,160)
		<u>72,158,410</u>	<u>(8,717,630)</u>

The notes on pages 29 to 66 form part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Group was involved in the following principal activities:-

- trading of Chinese herbal products
- provision of portal development and information technology advisory services and consultation services
- provision of advertising services

2. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted revised SSAP 12 "Income Taxes" issued by the Hong Kong Institute of Certified Public Accountants.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

Under the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided for on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. The adoption of revised SSAP 12 has had no material impact on the results for the current and prior accounting periods.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of equity investments, as further explained below.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(d) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties are interested.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint venture companies *(continued)*

A joint venture company is treated as:

- (i) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (ii) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (iii) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (iv) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

(e) Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill

Goodwill arising on the acquisition of jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of jointly controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Machinery and office equipment	20% – 33 ¹ / ₃ %
Motor vehicles	25%
Furniture and fixtures	33 ¹ / ₃ %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(h) Intangible assets

(i) Intellectual properties

Purchased intellectual properties are stated at cost less any impairment losses and are amortised on the straight line basis over their estimated useful lives of 20 years.

(ii) Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) 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 profit and loss account in the period in which they are incurred.

(j) Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted investments are stated at cost less impairment in value as deemed necessary by the directors.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

(k) Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the standard costing method and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. During the year, the Group changed its costing method for finished goods from the weighted average cost method to standard cost method. The change has had no material effect on the amount reported in previous year's financial statements.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Receivables

Provision is made against receivables to the extent they are considered to be doubtful. Receivables in the balance sheet are stated net of such provision.

(o) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation is provided for on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Provisions and contingent liabilities *(continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(s) Translation of foreign currencies

Foreign currency transactions are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

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

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) advertising income, 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;
- (ii) portal development and information technology advisory and consultation income, when the services are provided;
- (iii) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (v) dividend income, when the shareholders' right to receive payment has been established; and
- (vi) income from the use of trademarks, in accordance with the terms of the agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.



Notes to the Financial Statements

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the herbal products segment engages in the trading of Chinese herbal products;
- (b) the advisory services segment engages in the provision of portal development and information technology advisory services and consultation services; and
- (c) the advertising services segment engages in the provision of advertising services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments:

2004

	Herbal products HK\$	Advisory services HK\$	Advertising services HK\$	Consolidated HK\$
Segment revenue				
Turnover	<u>3,085,760</u>	<u>1,094,677</u>	-	<u>4,180,437</u>
Segment results	<u>(6,373,957)</u>	<u>(1,621,089)</u>	-	<u>(7,995,046)</u>
Unallocated corporate expenses				(28,945,210)
Impairment losses and prepayments written off				<u>(4,598,750)</u>
Loss from operating activities				(41,539,006)
Finance costs				(962,510)
Share of loss of a jointly controlled entity				<u>(8,852,002)</u>
Loss before taxation				(51,353,518)
Taxation				<u>-</u>
Net loss from ordinary activities attributable to shareholders				<u>(51,353,518)</u>

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2004	Herbal products HK\$	Advisory services HK\$	Advertising services HK\$	Consolidated HK\$
Segment assets	<u>10,457,901</u>	<u>2,949,254</u>	<u>-</u>	13,407,155
Unallocated assets				<u>178,445,007</u>
Total assets				<u>191,852,162</u>
Segment liabilities	<u>10,584,688</u>	<u>406,532</u>	<u>-</u>	10,991,220
Unallocated liabilities				<u>59,853,406</u>
Total liabilities				<u>70,844,626</u>
Other segment information:				
Additions to fixed assets	-	-	-	-
Additions to intangible assets	-	-	-	-
Depreciation	671,647	-	-	671,647
Amortisation and impairment of website development costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



Notes to the Financial Statements

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2003

	Herbal products HK\$	Advisory services HK\$	Advertising services HK\$	Consolidated HK\$
Segment revenue				
Turnover	<u>7,367,493</u>	<u>1,219,988</u>	<u>82,860</u>	<u>8,670,341</u>
Segment results	<u>(28,110,070)</u>	<u>302,924</u>	<u>(4,966,449)</u>	<u>(32,773,595)</u>
Unallocated corporate expenses				<u>(18,750,856)</u>
Impairment losses and prepayments written off				<u>(71,042,585)</u>
Loss from operating activities				<u>(122,567,036)</u>
Finance costs				<u>(1,583,071)</u>
Share of loss of a jointly controlled entity				<u>(5,075,667)</u>
Loss before taxation				<u>(129,225,774)</u>
Taxation				<u>-</u>
Net loss from ordinary activities attributable to shareholders				<u>(129,225,774)</u>

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2003

	Herbal products HK\$	Advisory services HK\$	Advertising services HK\$	Consolidated HK\$
Segment assets	<u>7,867,019</u>	<u>1,464,158</u>	<u>4,598,750</u>	13,929,927
Unallocated assets				<u>200,231,544</u>
Total assets				<u>214,161,471</u>
Segment liabilities	<u>5,793,055</u>	<u>72,890</u>	<u>19,863,599</u>	25,729,544
Unallocated liabilities				<u>47,510,873</u>
Total liabilities				<u>73,240,417</u>
Other segment information:				
Additions to fixed assets	645,900	-	-	645,900
Additions to intangible assets	5,435,586	-	-	5,435,586
Depreciation	491,364	-	-	491,364
Amortisation and impairment of website development costs	-	-	<u>377,987</u>	<u>377,987</u>



Notes to the Financial Statements

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

	Turnover		Loss from operating activities	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
By geographical market:				
Hong Kong	4,180,437	3,688,341	(13,449,078)	(48,433,464)
The United States of America ("USA")	-	4,982,000	-	(1,012,000)
	<u>4,180,437</u>	<u>8,670,341</u>	<u>(13,449,078)</u>	<u>(49,445,464)</u>
Impairment losses and prepayments written off			(4,598,750)	(71,042,585)
Loss on disposal of long term investments			(23,491,178)	-
Unallocated corporate expenses			-	(2,078,987)
Loss from operating activities			<u>(41,539,006)</u>	<u>(122,567,036)</u>

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

5. TURNOVER, OTHER REVENUE AND GAINS

	2004 HK\$	2003 HK\$
Turnover		
Sales	3,085,760	7,367,493
Rendering of services	<u>1,094,677</u>	<u>1,302,848</u>
	<u><u>4,180,437</u></u>	<u><u>8,670,341</u></u>
Other revenue		
Interest income	1,167,368	3,307,953
Income from the use of trademark	2,708,333	4,166,667
Dividend income	748,438	2,202,693
Gain on disposal of short term investments	3,024,597	-
Others	<u>403,652</u>	<u>865,627</u>
	<u><u>8,052,388</u></u>	<u><u>10,542,940</u></u>
Gains		
Gain on disposal of subsidiaries	<u>1,055,333</u>	<u>-</u>
Other revenue and gains	<u><u>9,107,721</u></u>	<u><u>10,542,940</u></u>



Notes to the Financial Statements

6. LOSS FROM OPERATING ACTIVITIES

	2004	2003
	HK\$	HK\$
The Group's loss from operating activities is arrived at after charging:		
Depreciation	1,437,536	2,612,738
Amortisation of intangible assets	-	3,033,538
Amortisation of website development costs	-	137,450
Amortisation of goodwill on acquisition of a jointly controlled entity	1,255,901	732,609
Research and development costs	<u>2,650,606</u>	<u>6,532,987</u>
Minimum lease payments under operating leases in respect of land and buildings	1,316,042	3,056,886
Auditors' remuneration	500,000	1,600,000
Staff costs including directors' remuneration:		
Salaries and other allowances	6,740,185	8,842,638
Pension scheme contributions	139,590	128,647
	<u>6,879,775</u>	<u>8,971,285</u>
Impairment loss on intellectual properties	-	58,302,048
Impairment loss on website development costs	-	240,537
	<u>-</u>	<u>58,542,585</u>
Unrealised holding loss on short term investments	<u>3,570</u>	<u>456,738</u>

7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on bank loans and overdrafts wholly repayable within five years	<u>962,510</u>	<u>1,583,071</u>

8. DIRECTORS' REMUNERATION

	2004 HK\$	2003 HK\$
Executive directors:		
Salaries and other allowances	2,880,000	3,405,000
Pension scheme contributions	<u>12,000</u>	<u>19,000</u>
	2,892,000	3,424,000
Non-executive directors:		
Fees	192,000	216,000
Independent non-executive directors:		
Fees	<u>224,000</u>	<u>171,871</u>
	<u>3,308,000</u>	<u>3,811,871</u>

The executive director received emoluments of HK\$2,892,000 (2003: two executive directors received HK\$2,442,000 and HK\$982,000) for the year ended 31 July 2004.

The non-executive directors received fees of HK\$96,000 (2003: HK\$96,000), HK\$96,000 (2003: HK\$96,000) and HK\$Nil (2003: HK\$24,000) respectively for the year ended 31 July 2004.

The independent non-executive directors received fees of HK\$96,000 (2003: HK\$96,000), HK\$96,000 (2003: HK\$35,871), HK\$32,000 (2003: HK\$Nil) and HK\$Nil (2003: HK\$40,000) respectively for the year ended 31 July 2004.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2003: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2003: three) non-directors, highest paid employees for the year are as follows:

	2004 HK\$	2003 HK\$
Salaries and other allowances	1,362,509	1,226,861
Pension scheme contributions	<u>42,000</u>	<u>35,858</u>
	<u><u>1,404,509</u></u>	<u><u>1,262,719</u></u>

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

10. TAXATION

- (a) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year.
- (b) The taxation for the year can be reconciled to the loss before taxation as stated in the financial statements as follows:

	2004 HK\$	2003 HK\$
Loss before taxation	<u>(51,353,518)</u>	<u>(129,225,774)</u>
Taxation calculated at Hong Kong profits tax rate of 17.5%	(8,986,866)	(22,614,510)
Tax effect of expenses not deductible for taxation purposes	6,038,381	15,184,224
Tax effect of non-taxable items	(915,642)	(1,408,577)
Deferred tax benefits arising from tax losses and others not recognised	<u>3,864,127</u>	<u>8,838,863</u>
Taxation	<u><u>-</u></u>	<u><u>-</u></u>

- (c) Details of unprovided deferred tax during the year are set out in note 25 to the financial statements.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 July 2004 dealt with in the financial statements of the Company, was HK\$27,619,091 (2003: HK\$109,853,803) (note 28).

12. LOSS PER SHARE

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Loss:		
Net loss from ordinary activities attributable to shareholders used in basic and diluted loss per share calculation	<u>51,353,518</u>	<u>129,225,774</u>
Shares:		
Weighted average number of ordinary shares used in the basic loss per share calculation	<u>813,696,000</u>	<u>754,247,890</u>
Loss per share – basic	<u>6.3 cents</u>	<u>17.1 cents</u>

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the years ended 31 July 2004 and 31 July 2003, they exerted no dilution effect on the basic loss per share for the years ended 31 July 2004 and 31 July 2003.



Notes to the Financial Statements

13. FIXED ASSETS

The Group

	Leasehold improvements HK\$	Plant and machinery under installation HK\$ <i>(Note a)</i>	Machinery and office equipment HK\$	Motor vehicle HK\$	Furniture and fixtures HK\$	Total HK\$
Cost:						
At 31 July 2003	2,821,250	4,794,175	8,263,759	200,000	318,051	16,397,235
Additions	925,000	-	181,159	-	-	1,106,159
Disposal of subsidiaries	-	(4,794,175)	-	-	-	(4,794,175)
At 31 July 2004	<u>3,746,250</u>	<u>-</u>	<u>8,444,918</u>	<u>200,000</u>	<u>318,051</u>	<u>12,709,219</u>
Accumulated depreciation and impairment:						
At 31 July 2003	2,697,721	4,794,175	4,897,565	16,667	272,089	12,678,217
Provided during the year	207,620	-	1,148,344	50,000	31,572	1,437,536
Disposal of subsidiaries	-	(4,794,175)	-	-	-	(4,794,175)
At 31 July 2004	<u>2,905,341</u>	<u>-</u>	<u>6,045,909</u>	<u>66,667</u>	<u>303,661</u>	<u>9,321,578</u>
Net book value:						
At 31 July 2004	<u>840,909</u>	<u>-</u>	<u>2,399,009</u>	<u>133,333</u>	<u>14,390</u>	<u>3,387,641</u>
At 31 July 2003	<u>123,529</u>	<u>-</u>	<u>3,366,194</u>	<u>183,333</u>	<u>45,962</u>	<u>3,719,018</u>

Note a: Plant and machinery under installation were recorded in the books of Beijing Weston Biological-technology Co., Ltd. which was disposed of in the year.

13. FIXED ASSETS *(continued)*

The Company

	Leasehold improvements <i>HK\$</i>	Machinery and office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Total <i>HK\$</i>
Cost:				
At 31 July 2003	2,521,250	4,702,550	318,051	7,541,851
Additions	–	71,405	–	71,405
	<u>2,521,250</u>	<u>4,773,955</u>	<u>318,051</u>	<u>7,613,256</u>
At 31 July 2004	<u>2,521,250</u>	<u>4,773,955</u>	<u>318,051</u>	<u>7,613,256</u>
Accumulated depreciation:				
At 31 July 2003	2,521,250	4,340,780	272,089	7,134,119
Provided during the year	–	310,887	31,573	342,460
	<u>2,521,250</u>	<u>4,651,667</u>	<u>303,662</u>	<u>7,476,579</u>
At 31 July 2004	<u>2,521,250</u>	<u>4,651,667</u>	<u>303,662</u>	<u>7,476,579</u>
Net book value:				
At 31 July 2004	<u>–</u>	<u>122,288</u>	<u>14,389</u>	<u>136,677</u>
At 31 July 2003	<u>–</u>	<u>361,770</u>	<u>45,962</u>	<u>407,732</u>



Notes to the Financial Statements

14. INTANGIBLE ASSETS

The Group

	Intellectual properties <i>HK\$</i>	Technology knowhow <i>HK\$</i>	Total <i>HK\$</i>
Cost:			
At 31 July 2003 and 2004	62,935,586	1,494,884	64,430,470
Accumulated amortization and impairment:			
At 31 July 2003 and 2004	<u>(62,935,586)</u>	<u>(1,494,884)</u>	<u>(64,430,470)</u>
Carrying amount:			
At 31 July 2003 and 2004	<u>—</u>	<u>—</u>	<u>—</u>

The intellectual properties represent the traditional Chinese medicine formulae and certain protocols for herbal medicine.

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

15. WEBSITE DEVELOPMENT COSTS

	The Group <i>HK\$</i>
Cost:	
At 31 July 2003 and 2004	26,946,020
Accumulated amortisation and impairment:	
At 31 July 2003 and 2004	<u>(26,946,020)</u>
Carrying amount:	
At 31 July 2003 and 2004	<u>—</u>

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	13,227,658	13,227,658
Less: Impairment losses	<u>(13,227,658)</u>	<u>(13,227,658)</u>
	<u> -</u>	<u> -</u>

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued share capital	Percentage of equity attributable to 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 general healthcare content
Ladiesasia Limited	British Virgin Islands	US\$1	100	-	Provision of online general contents for Asian women
i.Business Limited	Hong Kong	HK\$2	100	-	Portal development
GreaterChina Technology Exchange Limited	Hong Kong	HK\$2	-	100	Consultation services and trading of Chinese herbal products
GreaterChina Investment Limited	British Virgin Islands	US\$1	100	-	Investment holding
iSolutions Development Limited	Hong Kong	HK\$2	100	-	Portal development
GreaterChina Biotherapeutics Company Limited	British Virgin Islands	US\$1	100	-	Holding of intellectual properties



Notes to the Financial Statements

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2004 HK\$	2003 HK\$
Share of net assets	49,563,920	58,415,920
Goodwill on acquisition	<u>23,129,503</u>	<u>24,385,403</u>
	<u><u>72,693,423</u></u>	<u><u>82,801,323</u></u>

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operation	Ownership interest	Voting power	Profit sharing	Principal activities
Guangdong Jianlibao Pharmaceutical Co., Ltd. ("JLB")	Corporate	The People's Republic of China	80%	60%	80%	Manufacture and sale of pharmaceutical and healthcare products

Pursuant to the agreement for the acquisition of JLB, the Group is entitled to a guarantee from the vendor in respect of the earnings before interest, depreciation, tax and amortisation ("Ebidta") of JLB of not less than RMB8,000,000 and RMB12,000,000 for the year ended 31 December 2003 and the year ending 31 December 2004 respectively under the accounting principles generally accepted in the People's Republic of China (the "PRC"). The Group has commenced the process of pursuing the profit guarantee with the vendor and the income in respect of this guarantee has not been accrued on these financial statements.

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

Details of the operating results and financial position of JLB based on the unaudited financial statements are as follows:

	2004 HK\$	2003 HK\$
Operating results of the year ended 31 July		
Turnover	<u>11,907,217</u>	<u>7,641,953</u>
Loss from ordinary activities before taxation	<u>(11,065,003)</u>	<u>(6,344,584)</u>
Loss from ordinary activities before taxation attributable to the Group	<u>(8,852,002)</u>	<u>(5,075,667)</u>
Financial position at 31 July		
Total non-current assets	95,478,467	101,236,468
Total current assets	4,003,266	9,722,397
Total current liabilities	(6,630,426)	(11,759,538)
Total non-current liabilities	<u>(30,896,408)</u>	<u>(26,179,427)</u>
Shareholders' funds	<u>61,954,899</u>	<u>73,019,900</u>
Amount attributable to the Group	<u>49,563,920</u>	<u>58,415,920</u>



Notes to the Financial Statements

18. LONG TERM INVESTMENTS

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Listed equity securities in Hong Kong at market value	-	39,836,000	-	39,836,000
Unlisted shares, at cost	194,200	-	-	-
	194,200	39,836,000	-	39,836,000

19. INVENTORIES

	The Group	
	2004	2003
	HK\$	HK\$
Inventories comprise:		
Raw materials	1,160,948	1,466,236
Work-in-progress	166,746	-
Finished goods	5,632,167	1,095,390
	6,959,861	2,561,626

20. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2004	2003
	HK\$	HK\$
0 - 60 days	431,775	636,965
61 - 90 days	151,299	53,020
Over 90 days	202,125	1,253,615
	785,199	1,943,600

Included in the Group's trade receivables was an amount of HK\$Nil (2003: HK\$300,000) due from Ms. Cheng Kit Yin, Kelly, a director of the Company, which was repayable on credit terms similar to those offered to the customers of the Group. The amount was repaid in full and represented the maximum balance outstanding during the year.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Prepayments	(i)	246,066	5,429,511	62,500	62,500
Utility and other deposits	(ii)	21,164,766	15,655,050	1,602,500	2,500
Interest and advances		2,259,176	2,766,341	7,318	308,007
Due from related companies	(iii)	3,096,263	2,030,420	-	-
		<u>26,766,271</u>	<u>25,881,322</u>	<u>1,672,318</u>	<u>373,007</u>

Notes:

- (i) Prepayments as at 31 July 2004 included HK\$Nil (2003: HK\$4,598,750) for advertising campaigns.
- (ii) Utility and other deposits as at 31 July 2004 included a deposit of HK\$15,630,000 (2003: HK\$15,630,000) paid to a contractor in relation to the construction of pharmaceutical production facilities in the PRC.
- (iii) Due from related companies were made up of:
- (a) HK\$1,201,990 due from China Rich Holdings Limited and certain of its subsidiaries ("China Rich Group") and are unsecured, interest-free and have no fixed terms of repayment. Ms. Cheng Kit Yin, Kelly and Mr. Kam Shing, directors of the Company, have beneficial interests in and are also directors of China Rich Group. The maximum amount outstanding during the year was HK\$1,204,919; and
- (b) HK\$1,894,273 due from another related company is unsecured, interest-free and has no fixed terms of repayment. The maximum amount outstanding during the year was HK\$2,037,053.



Notes to the Financial Statements

22. SHORT TERM INVESTMENTS

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Securities, at market value:				
Listed equity securities in				
Hong Kong	<u>22,881</u>	<u>11,628,052</u>	<u>22,881</u>	<u>11,516,452</u>

23. DUE TO A RELATED COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

24. INTEREST-BEARING BANK BORROWINGS

The bank loans and overdrafts were secured by the bank deposits and certain long term and short term investments of the Group and the Company.

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Bank overdrafts – secured	8,884,276	31,208,160	–	5,106,506
Bank loans – secured	56,636,646	27,750,509	–	–
Trust receipt loans	–	4,230,000	–	–
	<u>65,520,922</u>	<u>63,188,669</u>	<u>–</u>	<u>5,106,506</u>

25. DEFERRED TAXATION

At the balance sheet date, the major components of the net unrecognised deferred tax assets/(liabilities) are as follows:

	The Group		The Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
General and bad debt allowances	87,500	87,500	-	-
Accelerated depreciation allowances	(31,000)	(445,500)	246,000	(278,000)
Tax losses	<u>28,168,500</u>	<u>24,054,000</u>	<u>2,212,000</u>	<u>5,882,000</u>
	<u><u>28,225,000</u></u>	<u><u>23,696,000</u></u>	<u><u>2,458,000</u></u>	<u><u>5,604,000</u></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 as follows:

	The Group	
	2004 HK\$	2003 HK\$
General and bad debt allowances	-	87,500
Accelerated depreciation allowances	414,500	(261,500)
Tax losses arising	<u>4,114,500</u>	<u>3,190,000</u>
	<u><u>4,529,000</u></u>	<u><u>3,016,000</u></u>



Notes to the Financial Statements

26. SHARE CAPITAL

Shares

	2004 HK\$	2003 HK\$
Authorised:		
2,000,000,000 ordinary shares of 0.01 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
813,696,000 ordinary shares of 0.01 each	<u>8,136,960</u>	<u>8,136,960</u>

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

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

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

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

27. SHARE OPTION SCHEME *(continued)*

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

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

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

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

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



Notes to the Financial Statements

27. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding during the year:

	Date of grant of share options	Exercise period of share options	Exercise price HK\$	Number of share options		
				At 1 August 2003	Cancelled during the year	At 31 July 2004
Directors						
Ms. Cheng Kit Yin,	19.12.2000	<i>note (i)</i>	0.218	16,000,000	-	16,000,000
Kelly	4.6.2002	4.6.2002-18.4.2012	0.234	51,808,000	-	51,808,000
Mr. Kam Shing	19.4.2002	19.4.2002-18.4.2012	0.234	1,000,000	-	1,000,000
Dr. Ngai Sai Ming	19.4.2002	19.4.2002-18.4.2012	0.234	5,000,000	-	5,000,000
Dr. Lau Lap Ping	19.4.2002	19.4.2002-18.4.2012	0.234	1,000,000	-	1,000,000
				<u>74,808,000</u>	-	<u>74,808,000</u>
Other employees						
In aggregate	19.12.2000	<i>note (i)</i>	0.218	2,800,000	(1,300,000)	1,500,000
	19.4.2002	19.4.2002-18.4.2012	0.234	2,600,000	(2,200,000)	400,000
				<u>5,400,000</u>	<u>(3,500,000)</u>	<u>1,900,000</u>
				<u>80,208,000</u>	<u>(3,500,000)</u>	<u>76,708,000</u>

Note:

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

At the balance sheet date, the Company had 76,708,000 share options outstanding under the Old Scheme and the Revised Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 76,708,000 additional ordinary shares of the Company and additional share capital of HK\$767,080 and share premium of HK\$16,902,592 (before issue expenses).

28. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

The Company

	Share premium account <i>HK\$</i>	Long term investment revaluation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 August 2002	361,065,289	(25,752,000)	(63,480,973)	271,832,316
Issues of shares	33,225,920	-	-	33,225,920
Net loss for the year	-	-	(109,853,803)	(109,853,803)
Deficit on revaluation	-	(5,688,000)	-	(5,688,000)
	<u>394,291,209</u>	<u>(31,440,000)</u>	<u>(173,334,776)</u>	<u>189,516,433</u>
Balance at 31 July 2003	394,291,209	(31,440,000)	(173,334,776)	189,516,433
Net loss for the year	-	-	(27,619,091)	(27,619,091)
Realised on disposal	-	31,440,000	-	31,440,000
	<u>394,291,209</u>	<u>31,440,000</u>	<u>(200,953,867)</u>	<u>193,337,342</u>
Balance at 31 July 2004	<u>394,291,209</u>	<u>31,440,000</u>	<u>(200,953,867)</u>	<u>193,337,342</u>

Under the Companies Law (1998 Revised) of the Cayman Islands, the share premium account and reserves of the Company are 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 or 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

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

On 9 December 2003, the Group disposed of its subsidiaries, Weston Investment Limited and Beijing Weston Biological Technology Co Ltd ("Beijing Weston") at a consideration of HK\$270,000. The gain on disposal of HK\$1,055,333 was calculated based on the unaudited management accounts of Beijing Weston for the year ended 31 July 2001. Management explained that Beijing Weston was dormant with no material transactions and no financial statements have been prepared subsequent to that date.

30. RELATED PARTY TRANSACTIONS

In addition to the balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

- (i) The Group paid rental of HK\$578,387 (2003: HK\$2,062,571) 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\$547,920 (2003: HK\$600,000) to the China Rich Group. The fee is charged at a fixed monthly fee determined by directors based on estimated time spent by the staff of the China Rich Group on the affairs of the Group.
- (iii) The Group paid website development costs of HK\$240,000 (2003: HK\$600,000) to the China Rich Group pursuant to the agreement entered into between the parties dated 3 January 2000. The fee was determined at prices agreed between the parties.
- (iv) The Group sold goods amounting to HK\$59,393 (2003: HK\$Nil) to CR Airways Limited, a company beneficially owned by the controlling shareholder of the China Rich Group, according to the published prices and conditions offered to the customers of the Group.
- (v) The Group paid management fee of HK\$951,480 (2003: HK\$951,480) to Fitzroya Investments Pte Ltd., a company of which Ms. Cheng Kit Yin, Kelly is a director, in respect of marketing and promotional services provided for the Group in Singapore and Malaysia. The fee is charged at a monthly fee pursuant to an agreement entered into between the parties.

30. RELATED PARTY TRANSACTIONS *(continued)*

- (vi) The Group paid rentals of HK\$400,000 (2003: HK\$600,000) to Fitzroya International Holdings Limited, a company of which Mr. Kam Shing is a director. The charges are based on the areas occupied by the Group pursuant to agreements entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.
- (vii) The Group received information technology advisory income of HK\$183,360 (2003: HK\$269,188) from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.
- (viii) The Group received information technology advisory income of HK\$911,227 (2003: HK\$906,940) and paid charter flight expenses of HK\$204,110 (2003: HK\$Nil) to CR Airways Limited, a company beneficially owned by the controlling shareholder of the China Rich Group.
- (ix) In the prior year, the Group sold goods amounting to HK\$300,000 to Ms. Cheng Kit Yin, Kelly, a director of the Company according to the published prices and conditions offered to the customers of the Group.
- (x) In the prior year, the Group purchased a motor vehicle of HK\$200,000 from the China Rich Group.

31. COMMITMENTS

- (a) The Group leases its office premises and staff quarter under operating lease arrangements, with leases negotiated for an average term of two years.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Within one year	837,798	965,000	-	715,000
In the second to fifth year, inclusive	1,370,941	-	-	-
	<u>2,208,739</u>	<u>965,000</u>	<u>-</u>	<u>715,000</u>

- (b) As at 31 July 2004, the Group had commitments amounting to HK\$Nil (2003: HK\$5,344,960) in respect of contributions to research and development projects.



Notes to the Financial Statements

32. CONTINGENT LIABILITIES

- (a) The Company is currently a defendant in a lawsuit brought by a party alleging that the Company had entered into an agreement with the plaintiff whereby the Company agreed to pay finder's fee in consideration of the plaintiff's service of introducing strategic investor to the Company prior to its initial public offering. The Directors believe that the Company has a valid defence to the litigation and on the balance of probabilities, this alleged claim will likely be resolved in favour of the Company.
- (b) The Company has given cross guarantees and pledged its bank deposits to banks to secure general banking facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 July 2004 amounted to approximately HK\$65,521,000 (2003: HK\$58,082,000).

33. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group has gained control of the board of directors of Guangdong Jianlibao Pharmaceutical Co., Ltd. in the PRC. The Group will account for this company as a subsidiary with effect from 4 November 2004.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 November 2004.

Financial Summary

For the year ended 31 July 2004

	(Note 1)	(Note 2) 13/1/2000 to 31/7/2000	(Note 2)	(Note 2)	(Note 3)	2004
	2000	31/7/2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	3,205,239	3,205,239	6,769,009	23,966,892	8,670,341	4,180,437
Cost of sales	(648,690)	(648,690)	(89,431)	(5,139,167)	(12,456,567)	(2,007,280)
Gross profit/(loss)	2,556,549	2,556,549	6,679,578	18,827,725	(3,786,226)	2,173,157
Other revenue and gains	8,547,260	8,547,260	21,364,896	20,045,152	10,542,940	9,107,721
Administrative and other operating expenses	(16,722,235)	(13,686,821)	(72,343,735)	(32,448,823)	(58,281,165)	(24,729,956)
Impairment losses	-	-	(20,438,351)	(5,354,670)	(58,542,585)	-
Slotting fee	(23,340,000)	(23,340,000)	-	-	-	-
Loss on disposal of long term investments	-	-	-	-	-	(23,491,178)
Prepayments written off	-	-	-	-	(12,500,000)	(4,598,750)
Profit/(loss) from operating activities	(28,958,426)	(25,923,012)	(64,737,612)	1,069,384	(122,567,036)	(41,539,006)
Finance costs	(723,746)	(723,746)	(8,582,008)	(5,835,324)	(1,583,071)	(962,510)
Share of loss of a jointly controlled entity	-	-	-	-	(5,075,667)	(8,852,002)
Loss before tax	(29,682,172)	(26,646,758)	(73,319,620)	(4,765,940)	(129,225,774)	(51,353,518)
Tax	-	-	-	-	-	-
Loss before minority interests	(29,682,172)	(26,646,758)	(73,319,620)	(4,765,940)	(129,225,774)	(51,353,518)
Minority interests	(369,516)	(369,516)	4,260,493	-	-	-
Net loss for the year/period	(30,051,688)	(27,016,274)	(69,059,127)	(4,765,940)	(129,225,774)	(51,353,518)
ASSETS, LIABILITIES AND MINORITY INTERESTS						
Total assets	-	457,555,514	443,725,229	474,181,123	214,161,471	191,852,162
Total liabilities	-	(112,465,206)	(171,954,541)	(232,928,375)	(73,240,417)	(70,844,626)
Minority interests	-	(4,260,493)	-	-	-	-
	-	340,829,815	271,770,688	241,252,748	140,921,054	121,007,536



Financial Summary

For the year ended 31 July 2004

Notes:

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

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

2. The consolidated results for the period from 13 January 2000 (date of incorporation of the Company) to 31 July 2000 and the two years ended 31 July 2002 and the assets and liabilities as at 31 July 2000, 2001 and 2002 of the Group have been extracted from the Company's published annual reports.
3. The consolidated results for the two years ended 31 July 2004 and the assets and liabilities as at 31 July 2003 and 2004 of the Group are set out on pages 23 and 24, respectively.