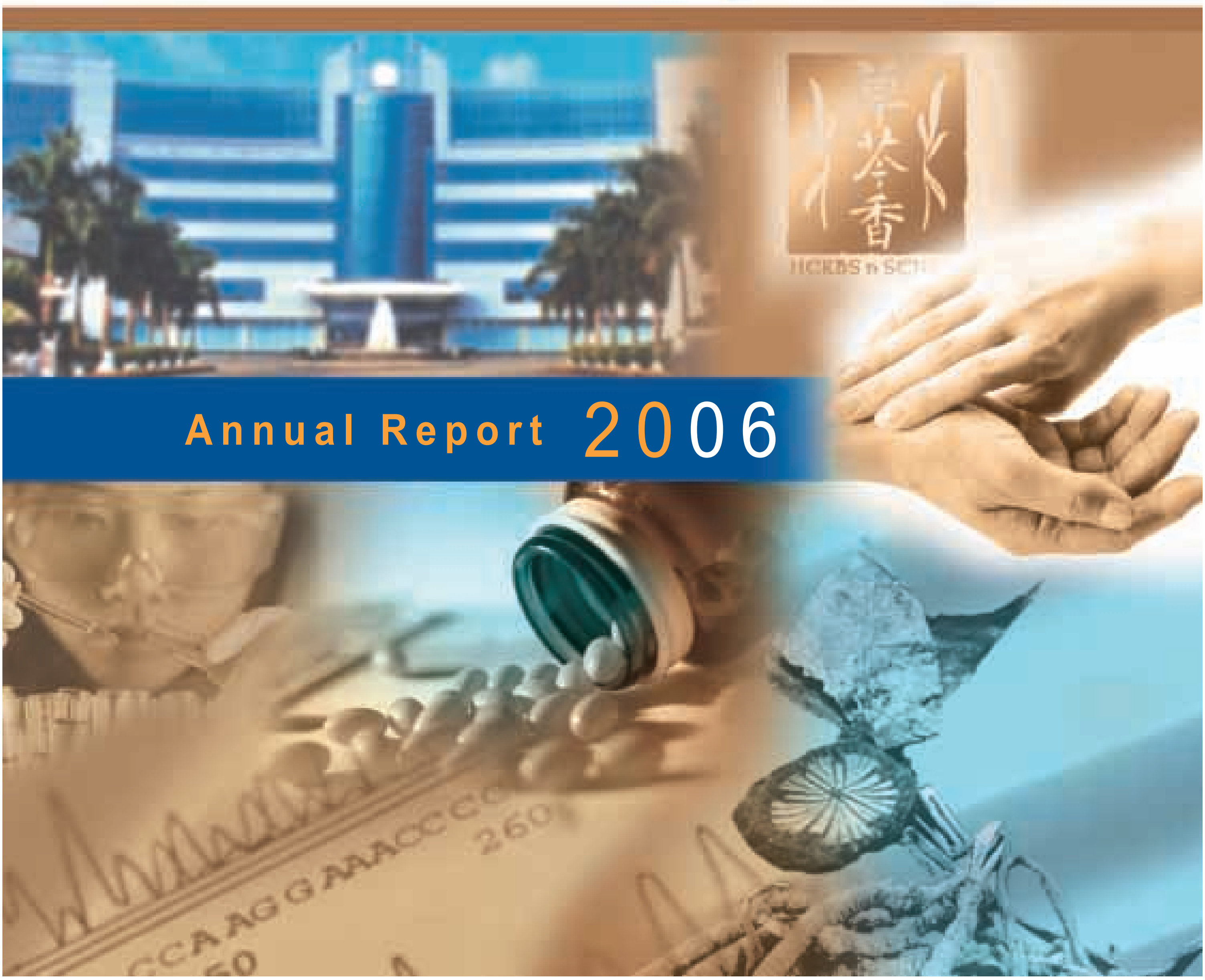
(Stock Code: 8032)

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 2006

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.

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 Directors

Ms. Cheng Kit Yin, Kelly

(Chairman and Chief Executive Officer)

Ms. Kuo kwan, Belinda

Independent Non-executive Directors

Dr. Lau Lap Ping

Mr. Man Kong Yui

Mr. Yeung Chi Hung

AUTHORIZED REPRESENTATIVES

Ms. Cheng Kit Yin, Kelly

Ms. Kuo Kwan, Belinda

AUDIT COMMITTEE MEMBERS

Dr. Lau Lap Ping

Mr. Man Kong Yui

Mr. Yeung Chi Hung

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

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

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

British West Indies

On PRC Law

Guangzhou Foreign Economic Law Office

18th Floor, Guangdong Holdings Tower

No. 555 Dongfeng East Road

Guangzhou

PRC

BANKERS

Bank of China (Hong Kong) Limited

Standard Chartered Bank

DBS Bank (Hong Kong) Limited

Citibank, N.A.

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

British West Indies

PRINCIPAL PLACE OF BUSINESS

Suite 3408, Two Exchange Square

Central, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Port Street

P.O. Box 705 George Town

Grand Cayman

Cayman Islands

British West Indies

Hong Kong

Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

WEBSITE ADDRESS

www.gctg.com

STOCK CODE

8032

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 2006.

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 utilises its advanced biotechnology and the support of renowned academic establishments in the Chinese medicinal field to ensure the consistent efficacy of its products and to maintain the stability of the products' chemical ingredients, with a view to ascertain that the products are of higher quality standard than most traditional Chinese medicine.

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

On 4 November 2004, the Group had gained control of the board of directors of the pharmaceutical manufacturing plant in the People's Republic of China, in which the Group currently has a 90% 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 CMF Proteomics Laboratory, its manufacturing and processing in the pharmaceutical plant in the PRC and its distribution network in Hong Kong, the PRC and worldwide. Hence, the Group has positioned itself as a leader in this cutting edge technology in both Chinese herbal and western medicine.

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

FINANCIAL REVIEW

Segment Information

For the year ended 31 July 2006, the Group recorded a total revenue of HK$14.3 million, of which HK$6.4 million was contributed from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK$6.7 million from sales of western medicine in the PRC, HK$0.4 million from advisory and consultation services and HK$0.8 million from interest income and other sundries. For the comparative figures in the previous financial year, the Group earned a total revenue of HK$10.1 million, of which HK$3.1 million was generated from the Group's core business of sales of nutraceutical Chinese herbal products and related services, HK$4.6 million from sales of western medicine in the PRC, HK$0.6 million arose from advisory and consultation services and HK$1.8 million arose from interest income and other sundries.

For the year under review, the overall revenue increased because the Group's major revenue from sales of herbal products increased by 104.7% due to the Group's continued effort in exploring new sales network. Besides, sales from western medicine in current year also increased by 44.6% as the results of the operation of the pharmaceutical plant was consolidated for the whole year under review, while that in last year was accounted for only after the Group gained control of the pharmaceutical plant in November 2004. Administrative expenses slightly decreased by HK$0.3 million due to the Group's continued effort in cost control policy.

As a result, the overall performance of the Group had improved. Losses attributable to equity holders of the Company for the year ended 31 July 2006 were HK$18.5 million, representing a decrease of 5.8% as compared to the losses attributable to equity holders of the Company of HK$19.6 million for the year ended 31 July 2005. In current year, loss of approximately HK$11.4 million was attributable from operation of the pharmaceutical plant.

Other Financial Information

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 1 September 2006 (the "EGM"), the Company issued 1,220,544,000 ordinary shares of HK$0.01 each by way of an open offer (the "Open Offer") at an issue price of HK$0.015 per offer share on the basis of three offer shares for every two existing shares of the Company held on 1 September 2006. Besides, pursuant to an ordinary resolution passed at the EGM, the authorised share capital of the Company was increased from HK$20,000,000 divided into 2,000,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares.

Chairman's Statement

On 13 April 2006, the Company acquired a further 10% equity interest of its subsidiary in the PRC. As a result of the acquisition, the Company's equity interest in the subsidiary was increased to 90%.

Except for the above, there were no material acquisitions and disposals of subsidiaries and affiliated companies during the year.

There was no significant investment held by the Group as at 31 July 2006.

The current ratio of the Group was 2.3 as at the year end compared to 1.8 as at 31 July 2005. The gearing ratio, defined as the ratio of total borrowings to total assets, was 24.8% as compared to 26.5% as at 31 July 2005. The decrease is mainly due to the repayment of bank borrowings by the internal fund of the Group. The Group's borrowings mainly comprise short term and long term bank and other loans which amounted to approximately HK$31.9 million (2005: HK$44.0 million) as at the year end. The bank loans are wholly secured by part of the land use rights and properties of the Group. The Group therefore has effectively no exposure to its bankers given that the value of the land use rights exceeds the amount of its bank loans. At 31 July 2006, the Group had cash balance of approximately HK$0.4 million (2005: HK$5.2 million). As approximately HK$18.3 million, before expenses, was raised by the Open Offer subsequent to 31 July 2006, the Directors consider the Group does not have liquidity problem.

Major currencies used for the Group's transactions were Hong Kong Dollars and Renminbi. As the fiscal policy of the PRC government in relation to Renminbi is stable throughout the year, there was no significant currency exposure of the Group.

As at the year end, the Group has operating lease commitments for various offices of the Group amounting to approximately HK$0.5 million. Other than the aforementioned, there were no other significant capital commitments and contingent liabilities of the Group as at the year end.

The Group employed 84 full time employees as at 31 July 2006 (2005: 76). Remuneration of the staff comprised of monthly salary, provident fund contributions, medical claims, education allowances and discretionary options issued based on their contribution to the Group. Staff costs including directors' remuneration for the financial year under review amounted to HK$8,843,999 (2005: HK$7,481,644).

Overall, the net asset value of the Group was approximately HK$89.2 million equivalent to approximately HK$0.11 per share.

BUSINESS REVIEW

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

During the year ended 31 July 2006, the Group has achieved the following objectives:

Research & Product Development:

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

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

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

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

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

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

Operation of a Pharmaceutical Manufacturing Plant:

Restructured the sales team and expanded the sales network for western medicine in the PRC.

Chairman's Statement

Brand-building and Distribution of Herbal and Other Products:

Continued the brand-building of HERBSnSENSES™ via promotional activities such as advertising, distribution of newsletters and promotion of membership scheme;

Continued the promotion of membership scheme to strengthen relations with existing members and to recruit new members;

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

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

Participating in various exhibitions of western medicine and nutraceutical products in the PRC to promote the brand-awareness of the Group's products;

Official launching of HERBSnSENSES™ Cordyceps Fruiting Bodies, HERBSnSENSES™ Polysaccharides Liver Enrich and HERBSnSENSES™ Cordyceps Polysaccharides Platinum in Guangdong province of the PRC; and

Obtaining licenses and health regulatory approval in the PRC.

FUTURE PLANS AND DEVELOPMENT

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

Research & Product Development:

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

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

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

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

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

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

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

Operation of a Pharmaceutical Manufacturing Plant:

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

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

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

Chairman's Statement

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

Establishing strategic partnership to increase the income source; and

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

Brand-building and Distribution of Herbal and Other Products:

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

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

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

Exhibitions and promotions in Hong Kong, the PRC, Japan, Europe, Korea, Canada and the USA; and

Opening of more concept counters at prestigeous department stores or reputable pharmacies.

APPRECIATION

I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have continuously supported us.

Kelly Cheng

Chairman and Chief Executive Officer

Hong Kong, 25 October 2006

Directors, Senior Management and Staff

DIRECTORS

The Company has two Executive Directors and three Independent Non-executive Directors. Their details are set out below:

Executive Directors

Ms. Cheng Kit Yin, Kelly, aged 54, 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 HERBSnSENSESTM™ 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. She is 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.

Ms. Kuo Kwan, Belinda, aged 36, is the Chief Financial Officer 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 10 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.

Independent Non-executive Directors

Dr. Lau Lap Ping, aged 55, 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, aged 46, 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 an independent non-executive director of Get Nice Holdings Limited, which is 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.

Directors, Senior Management and Staff

Mr. Yeung Chi Hung, aged 45, is a fellow of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Yeung has 13 years of experience in accounting and auditing. Mr. Yeung is a certified public accountant (practicing) in Hong Kong, the managing director of Yeung, Chan & Associates CPA Limited and an independent non-executive director of ThinSoft (Holdings) Inc, a listed company in Hong Kong. He joined the Group in January 2005.

SENIOR MANAGEMENT

Research and Development

Mr. Liang Kang, aged 38, is the Products and Development Manager of a subsidiary of the Company. Mr. Liang joined the Group in April 2005 and was conferred the degree of Bachelor's of Medicine from the Guangzhou Medical College in accordance with the provisions of the Regulations of the People's Republic of China on Academic Degrees. He was a cardiologist with over 10 years of working experience at Guangdong Provincial Hospital and Guangdong Concord Medical Center.

Dr. Zou Ling, aged 46, 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 Group.

ADVISORY BOARD

Medical and Clinical Advisers

Dr. Lin Shu Guang, aged 55, 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 cardiovasology for more than 20 years, and is a fellow of the America 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 49, 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 52, 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 superventricular 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 48, 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 2006.

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 18 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 79.

The directors do not recommend the payment of any dividend for the year ended 31 July 2006.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 18 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 28 and 29 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 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.

GROUP FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 July 2006 is set out on page 80 of the annual report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and consolidated statement of changes in equity on page 30 respectively.

DISTRIBUTABLE RESERVES

At 31 July 2006, the Company's reserves available for distribution to shareholders comprising the share premium account less accumulated losses, amounted to HK$101,312,467.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 59% of sales for the year and sales to the largest customer included therein accounted for approximately 22% of sales.

Purchases from the Group's five largest suppliers accounted for approximately 67% of purchases for the year and purchases from the largest supplier included therein accounted for approximately 19% of purchases.

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

Ms. Kuo Kwan

Non-executive director:

Dr. Ngai Sai Ming *(resigned on 23 November 2005)*

Independent non-executive directors:

Dr. Lau Lap Ping

Mr. Man Kong Yui

Mr. Yeung Chi Hung

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

At the forthcoming Annual General Meeting, both Mr. Man Kong Yui and Dr. Lau Lap Ping will retire as director by rotation and, being eligible, offer themselves for re-election in accordance with Articles 108(A) and 108(B).

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 11 to 13 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 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, and 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 ("China Rich") and its subsidiaries, in which Ms. Cheng Kit Yin, Kelly is interested by virtue of her shareholding in China Rich, and Dr. Lau Lap Ping, an independent non-executive director of China Rich, are set out in notes 23 and 32 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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

At 31 July 2006, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company

Name of director	**Number of shares directly beneficially owned**	**Percentage of the Company's issued share capital**
Ms. Cheng Kit Yin, Kelly *(Note 1)*	44,046,020	5.40
Mr. Man Kong Yui *(Note 2)*	6,894,000	0.85

Note 1: In September 2006, the Company issued 1,220,544,000 ordinary shares by way of an open offer (the "Open Offer"). Ms. Cheng Kit Yin, Kelly, the underwriter of the Open Offer, took up 986,594,210 offer shares. As a result, the percentage shareholding of Ms. Cheng in the Company was increased to approximately 50.66% immediately after the completion of the Open Offer.

Note 2: Out of the 6,894,000 shares held as at 31 July 2006, 388,000 shares and 6,506,000 shares were held by Mr. Man Kong Yui and his wife respectively.

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

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

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 29 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 2006, 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 and its associates *(Note)*	274,545,039	33.74
China Global Gains Investment Limited	135,616,000	16.67

Note: China Rich Holdings Limited is a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. The single largest shareholder of China Rich Holdings Limited is Central Securities Holdings Limited which is wholly owned by Everbest Holdings Group Limited which is in turn wholly owned by Mr. Yip Kwong. China Rich Holdings Limited, Central Securities Holdings Limited and Mr. Yip Kwong are holding respectively 258,451,559 shares, 14,891,980 shares and 1,201,500 shares of the Company at 31 July 2006.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief Executives' interests in shares and options" 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 32 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 20 to 24 of the annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 July 2006, 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
Director

Hong Kong, 25 October 2006

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 July 2006, the Group has complied with the code provisions (where applicable) in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the “CG Code”). The board of Directors (the “Board”) has continued to monitor and review the Group’s progress in respect of corporate governance practices to ensure compliance.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Code”).

The Company has made specific enquiry of all directors of the Company, and the Directors have confirmed compliance with the Code during the year ended 31 July 2006.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code. No incident of non-compliance was noted by the Company for the year ended 31 July 2006.

BOARD OF DIRECTORS

The Company is governed by the Board, which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board set strategies and directions for the Group’s affairs and activities with a view to develop its business and to enhance shareholders value.

The Board currently comprises of two Executive Directors and three Independent Non-executive Directors and all Directors had served throughout the year ended 31 July 2006.

The Board met 8 times during the year ended 31 July 2006. Its composition and the attendance of individual Directors at these board meetings were as follows:

Name	Number of attendance
Executive Directors	
Ms. Cheng Kit Yin, Kelly	8
Ms. Kuo Kwan	8
Independent Non-executive Directors	
Dr. Lau Lap Ping	7
Mr. Man Kong Yui	7
Mr. Yeung Chi Hung	7

In compliance with Rules 5.01 and 5.02 of the GEM Listing Rules, the Company has three Independent Non-executive Directors (the "INED(s)"), namely Dr. Lau Lap Ping, Mr. Man Kong Yui and Mr. Yeung Chi Hung. These INEDs help the management to formulate the Group's development strategies, ensure the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Board has received the annual confirmation in respect of their independence from each of the INEDs, and believes that independence is in compliance with the GEM Listing Rules as at the date of this annual report.

The Board has established three committees: Nomination Committee, Remuneration Committee and Audit Committee. All of the committees have terms of reference which accord with the principles set out in the CG Code. More details of these committees are set out in separate sections in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At present, Ms. Cheng Kit Yin, Kelly is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group's business. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can effectively formulate and implement the Company's strategies. The Company also considers that under the supervision of its Board and its INEDs, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change the arrangement.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

The Code provision A.4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company has deviated from this provision in that all INEDs are not appointed for specific terms. They are, however, subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. At present, not every director is subject to retirement by rotation at least once every three years. Directors are subject to rotation in accordance with the Articles of Association of the Company provided that notwithstanding anything herein, the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. At such, with the exception of the Chairman, all directors are subject to retirement by rotation in accordance with the Company's Articles of Association. The Company had proposed a resolution to amend the Company's Articles of Association at the forthcoming annual general meeting in order to comply with the Code Provision A.4.2.

NOMINATION COMMITTEE

The Nomination Committee has 2 members, comprising Mr. Man Kong Yui (Independent Non-executive Director) and Ms. Kuo Kwan (Executive Director). The Committee is chaired by Mr. Man Kong Yui.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code.

The Nomination Committee is responsible for identifying potential new directors and recommends to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment. Under the Company's Articles of Association, all directors are subject to retirement by rotation and re-election by shareholders every 3 years.

Potential new directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

There was no selection and recommendation of candidates for directorship, and no meetings were held during the year under review.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 1 August 2005 with written terms of reference. The remuneration committee comprised Dr. Lau Lap Ping (chairman of the remuneration committee), Mr. Man Kong Yui and Mr. Yeung Chi Hung. The written terms of reference include the specific duties of making recommendations to the Board of directors of the Company on the Company's policy and structure for all remuneration of directors and senior management, having the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management and making recommendations to the board of directors of the remuneration of the non-executive directors.

The Remuneration Committee met once during the year ended 31 July 2006 and all the members attended the meeting.

AUDIT COMMITTEE

The Company's audit committee was formed on 17 March 2000 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's internal control procedures, annual reports, financial statements, half-year reports and quarterly reports and provide advice and comments thereon to the board of directors. The audit committee currently comprises three INEDs, Dr. Lau Lap Ping, Mr. Man Kong Yui and Mr. Yeung Chi Hung. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

The audit committee held 4 meetings for the year ended 31 July 2006. The composition and attendance of individual members at these audit committee meetings are as follows:

Members of the audit committee	**Number of attendance**
Dr. Lau Lap Ping	4
Mr. Man Kong Yui	4
Mr. Yeung Chi Hung	4

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 July 2006, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Report of the Auditors on pages 25 and 26 of this report.

AUDITORS' REMUNERATION

During the year, remuneration paid/payable to auditors for audit services and non-audit services of the Group are approximately HK$440,000 and HK$Nil, respectively.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group.

The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Directors conducted regular reviews of the Group's internal control system for the year ended 31 July 2006.

The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and auditors.

SHAREHOLDERS RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

Horwath

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
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 27 to 79 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

Report of the Auditors

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

25 October 2006

Shiu Hong Ng

Practising Certificate number P03752

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2006
(Expressed in Hong Kong dollars)

	Note	**2006** HK$	2005 HK$
Turnover	*6*	**13,522,758**	8,323,928
Cost of sales		**(8,025,845)**	(5,031,224)
Gross profit		**5,496,913**	3,292,704
Other revenue	*6*	**669,542**	1,283,042
Other gains and losses	*6*	**150,830**	493,547
Administrative and other operating expenses		**(25,208,560)**	(25,478,496)
Loss from operating activities	*7*	**(18,891,275)**	(20,409,203)
Finance costs	*8*	**(1,069,589)**	(390,661)
Share of loss of a jointly controlled entity		**–**	(284,616)
Loss before taxation		**(19,960,864)**	(21,084,480)
Taxation	*11*	**–**	–
Loss for the year		**(19,960,864)**	(21,084,480)
Attributable to:			
Equity holders of the Company		**(18,457,226)**	(19,586,171)
Minority interest		**(1,503,638)**	(1,498,309)
		(19,960,864)	(21,084,480)
Loss per share	*13*		
Basic		**1.46 cents**	1.55 cents

The notes on pages 33 to 79 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 July 2006
(Expressed in Hong Kong dollars)

	Note	**2006 HK$**	2005 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**60,024,927**	61,867,370
Land use rights	*15*	**26,162,343**	26,374,275
Intangible assets	*16*	**3,228,786**	3,868,665
Goodwill	*19*	**17,373,603**	21,873,603
Available-for-sale investments	*20*	**194,200**	1,763,788
Deposit paid	*23*	**–**	4,000,000
		106,983,859	119,747,701
Current assets			
Inventories	*21*	**5,537,751**	7,437,149
Trade receivables	*22*	**4,563,975**	1,807,445
Other receivables, deposits and prepayments	*23*	**11,085,489**	19,142,773
Investments held for trading	*20*	**–**	350,317
Pledged deposits	*34*	**–**	15,910,057
Bank balances and cash		**389,678**	1,899,332
		21,576,893	46,547,073
Current liabilities			
Trade payables	*24*	**1,268,626**	1,005,519
Due to a related company	*32(b)*	**448,460**	1,189,350
Due to a director	*32(b)*	**1,313,400**	–
Other payables and accruals		**3,731,483**	5,803,350
Receipts in advance		**667,674**	659,890
Other tax payables		**49,073**	489,022
Interest-bearing bank borrowings	*25*	**1,946,718**	17,416,726
		9,425,434	26,563,857
Net current assets		**12,151,459**	19,983,216
Total assets less current liabilities		**119,135,318**	139,730,917
Non-current liabilities			
Interest-bearing bank borrowings	*25*	**2,920,077**	–
Other loans	*26*	**27,010,905**	26,606,129
		29,930,982	26,606,129
Net assets		**89,204,336**	113,124,788
EQUITY			
Share capital	*28*	**8,136,960**	8,136,960
Reserves		**76,372,297**	93,989,930
Equity attributable to equity holders of the Company		**84,509,257**	102,126,890
Minority interest		**4,695,079**	10,997,898
Total equity		**89,204,336**	113,124,788

Director *Director*

The notes on pages 33 to 79 form part of these financial statements.

BALANCE SHEET

At 31 July 2006
(Expressed in Hong Kong dollars)

	Note	2006 HK$	2005 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**72,593**	124,280
Interests in subsidiaries	*18*	**110,478,831**	122,741,868
Available-for-sale investments	*20*	**–**	1,560,000
		110,551,424	124,426,148
Current assets			
Other receivables, deposits and prepayments	*23*	**530,273**	2,379,246
Investments held for trading	*20*	**–**	350,317
Pledged deposits	*34*	**–**	12,464,422
Bank balances and cash		**26,133**	188,335
		556,406	15,382,320
Current liabilities			
Other payables and accruals		**1,587,278**	1,716,217
Due to a related company	*32(b)*	**–**	1,189,350
		1,587,278	2,905,567
Net current (liabilities)/assets		**(1,030,872)**	12,476,753
Net assets		**109,520,552**	136,902,901
EQUITY			
Share capital	*28*	**8,136,960**	8,136,960
Reserves	*30*	**101,383,592**	128,765,941
Total equity		**109,520,552**	136,902,901

Director *Director*

The notes on pages 33 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2006
(Expressed in Hong Kong dollars)

	Issued share capital HK$ (note 28)	Share premium account HK$	Share-based payment reserve HK$	Translation reserve HK$	Accumulated losses HK$	Attributable to equity holders of the Company HK$	Minority interest HK$	Total HK$
Balance at 31 July 2004	8,136,960	394,291,209	–	–	(281,420,633)	121,007,536	–	121,007,536
Arising from the change of status of the Group's jointly controlled entity to a subsidiary	–	–	–	–	–	–	12,496,207	12,496,207
Net loss for the year	–	–	–	–	(19,586,171)	(19,586,171)	(1,498,309)	(21,084,480)
Exchange differences arising on translation of overseas operations	–	–	–	705,525	–	705,525	–	705,525
Balance at 31 July 2005	8,136,960	394,291,209	–	705,525	(301,006,804)	102,126,890	10,997,898	113,124,788
Net loss for the year	–	–	–	–	(18,457,226)	(18,457,226)	(1,503,638)	(19,960,864)
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	–	(4,786,576)	(4,786,576)
Recognition of equity-settled share-based payment	–	–	71,125	–	–	71,125	–	71,125
Exchange differences arising on translation of overseas operations	–	–	–	768,468	–	768,468	(12,605)	755,863
Balance at 31 July 2006	8,136,960	394,291,209*	71,125*	1,473,993*	(319,464,030)*	84,509,257	4,695,079	89,204,336

* These reserves made up the consolidated reserves of HK$76,372,297 (2005: HK$93,989,930) in the consolidated balance sheet.

The notes on pages 33 to 79 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2006
(Expressed in Hong Kong dollars)

	2006 HK$	2005 HK$
Cash flows from operating activities		
Loss before taxation	**(19,960,864)**	(21,084,480)
Adjustment for:		
Interest expenses	**1,069,589**	390,661
Share of loss of a jointly controlled entity	**–**	284,616
Interest income	**(654,702)**	(576,661)
Dividend income	**(11,589)**	(10,036)
Amortisation of intangible assets	**692,380**	513,423
Amortisation of goodwill on acquisition of a jointly controlled entity	**–**	313,975
Amortisation of goodwill	**–**	941,925
Amortisation of land use rights	**607,603**	445,728
Depreciation	**6,867,631**	5,463,154
Provision for doubtful debts	**208,554**	464,696
Loss on disposal of available-for-sale investments	**154,440**	–
Gain on disposal of investments held for trading	**(7,213)**	–
Gain on disposal of property, plant and equipment	**(11,480)**	(358,837)
Negative goodwill released to income	**(4,786,577)**	–
Share-based payment expense	**71,125**	–
Impairment of goodwill	**4,500,000**	–
Unrealised holding gain on investments held for trading	**–**	(25,691)
Provision for slow moving inventories	**169,222**	96,938
Operating loss before working capital changes	**(11,091,881)**	(13,140,589)
Decrease in inventories	**1,730,176**	831,442
(Increase)/decrease in trade receivables	**(2,965,084)**	192,243
Decrease in other receivables, deposits and prepayments	**8,025,170**	3,702,275
Increase in short term investments	**–**	(301,745)
Increase/(decrease) in trade payables	**263,107**	(201,111)
Decrease in other payables and accruals	**(2,071,867)**	(2,103,829)
Decrease in other tax payables	**(439,949)**	(54,157)
Increase in receipts in advance	**7,784**	659,890
Effect of foreign exchange rate changes	**(60,115)**	(47,312)
Cash used in operations	**(6,602,659)**	(10,462,893)
Interest received	**686,816**	753,946
Interest paid	**(1,069,589)**	(390,661)
Net cash used in operating activities	**(6,985,432)**	(10,099,608)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2006
(Expressed in Hong Kong dollars)

	2006	2005
	HK$	HK$
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**54,900**	573,369
Acquisition of available-for-sale investments	**(1,560,000)**	(1,569,588)
Acquisition of additional equity interest of a subsidiary	**(1)**	–
Purchase of property, plant and equipment	**(212,802)**	(87,755)
Purchase of intangible assets	**–**	(66,038)
Proceeds from disposal of investments held for trading	**357,530**	–
Proceeds from disposal of available-for-sale investments	**2,975,148**	–
Cash inflow on a jointly controlled entity changed to a subsidiary	**–**	182,691
Dividends received from equity investments	**11,589**	10,036
Net cash generated from/(used in) investing activities	**1,626,364**	(957,285)
Cash flows from financing activities		
Repayment of bank loans	**–**	(56,636,646)
(Decrease)/increase in amount due to a related company	**(740,890)**	732,505
Increase in amount due to a director	**1,313,400**	–
Net cash generated from/(used in) financing activities	**572,510**	(55,904,141)
Net decrease in cash and cash equivalents	**(4,786,558)**	(66,961,034)
Cash and cash equivalents at beginning of year	**5,186,527**	72,158,410
Effect of foreign exchange rate changes	**(10,291)**	(10,849)
Cash and cash equivalents at end of year	**389,678**	5,186,527
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**389,678**	1,899,332
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	**–**	15,910,057
Bank overdrafts	**–**	(12,622,862)
	389,678	5,186,527

The notes on pages 33 to 79 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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
- manufacture and sale of western medicine

2. Changes in accounting policies/Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, all the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of the changes in equity. The adoption of the HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(a) Presentation of financial statements

The adoption of HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interest, which are now shown as equity. The change in presentation have been applied retrospectively.

(b) Business combinations

In the current year, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1 August 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summaries below:

Goodwill

In previous years, goodwill arising on acquisition of a subsidiary prior to 1 August 2005 was capitalized and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 and eliminated the carrying amount of the related accumulated amortisation of HK$3,244,410 with a corresponding decrease in the cost of goodwill on 1 August 2005 (see note 19). Such goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

2. Changes in accounting policies/Application of Hong Kong Financial Reporting Standards (Continued)

(b) *Business combinations (Continued)*

Discount on acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 August 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has applied the revised accounting policy prospectively from 1 August 2005. Therefore, the change has had no impact on amounts reported for 2005 or prior periods.

(c) *Retranslation of goodwill relating to a net investment in a foreign operation*

In prior years, goodwill was recognised directly in equity or carried at cost less amortisation and impairment as described in note 19.

With effect from 1 August 2005, in order to comply with HKAS 21 "The Effects of Changes in Foreign Exchange Rates", any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 August 2005. The change in policy in this respect has had no impact on the financial statements.

(d) *Financial instruments*

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. Changes in accounting policies/Application of Hong Kong Financial Reporting Standards (Continued)

(d) *Financial instruments (Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1 August 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held to maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

(e) *Share-based payment*

The adoption of HKFRS 2 “Share-based Payment” has resulted in a change in accounting policy for employees and other options. The principal impact of HKFRS 2 on the Group is related to the expensing of the fair values of directors’ and employees’ share options and other share options of the Group determined at the date of grant of share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of all these share options until they were exercised. In accordance with the transitional provisions of HKFRS 2, the Group has applied HKFRS 2 to options granted after 7 November 2002 and had not yet vested before 1 January 2005.

As all the Group’s options were granted to option holders either before 7 November 2002 or after 1 August 2005, the adoption of HKFRS 2 has no impact on the Group’s net assets and results for the prior years.

The amount charged to the profit and loss account as a result of the change of policy increased administrative expenses for the year ended 31 July 2006 by HK$71,125 (2005: HK$nil), with the corresponding amount credited to the capital reserve.

Details of the share option schemes are set out in note 29 to the financial statements.

(Expressed in Hong Kong dollars)

2. Changes in accounting policies/Application of Hong Kong Financial Reporting Standards (Continued)

Potential impact on standards, amendments or interpretations not yet effective

The Group has commenced considering the potential impact of the following new standards, amendments or interpretations that have been issued but are not effective. The Group is not yet in a position to determine whether these standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These standards, amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – Int 8	Scope of HKFRS 2[5]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[7]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.
7 Effective for annual periods beginning on or after 1 November 2006.

3. Summary of significant accounting policies

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

(b) *Basis of consolidation*

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

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group interest until the minority's share of losses previously absorbed by the Group has been recovered.

3. Summary of significant accounting policies (Continued)

(c) *Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss account.

(d) *Subsidiaries*

A subsidiary is a company in which the Company has control over its financial and operating policies, 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 accumulated impairment losses.

(e) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisition of subsidiaries is presented separately. Goodwill on acquisition of associates or jointly controlled entities is included in investments in associates or jointly controlled entities.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary, associate or jointly controlled entity include the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

3. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment 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 the asset has 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 asset, the expenditure is capitalised as an additional cost of that asset.

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:

Buildings	5%
Leasehold improvements	Over the lease terms
Machinery and office equipment	10% – $33\frac{1}{3}$%
Motor vehicles	20% – 25%
Furniture and fixtures	$33\frac{1}{3}$%

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

(g) Construction in progress

Construction in progress represents buildings, plant and machinery and other fixed assets under construction and is stated at cost. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Construction in progress is transferred to property, plant and equipment when it is completed and ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the appropriate PRC authorities.

(h) Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment in value. Land use rights are amortised on a straight-line basis over the term of the land use rights granted.

The carrying value of land use rights is reviewed for impairment at each balance sheet date.

3. Summary of significant accounting policies (Continued)

(i) *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.

(j) *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.

(k) *Impairment of assets excluding goodwill*

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

3. Summary of significant accounting policies (Continued)

(k) Impairment of assets excluding goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduce to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) 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 work in progress and 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.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit and loss account when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit and loss account for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period. Impairment losses recognised in profit and loss account for equity investments classified as available-for-sale are not subsequently reversed through profit and loss account. Impairment losses recognised in profit and loss account for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. Summary of significant accounting policies (Continued)

(m) *Financial instruments (Continued)*

(iv) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(v) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(vi) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. Summary of significant accounting policies (Continued)

(n) Taxation (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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 expenditure expected to settle the obligation.

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.

3. Summary of significant accounting policies (Continued)

(p) *Leases*

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.

(q) *Translation of foreign currencies*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

Foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. Summary of significant accounting policies (Continued)

(r) Related parties

Two 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 (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(s) 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) 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;

(ii) portal development and information technology advisory and consultation income: when the services are provided;

(iii) interest income: on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(iv) dividend income: when the shareholders' right to receive payment has been established.

3. Summary of significant accounting policies (Continued)

(t) *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, other than the subsidiary company in the People's Republic of China ("PRC") operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong 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 contributions as an employer vest fully with the employees once contributed into the MPF Scheme.

The PRC subsidiary company's contributions to a local municipal government retirement scheme in the PRC are expensed as incurred while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

(iii) *Share based payments*

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Black-Scholes-Merton Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Summary of significant accounting policies (Continued)

(u) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

4. Critical accounting estimates and judgments

Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss account and share-based payment reserve.

5. 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 western medicine products segment engages in the manufacture and sale of western medicine products.

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:

2006

	Herbal products HK$	**Advisory services HK$**	**Western medicine products HK$**	**Consolidated HK$**
Segment revenue				
Turnover	**6,393,134**	**420,800**	**6,708,824**	**13,522,758**
Segment results	**(2,732,418)**	**(285,600)**	**(11,363,591)**	**(14,381,609)**
Unallocated corporate expenses				**(4,509,666)**
Loss from operating activities				**(18,891,275)**
Finance costs				**(1,069,589)**
Loss before taxation				**(19,960,864)**
Taxation				**–**
Loss for the year				**(19,960,864)**

(Expressed in Hong Kong dollars)

5. Segment information (Continued)

(a) *Business segments (Continued)*

2006

	Herbal products HK$	Advisory services HK$	Western medicine products HK$	Unallocated HK$	Consolidated HK$
Segment assets	8,221,361	963,212	108,890,804		118,075,377
Unallocated assets					10,485,375
Total assets					128,560,752
Segment liabilities	1,781,611	304,803	35,183,451		37,269,865
Unallocated liabilities					2,086,551
Total liabilities					39,356,416
Other segment information:					
Additions to property, plant and equipment	–	–	202,133	10,669	212,802
Depreciation	564,980	336,364	5,791,600	174,687	6,867,631
Impairment of goodwill	–	–	4,500,000	–	4,500,000
Amortisation of intangible assets	–	–	692,380	–	692,380

5. Segment information (Continued)

(a) *Business segments (Continued)*

2005

	Herbal products HK$	Advisory services HK$	Western medicine products HK$	Consolidated HK$
Segment revenue				
Turnover	3,123,517	561,284	4,639,127	8,323,928
Segment results	(4,469,765)	(671,380)	(7,782,976)	(12,924,121)
Unallocated corporate expenses				(7,485,082)
Loss from operating activities				(20,409,203)
Finance costs				(390,661)
Share of loss of a jointly controlled entity				(284,616)
Loss before taxation				(21,084,480)
Taxation				–
Loss for the year				(21,084,480)

(Expressed in Hong Kong dollars)

5. Segment information (Continued)

(a) *Business segments (Continued)*

2005

	Herbal products HK$	Advisory services HK$	Western medicine products HK$	Unallocated HK$	Consolidated HK$
Segment assets	9,011,111	999,093	113,630,990		123,641,194
Unallocated assets					42,653,580
Total assets					166,294,774
Segment liabilities	14,241,718	318,663	34,974,845		49,535,226
Unallocated liabilities					3,634,760
Total liabilities					53,169,986
Other segment information:					
Additions to property, plant and equipment	–	–	1,962	85,793	87,755
Additions to intangible assets	–	–	66,038	–	66,038
Depreciation	653,868	336,364	4,273,853	199,069	5,463,154
Amortisation of goodwill	–	–	1,255,900	–	1,255,900
Amortisation of intangible assets	–	–	513,423	–	513,423

5. Segment information (Continued)

(b) *Geographical segments*

The following table provides an analysis of the Group's turnover, assets and additions to property, plant and equipment by geographical market:

2006

	Hong Kong HK$	**The People's Republic of China HK$**	**Consolidated HK$**
Segment revenue			
Turnover	**6,813,934**	**6,708,824**	**13,522,758**
Segment assets	**19,669,948**	**108,890,804**	**128,560,752**
Additions to property, plant and equipment	**10,669**	**202,133**	**212,802**

2005

	Hong Kong HK$	The People's Republic of China HK$	Consolidated HK$
Segment revenue			
Turnover	3,684,801	4,639,127	8,323,928
Segment assets	48,663,784	117,630,990	166,294,774
Additions to property, plant and equipment	85,793	1,962	87,755

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6. Turnover, other revenue and other gains and losses

	2006	2005
	HK$	HK$
Turnover		
Sales	**13,101,958**	7,762,644
Rendering of services	**420,800**	561,284
	13,522,758	8,323,928
Other revenue		
Interest income	**654,702**	576,661
Income from the use of trademark	**–**	694,445
Dividend income	**11,589**	10,036
Others	**3,251**	1,900
	669,542	1,283,042
Other gains and losses		
Recognition of negative goodwill	**4,786,577**	–
Impairment of goodwill	**(4,500,000)**	–
Gain on disposal of property, plant and equipment	**11,480**	358,837
Gain on disposal of investments held for trading	**7,213**	109,019
Unrealized holding gain on investments held for trading	**–**	25,691
Loss on disposal of available-for-sale investments	**(154,440)**	–
	150,830	493,547

7. Loss from operating activities

	2006	2005
	HK$	HK$
The Group's loss from operating activities is arrived at after charging/(crediting):		
Depreciation	**6,867,631**	5,463,154
Amortisation of intangible assets	**692,380**	513,423
Amortisation of goodwill on acquisition of a jointly controlled entity	**–**	313,975
Amortisation of goodwill	**–**	941,925
Amortisation of land use rights	**607,603**	445,728
Research and development costs	**312,510**	258,963
Provision for doubtful debts	**208,554**	464,695
Net foreign exchange (gains)/losses	**(189,282)**	108
Minimum lease payments under operating leases in respect of land and buildings	**1,297,361**	910,134
Auditors' remuneration		
– current year	**438,000**	388,000
– overprovision in prior years	**–**	(40,000)
Staff costs including directors' remuneration:		
Salaries and other benefits	**8,445,179**	7,103,560
Share-based payment	**71,125**	–
Pension scheme contributions	**327,695**	378,084
	8,843,999	7,481,644

8. Finance costs

	2006	2005
	HK$	HK$
Interest on bank loans and overdrafts wholly repayable within five years	**1,069,589**	390,661

(Expressed in Hong Kong dollars)

9. Directors' remuneration

Directors' remuneration disclosed pursuant to rules governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors fees HK$	Salaries, allowances and benefits in kind HK$	Share-based payment HK$	Retirement scheme contributions HK$	2006 Total HK$
Executive directors					
Cheng Kit Yin, Kelly	**–**	**3,187,010**	**39,136**	**12,000**	**3,238,146**
Kuo Kwan	**–**	**600,000**	**14,676**	**12,000**	**626,676**
Non-executive directors					
Ngai Sai Ming	**32,000**	**–**	**–**	**–**	**32,000**
Independent non-executive directors					
Lau Lap Ping	**96,000**	**–**	**3,977**	**–**	**99,977**
Man Kong Yui	**96,000**	**–**	**3,977**	**–**	**99,977**
Yeung Chi Hung	**96,000**	**–**	**3,977**	**–**	**99,977**
	320,000	**3,787,010**	**65,743**	**24,000**	**4,196,753**

	Directors fees HK$	Salaries, allowances and benefits in kind HK$	Share-based payment HK$	Retirement scheme contributions HK$	2005 Total HK$
Executive directors					
Cheng Kit Yin, Kelly	–	2,880,000	–	12,000	2,892,000
Kuo Kwan	–	300,000	–	6,000	306,000
Non-executive directors					
Kam Shing	40,000	–	–	–	40,000
Ngai Sai Ming	96,000	–	–	–	96,000
Independent non-executive directors					
Ha Shu Tong	17,032	–	–	–	17,032
Lau Lap Ping	96,000	–	–	–	96,000
Man Kong Yui	96,000	–	–	–	96,000
Yeung Chi Hung	50,065	–	–	–	50,065
	395,097	3,180,000	–	18,000	3,593,097

No emoluments were paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. Five highest paid employees

The five highest paid employees during the year included two (2005: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2005: three) non-directors, highest paid employees for the year are as follows:

	The Group	
	2006	2005
	HK$	HK$
Salaries and other allowances	**979,367**	1,035,298
Share-based payment	**2,446**	–
Pension scheme contributions	**35,400**	36,639
	1,017,213	1,071,937

The emoluments of each of the non-directors, highest paid employees were less than HK$1,000,000 for the year.

11. Taxation

(a) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year. No provision for PRC enterprise income tax has been made as the PRC subsidiary incurred a loss for the year.

(b) Taxation for the year can be reconciled to the accounting loss as follows:

	The Group	
	2006	2005
	HK$	HK$
Loss before taxation	**(19,960,864)**	(21,084,480)
Taxation credit calculated at Hong Kong profits tax rate of 17.5%	**(3,493,151)**	(3,689,784)
Tax effect of expenses not deductible for taxation purposes	**975,725**	621,902
Tax effect of non-taxable items	**(839,915)**	(219,076)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(835,484)**	(775,002)
Deferred tax benefits arising from tax losses and others not recognised	**4,192,825**	4,061,960
Taxation	**–**	–

(c) Details of unprovided deferred tax during the year are set out in note 27 to the financial statements.

(Expressed in Hong Kong dollars)

12. Net loss from ordinary activities attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 July 2006 dealt with in the financial statements of the Company, was HK$27,453,474 (2005: HK$64,571,401) (note 30).

13. Loss per share

	2006	2005
	HK$	HK$
Loss:		
Loss attributable to equity holders of the Company used in basic and diluted loss per share calculation	**18,457,226**	19,586,171

	2006	2005
		(restated)
Shares:		
Weighted average number of ordinary shares used in the basic loss per share calculation	**1,264,989,580**	1,264,989,580
Loss per share-basic	**1.46 cents**	1.55 cents

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 2006 and 31 July 2005, they exerted no dilution effect on the basic loss per share for the years ended 31 July 2006 and 31 July 2005.

The weighted average number of ordinary shares used in the basic loss per share calculation has been adjusted retrospectively for the issue of ordinary shares by way of an open offer as referred to in note 36.

14. Property, plant and equipment

The Group

	Buildings HK$ *(Note a)*	Leasehold improvements HK$	Machinery and office equipment HK$	Motor vehicle HK$	Furniture and fixtures HK$	Construction in progress HK$	Total HK$
Cost:							
At 31 July 2004	–	3,746,250	8,444,918	200,000	318,051	–	12,709,219
Additions	–	–	83,855	–	3,900	–	87,755
Other additions *(Note b)*	85,831,114	–	21,377,580	1,950,485	–	475,088	109,634,267
Exchange adjustments	1,398,973	–	348,333	27,904	–	7,744	1,782,954
Disposals	–	(300,000)	(338,532)	(238,495)	(289,747)	–	(1,166,774)
At 31 July 2005	87,230,087	3,446,250	29,916,154	1,939,894	32,204	482,832	123,047,421
Additions	–	–	212,802	–	–	–	212,802
Transfer from deposit *(Note c)*	–	–	–	–	–	4,000,000	4,000,000
Exchange adjustments	1,327,085	–	330,433	26,470	–	7,346	1,691,334
Disposals	–	–	–	(438,187)	–	–	(438,187)
At 31 July 2006	88,557,172	3,446,250	30,459,389	1,528,177	32,204	4,490,178	128,513,370
Aggregate depreciation and impairment:							
At 31 July 2004	–	2,905,341	6,045,909	66,667	303,661	–	9,321,578
Provided during the year	2,896,800	336,364	2,137,046	50,000	–	42,944	5,463,154
Other additions *(Note b)*	32,401,190	–	12,345,244	1,755,437	–	21,361	46,523,232
Exchange adjustments	575,327	–	222,840	25,114	–	1,048	824,329
Disposals	–	(300,000)	(162,238)	(214,646)	(275,358)	–	(952,242)
At 31 July 2005	35,873,317	2,941,705	20,588,801	1,682,572	28,303	65,353	61,180,051
Provided during the year	3,948,827	336,364	2,508,622	50,000	1,300	22,518	6,867,631
Exchange adjustments	582,008	–	228,097	23,823	–	1,201	835,129
Disposals	–	–	–	(394,368)	–	–	(394,368)
At 31 July 2006	40,404,152	3,278,069	23,325,520	1,362,027	29,603	89,072	68,488,443
Net book value:							
At 31 July 2006	48,153,020	168,181	7,133,869	166,150	2,601	4,401,106	60,024,927
At 31 July 2005	51,356,770	504,545	9,327,353	257,322	3,901	417,479	61,867,370

Note a: The Group's buildings were situated in the People's Republic of China ("PRC"). At 31 July 2006, certain of the Group's buildings with a net book value of approximately HK$19,793,000 (2005: HK$20,683,000) were pledged to a bank to secure the bank loans (note 34).

Note b: The amounts represent the cost and aggregate depreciation and impairment of property, plant and equipment at the date of change of status of the Group's jointly-controlled entity in the PRC to a subsidiary.

Note c: During the year, the utilised portion of the deposit for the construction of a pharmaceutical plant was transferred to construction in progress. Details are set out in note 23(i).

(Expressed in Hong Kong dollars)

14. Property, plant and equipment (Continued)

The Company

	Leasehold improvements HK$	**Machinery and office equipment** HK$	**Furniture and fixtures** HK$	**Total** HK$
Cost:				
At 31 July 2004	2,521,250	4,773,955	318,051	7,613,256
Additions	–	81,893	3,900	85,793
Disposals	–	–	(289,747)	(289,747)
At 31 July 2005	2,521,250	4,855,848	32,204	7,409,302
Additions	–	10,669	–	10,669
At 31 July 2006	2,521,250	4,866,517	32,204	7,419,971
Accumulated depreciation:				
At 31 July 2004	2,521,250	4,651,667	303,662	7,476,579
Provided during the year	–	83,801	–	83,801
Written back on disposal	–	–	(275,358)	(275,358)
At 31 July 2005	2,521,250	4,735,468	28,304	7,285,022
Provided during the year	–	61,056	1,300	62,356
At 31 July 2006	2,521,250	4,796,524	29,604	7,347,378
Net book value:				
At 31 July 2006	–	69,993	2,600	72,593
At 31 July 2005	–	120,380	3,900	124,280

15. Land use rights

	The Group
	HK$
Cost:	
At 31 July 2004	–
Additions arising from the change of status of the Group's jointly-controlled entity to a subsidiary	29,715,221
Exchange adjustments	484,332
At 31 July 2005	30,199,553
Exchange adjustments	459,444
At 31 July 2006	30,658,997
Accumulated amortisation:	
At 31 July 2004	–
Additions arising from the change of status of the Group's jointly-controlled entity to a subsidiary	3,318,201
Charge for the year	445,728
Exchange adjustments	61,349
At 31 July 2005	3,825,278
Charge for the year	607,603
Exchange adjustments	63,773
At 31 July 2006	4,496,654
Net book value:	
At 31 July 2006	26,162,343
At 31 July 2005	26,374,275

The land use rights are valid for a period of 50 years from 1999 and situated in the PRC. At 31 July 2006, part of the land use rights of the Group with a net book value of approximately HK$10,799,000 (2005: HK$10,886,000) were pledged to a bank to secure bank loans (note 34).

(Expressed in Hong Kong dollars)

16. Intangible assets

	The Group Intellectual properties HK$
Cost:	
At 31 July 2004	62,935,586
Additions	66,038
Addition arising from the change of the Group's jointly-controlled entity to a subsidiary	6,666,284
Exchange adjustments	109,731
At 31 July 2005	69,777,639
Additions	–
Exchange adjustments	104,092
At 31 July 2006	69,881,731
Accumulated amortization and impairment:	
At 31 July 2004	62,935,586
Addition arising from the change of the Group's jointly-controlled entity to a subsidiary	2,412,279
Amortisation for the year	513,423
Exchange adjustments	47,686
At 31 July 2005	65,908,974
Amortisation for the year	692,380
Exchange adjustments	51,591
At 31 July 2006	66,652,945
Carrying amount:	
At 31 July 2006	3,228,786
At 31 July 2005	3,868,665

Intellectual properties represent traditional Chinese medicine formulae, certain protocols for herbal medicine and licences for western medicine acquired by the Group.

17. Website development costs

	The Group
	HK$
Cost:	
At 31 July 2004, 2005 and 2006	26,946,020
Accumulated amortisation and impairment:	
At 31 July 2004, 2005 and 2006	26,946,020
Carrying amount:	
At 31 July 2005 and 2006	–

18. Interests in subsidiaries

	The Company	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**13,227,656**	13,227,658
Amounts due from subsidiaries	**344,194,853**	333,575,171
	357,422,509	346,802,829
Less: Impairment losses	**(246,943,678)**	(224,060,961)
	110,478,831	122,741,868

Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. Interests in subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
				directly	indirectly	
herbs N senses Health Products Limited	Hong Kong	Hong Kong	HK$2	–	100	Trading of Chinese herbal products
GreaterChinaherbs.com Limited	The British Virgin Islands	Hong Kong	US$2	100	–	Provision of online general healthcare content
Ladiesasia Limited	The British Virgin Islands	Hong Kong	US$1	100	–	Provision of online general contents for Asian women
i.Business Limited	Hong Kong	Hong Kong	HK$2	100	–	Portal development
GreaterChina Technology Exchange Limited	Hong Kong	Hong Kong	HK$2	–	100	Consultation services and trading of Chinese herbal products
GreaterChina Investment Limited	The British Virgin Islands	Hong Kong	US$1	100	–	Investment holding
iSolutions Development Limited	Hong Kong	Hong Kong	HK$2	100	–	Portal development
GreaterChina Biotherapeutics Company Limited	The British Virgin Islands	Hong Kong	US$1	100	–	Holding of intellectual properties
Golden Unit Limited	Hong Kong	Hong Kong	HK$1,000	–	100	Investment holding
Guangdong Richtungen Pharmaceutical Co., Ltd. ("JLB") (formerly known as Guangdong Jianlibao Pharmaceutical Co., Ltd.)	The People's Republic of China ("PRC")	PRC	RMB 91,300,000	–	90	Manufacture and sale of pharmaceutical and healthcare products

The above table includes 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.

19. Goodwill

	The Group HK$
Cost:	
At 1 August 2004	–
Addition arising from the change of the Group's jointly-controlled entity to a subsidiary	25,118,013
At 31 July 2005	25,118,013
Opening balance adjustment to eliminate accumulated amortization and impairment	(3,244,410)
At 31 July 2006	21,873,603
Amortisation and impairment:	
At 1 August 2004	–
Addition arising from the change of the Group's jointly-controlled entity to a subsidiary	2,302,485
Amortisation for the year	941,925
At 31 July 2005	3,244,410
Opening balance adjustment to eliminate against cost	(3,244,410)
Impairment loss recognised in the year	4,500,000
At 31 July 2006	4,500,000
Carrying amount:	
At 31 July 2006	17,373,603
At 31 July 2005	21,873,603

In 2005, goodwill was amortised on a straight line basis over 20 years. As explained further in note 2(b), with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS3, the accumulated amortisation of goodwill as at 1 August 2005 has been eliminated against the cost of goodwill as at that date.

(Expressed in Hong Kong dollars)

19. Goodwill (Continued)

Goodwill acquired in a business combination is allocated, on acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Accordingly, the Group allocated the above goodwill to the western medicine products business segment.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may have been impaired.

The recoverable amount of the CGU relating to the western medicine business segment is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group has prepared a cash flow forecast derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following ten years using a growth rate of 15% and a discount rate of 10%.

As a result of the value in use calculation, the Group has reduced the recoverable amount of the CGU relating to the western medicine business segment through recognition of an impairment loss on goodwill of HK$4,500,000.

20. Investments in securities

Available-for-sale investments

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Unlisted investments at fair value	**194,200**	1,763,788	**–**	1,560,000

Investments held for trading

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Listed equity securities in Hong Kong at fair value	**–**	350,317	**–**	350,317

21. Inventories

	The Group	
	2006	2005
	HK$	HK$
Inventories comprise:		
Raw materials	**1,770,128**	1,320,109
Work-in-progress	**141,431**	207,597
Finished goods	**3,125,692**	1,564,443
Goods for resale	**500,500**	4,345,000
	5,537,751	7,437,149

22. 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, and net of provisions is as follows:

	The Group	
	2006	2005
	HK$	HK$
0-60 days	**768,000**	796,470
61-90 days	**–**	198,309
Over 90 days	**3,795,975**	812,666
	4,563,975	1,807,445

The provision has been determined by reference to past default experience. The directors consider that the carrying amount of trade receivables approximates their fair value.

(Expressed in Hong Kong dollars)

23. Other receivables, deposits and prepayments

		The Group		The Company	
	Notes	**2006**	2005	**2006**	2005
		HK$	HK$	**HK$**	HK$
Prepayments		**344,320**	3,134,788	**111,500**	62,500
Utility and other deposits		**1,400,480**	2,520,397	**21,935**	1,888,150
Interest and advances		**–**	32,114	**–**	32,114
Other receivables	*(i)*	**8,157,778**	11,534,591	**356**	–
Due from related companies	*(ii)*	**1,182,911**	1,920,883	**396,482**	396,482
		11,085,489	19,142,773	**530,273**	2,379,246

Notes:

(i) During the year ended 31 July 2003, a deposit of HK$15,630,000 was paid to a contractor for the construction of a pharmaceutical plant in the PRC. Due to the temporary suspension of the construction work, the contractor agreed to refund the unutilised amount of approximately HK$11,630,000 to the Group by instalments. As at 31 July 2006, refund of approximately HK$8,150,000 was outstanding and included in other receivables. The utilised portion of the deposit of HK$4,000,000 was classified as a long term deposit in 2005. The balance was transferred to construction in progress during the year as the Group intends to make use of the partially installed facilities for production of suitable products.

(ii) Due from related companies were made up of:

(a) HK$872,233 due from China Rich Holdings Limited and certain of its subsidiaries ("China Rich Group"). The amounts are unsecured, interest-free and have no fixed terms of repayment. Ms. Cheng Kit Yin, Kelly, a director of the Company, has beneficial interest in China Rich Group. Dr. Lau Lap Ping is an independent non-executive director of China Rich Holdings Limited and the Company. The maximum amount outstanding during the year was HK$1,360,833; and

(b) HK$310,678 due from two other related companies. The amounts are unsecured, interest-free and has no fixed terms of repayment. The maximum amount outstanding during the year was HK$846,732.

24. Trade payables

As at 31 July 2006, the aged analysis of trade payables was as follows:

	The Group	
	2006	2005
	HK$	HK$
0-60 days	**327,821**	92,413
61-90 days	**252,626**	528
Over 90 days	**688,179**	912,578
	1,268,626	1,005,519

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amount of trade payables approximates their fair value.

25. Interest-bearing bank borrowings

	The Group	
	2006	2005
	HK$	HK$
Bank loans – secured	**4,866,795**	4,793,864
Bank overdrafts – secured	**–**	12,622,862
	4,866,795	17,416,726

(Expressed in Hong Kong dollars)

25. Interest-bearing bank borrowings (Continued)

The borrowings are payable as follows:

	The Group	
	2006	2005
	HK$	HK$
Within one year	**1,946,718**	17,416,726
In the second year	**2,920,077**	–
	4,866,795	17,416,726
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,946,718)**	(17,416,726)
Amount due for settlement after 12 months	**2,920,077**	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

As at 31 July 2006	**Hong Kong dollar**	**Renminbi**	**Total**
Bank loans	**–**	**4,866,795**	**4,866,795**
Bank overdrafts	**–**	**–**	**–**
	–	**4,866,795**	**4,866,795**

As at 31 July 2005	Hong Kong dollar	Renminbi	Total
Bank loans	–	4,793,864	4,793,864
Bank overdrafts	12,622,862	–	12,622,862
	12,622,862	4,793,864	17,416,726

(a) The rates of interest of bank loans range from 6.24% to 6.55% (2005: 6.24%) per annum. Bank loans are arranged at fixed interest rate.

(b) The rates of interest of bank overdrafts range from 3.75% to 4.7% (2005: 1.05% to 3.75%) per annum. Bank overdrafts are arranged at floating rate.

(c) The directors consider that the carrying amount of interest bearing bank borrowings approximates their fair value.

(d) Details of securities provided to the banks are set out in note 34.

26. Other loans

Other loans represent the amounts owed by JLB to the minority shareholders in the PRC (the "MI"). Pursuant to the agreement for the acquisition of JLB, the MI shall discharge this liability of JLB. The Group is pursuing the discharge of the loan with the MI. The directors anticipate the outcome will be finalised before 31 January 2007.

27. Deferred taxation

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

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
General and bad debt allowances	**76,000**	364,000	**–**	–
Decelerated depreciation allowances	**286,000**	142,000	**219,000**	222,000
Tax losses	**27,014,000**	23,647,000	**2,973,000**	2,311,000
	27,376,000	24,153,000	**3,192,000**	2,533,000

At 31 July 2006, the Group has unused tax losses of approximately HK$143,668,000 (2005: HK$127,627,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$19,708,000 (2005: HK$13,816,000) incurred by the PRC subsidiary. Such losses are available to offset the taxable profits of the PRC subsidiary in the next five years starting from the year in which the losses arose. Other losses were incurred by group companies in Hong Kong and can be carried forward indefinitely to offset future taxable profits of these companies.

28. Share capital

Shares

	2006	2005
	HK$	HK$
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000,000**	20,000,000
Issued and fully paid:		
813,696,000 ordinary shares of HK$0.01 each	**8,136,960**	8,136,960

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. Share-based payment transactions

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

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

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

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

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

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

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

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

29. Share-based payment transactions (Continued)

Movements of share options of the Company during the year are as follows:

	Number of Share Options								
	Outstanding as at 1.8.2004	Granted during 2005	Exercised during 2005	Cancelled during 2005	Outstanding as at 31.7.2005	Granted during 2006	Exercised during 2006	Cancelled during 2006	Outstanding as at 31.7.2006
	’000	’000	’000	’000	’000	’000	’000	’000	’000
Category:									
Directors									
Ms. Cheng Kit Yin, Kelly	67,808	–	–	–	67,808	8,000	–	–	75,808
Mr. Kam Shing	1,000	–	–	(1,000)	–	–	–	–	–
Dr. Ngai Sai Ming	5,000	–	–	–	5,000	–	–	(5,000)	–
Dr. Lau Lap Ping	1,000	–	–	–	1,000	813	–	–	1,813
Ms. Kuo Kwan	–	–	–	–	–	3,000	–	–	3,000
Mr. Man Kong Yui	–	–	–	–	–	813	–	–	813
Mr. Yeung Chi Hung	–	–	–	–	–	813	–	–	813
	74,808	–	–	(1,000)	73,808	13,439	–	(5,000)	82,247
Employees (in aggregate)	1,900	–	–	–	1,900	1,100	–	–	3,000
	76,708	–	–	(1,000)	75,708	14,539	–	(5,000)	85,247
Weighted average exercise price	HK$0.2303	HK$–	HK$–	HK$0.234	HK$0.2303	HK$0.075	HK$–	HK$0.234	HK$0.2036

Notes:

(i) On 19 December 2000, the Company granted 16,000,000 and 1,500,000 options to a director, Ms. Cheng Kit Yin, Kelly and employees respectively at the exercise price of HK$0.218 each for a period of ten years under the Old Scheme. The share options are vested in different tranches and lapse when the grantee ceases to be employed by the Group.

(ii) On 19 April 2002, the Company granted 7,400,000 options to the directors and employees of the Group at the exercise price of HK$0.234 each for a period of ten years. Options of 1,000,000 and 5,000,000 granted to Mr. Kam Shing and Mr. Ngai Sai Ming were cancelled following their resignation as non-executive director of the Company during the years ended 31 July 2005 and 2006 respectively.

(iii) On 4 June 2002, the Company granted 51,808,000 options to Ms. Cheng Kit Yin, Kelly at the exercise price of HK$0.234 each for a period of ten years.

(iv) On 14 June 2006, the Company granted 14,539,000 options to the directors and employees of the Group at the exercise price of HK$0.075 each for a period of ten years.

(Expressed in Hong Kong dollars)

29. Share-based payment transactions (Continued)

In accordance with the transitional provisions of HKFRS 2, the Group has not applied HKFRS 2 to options which were granted after 7 November 2002 but vested before 1 January 2005. Accordingly, the Group only applied HKFRS 2 to options granted on 14 June 2006. The estimated fair value of the options granted on that date was HK$0.00489 each.

The fair value was determined by using Black-Scholes-Merton Option Pricing Model. The key valuation parameters as adopted in assessing the fair value of the share options included the exercise price, risk free rate, nature of the share options, expect option period, volatility and expected dividend yield.

	Share option scheme
Weighted average share price	HK$0.048
Exercise price	HK$0.075
Expected volatility	62.57%
Expected life	1 year
Risk-free rate	4.38%
Expected dividend yield	0%

The valuation assumed that there will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the continuity of the Group's business and the price of the underlying securities. It also assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may significantly affect the continuity of the Group's business.

The Group recognised a total expense of HK$71,125 related to equity-settled share-based payment transactions during the year.

30. 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 pages 30 of the financial statements.

The Company

	Share premium account HK$	Share-based payment reserve HK$	Accumulated losses HK$	Total HK$
At 31 July 2004	394,291,209	–	(200,953,867)	193,337,342
Net loss for the year	–	–	(64,571,401)	(64,571,401)
Balance at 31 July 2005	394,291,209	–	(265,525,268)	128,765,941
Recognition of equity-settled share-based payment	–	71,125	–	71,125
Net loss for the year	–	–	(27,453,474)	(27,453,474)
Balance at 31 July 2006	394,291,209	71,125	(292,978,742)	101,383,592

Under the Companies Law (1998 Revised) of the Cayman Islands, share premium and reserves of the Company are available for distributions or payment of dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or 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 subject to the provision of the Companies Law (1998 Revision) of the Cayman Islands.

31. Non-cash transaction

Increase in construction in progress of HK$4,000,000 represents the amount reclassified from long term deposit as shown in note 23(i).

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) The Group had the following transactions with related parties in the ordinary course of business during the year:

   (i) Sold goods amounting to HK$81,094 (2005: HK$167,762) 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.

   (ii) Received consultation income of HK$227,000 (2005: HK$64,000) from CR Airways Limited, a company previously beneficially owned by the controlling shareholder of the China Rich Group.

   (iii) Received service income of HK$150,000 (2005: HK$360,000) from C&A Solutions Limited, a company of which Ms. Cheng Kit Yin, Kelly is a shareholder in respect of sharing the cost of office premises and accounting services rendered by the Group. The income is charged at a monthly fee pursuant to an agreement entered into between the parties.

(b) Amounts due to a related company/a director are unsecured, interest free and have no fixed terms of repayment.

(c) Members of key management during the year comprised the directors only whose remuneration is set out in note 9 to the financial statements.

33. Commitments

The Group leases its office premises under operating lease arrangements, with leases negotiated for an average term of three years.

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

	The Group	
	2006	2005
	HK$	HK$
Within one year	**456,980**	1,434,761
In the second to fifth year, inclusive	**–**	905,447
	456,980	2,340,208

34. Banking facilities

As at 31 July 2006, the Group had aggregate facilities for overdrafts, short-term loans and long-term loans of approximately HK$114,600,387 (2005: HK$208,793,864) from certain banks. Unused banking facilities on the same date amounting to HK$109,733,592 (2005: HK$191,377,138). HK$100,000,000 (2005: HK$187,377,138) of the facilities granted by a bank would only be available if the Group pledges the same amount of cash deposits or specified financial assets to the bank. The Group had not pledged any assets to the bank in respect of these facilities as at 31 July 2006 (2005: bank deposits of HK$15,910,057 were pledged). The banking facilities are also secured by:

(a) certain buildings and part of land use rights of the Group with a total net book value of approximately HK$30,592,384 (2005: HK$31,569,408) as at 31 July 2006 (notes 14 and 15); and

(b) cross guarantees totalling HK$100,000,000 (2005: HK$104,000,000) given by the Company and certain of its subsidiaries for a shared banking facility within the Group. Such facility was not utilised as at 31 July 2006 (2005: HK$12,622,862 utilised).

35. Financial risk management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) *Credit risk*

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has a concentration of credit risk as sales to the Group's five largest customers and to the largest customer for the year accounted for 59% and 22% of the sales respectively.

(b) *Liquidity risk*

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(c) *Fair value and cash flow interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. The Group's long-term bank loans bear interest at fixed rates expose the Group to fair value interest-rate risk.

(d) *Foreign exchange risk*

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars and Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Hong Kong Dollars against Renminbi. The conversion of Renminbi into Hong Kong Dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Considering that there is insignificant fluctuation in the exchange rate between Hong Kong Dollars and Renminbi, the Group believes its exposure to exchange rate risk is minimal.

35. Financial risk management (Continued)

(e) *Fair values estimation*

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2006.

Fair value of securities is based on quoted market pries at the balance sheet date without any deduction from transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer or stated at cost when it is impractical to obtain such information.

The fair value of interest-bearing borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

36. Post balance sheet events

Pursuant to an ordinary resolution passed at the extraordinary general meeting (the “EGM”) of the Company on 1 September 2006 (the “EGM”), the Company issued 1,220,544,000 ordinary shares at HK$0.01 each by way of an open offer (the “Open Offer”) at an issue price of HK$0.015 per offer share on the basis of three offer shares for every two existing shares of the Company held on 1 September 2006 for gross proceeds of HK$18,308,160. The proceeds are to be used as for general working capital of the Group. Accordingly, the total number of issued and fully paid ordinary shares of the Company was increased from 813,696,000 at year end to 2,034,240,000 immediately after the Open Offer. Besides, pursuant to an ordinary resolution passed at the EGM, the authorised share capital of the Company was increased from HK$20,000,000 divided into 2,000,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares.

37. Comparative figures

As explained in note 2, due to the adoption of a number of new and revised HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year’s presentation and accounting treatment.

38. Approval of financial statements

The financial statements were approved by the board of directors on 25 October 2006.

FINANCIAL SUMMARY

For the year ended 31 July 2006
(Expressed in Hong Kong dollars)

	(Note 1)			*(Note 2)*	
	2002 HK$	2003 HK$	2004 HK$	2005 HK$	**2006** **HK$**
Turnover	23,966,892	8,670,341	4,180,437	8,323,928	**13,522,758**
Cost of sales	(5,139,167)	(12,456,567)	(2,007,280)	(5,031,224)	**(8,025,845)**
Gross profit/(loss)	18,827,725	(3,786,226)	2,173,157	3,292,704	**5,496,913**
Other revenue	20,045,152	10,542,940	9,107,721	1,283,042	**669,542**
Other gains and losses	–	–	–	493,547	**150,830**
Administrative and other operating expenses	(32,448,823)	(58,281,165)	(24,729,956)	(25,478,496)	**(25,208,560)**
Impairment losses	(5,354,670)	(58,542,585)	–	–	**–**
Loss on disposal of long term investments	–	–	(23,491,178)	–	**–**
Prepayments written off	–	(12,500,000)	(4,598,750)	–	**–**
Profit/(loss) from operating activities	1,069,384	(122,567,036)	(41,539,006)	(20,409,203)	**(18,891,275)**
Finance costs	(5,835,324)	(1,583,071)	(962,510)	(390,661)	**(1,069,589)**
Share of loss of a jointly controlled entity	–	(5,075,667)	(8,852,002)	(284,616)	**–**
Loss before tax	(4,765,940)	(129,225,774)	(51,353,518)	(21,084,480)	**(19,960,864)**
Tax	–	–	–	–	**–**
Net loss for the year	(4,765,940)	(129,225,774)	(51,353,518)	(21,084,480)	**(19,960,864)**
Attributable to:					
Equity holders of the Company	(4,765,940)	(129,225,774)	(51,353,518)	(19,586,171)	**(18,457,226)**
Minority interests	–	–	–	(1,498,309)	**(1,503,638)**
	(4,765,940)	(129,225,774)	(51,353,518)	(21,084,480)	**(19,960,864)**
ASSETS AND LIABILITIES					
Total assets	474,181,123	214,161,471	191,852,162	166,294,774	**128,560,752**
Total liabilities	(232,928,375)	(73,240,417)	(70,844,626)	(53,169,986)	**(39,356,416)**
	241,252,748	140,921,054	121,007,536	113,124,788	**89,204,336**

Notes:

1. The consolidated results for three years ended 31 July 2004 and the assets and liabilities as at 31 July 2002, 2003 and 2004 of the Group have been extracted from the Company's published annual reports.

2. The consolidated results for the two years ended 31 July 2006 and the assets and liabilities as at 31 July 2005 and 2006 of the Group are set out on pages 27 and 28, respectively.