(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)

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.

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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

Mr. Yeung Chi Hung *(Chairman)*

Dr. Lau Lap Ping

Mr. Man Kong Yui

NOMINATION COMMITTEE

Mr. Man Kong Yui *(Chairman)*

Ms. Kuo Kwan, Belinda

REMUNERATION COMMITTEE

Dr. Lau Lap Ping *(Chairman)*

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

AUDITOR

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

BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

LEGAL ADVISERS

On Hong Kong Law

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Hong Kong

On Cayman Islands Law

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SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands

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Butterfield House

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P.O. Box 705 George Town

Grand Cayman

Cayman Islands

British West Indies

Hong Kong

Secretaries Limited

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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 2007.

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 continue to maintain high international standards by manufacturing under the USA Good Manufacturing Practice ("GMP") and Australian TGA GMP.

Since November 2001, the Group has expanded its business into health supplements with the usage of TCM and Chinese herbs and applying pharmaceutical scientific techniques into 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 continues to engage 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.

In November of 2006, the Group took over 100% shareholding interest in Richtungen (Guangdong) Pharmaceutical Company Limited – the pharmaceutical manufacturing plant of western generic medicine in the People's Republic of China. Subsequently, 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 of western generic medicine 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 2007, the Group recorded a total revenue of HK$32.4 million, of which HK$12.7 million was contributed from the Group's core business of sales of our health products and related services, HK$5.6 million from sales of western generic medicine in the PRC, HK$0.3 million from advisory and consultation services and HK$13.8 million from interest income, and other sundries. For the comparative figures in the previous financial year, the Group earned a total revenue of HK$14.3 million, of which HK$6.4 million was generated from the Group's core business of sales of our health products and related services, HK$6.7 million from sales of western generic medicine in the PRC, HK$0.4 million arose from advisory and consultation services and HK$0.8 million arose from interest income and other sundries.

For the year under review, the Group's overall revenue was increased by 98.7% as the Group received a substantial order for its herbal products from a new sales network. Besides, the Group recorded a net gain of HK$8.8 million resulting from the waiver of other loan net of goodwill adjustment. The administrative expenses was increased by 54% to HK$38.8 million for the financial year ended 31 July 2007 as compared to HK$25.2 million last year due to provision for doubtful debts and slow moving stocks of approximately HK$5.8 million arising mainly in relation to the PRC business.

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 2007 were HK$11.9 million, representing a decrease of 35.6% as compared to the losses attributable to equity holders of the Company of HK$18.5 million for the year ended 31 July 2006. The earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 31 July 2007 was a loss of approximately HK$3.6 million.

CHAIRMAN'S STATEMENT

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.

On 16 November 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 100%.

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

Except for unlisted equity securities which the management considered will enhance the overall financial return of the Group, there was no significant investment held by the Group during the year.

The current ratio of the Group was 2.9 as at the year end compared to 2.3 as at 31 July 2006. The gearing ratio, defined as the ratio of total borrowings to total assets, was 4.9% as compared to 24.8% as at 31 July 2006. The significant decrease in gearing ratio is mainly due to the discharge of other loan amounting HK$27 million due to the former shareholder of the PRC pharmaceutical plant. The Group's borrowings mainly comprise bank loans which amounted to approximately HK$5.2 million (2006: HK$31.9 million) as at the year end. The 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 exceed the amount of its bank loans. At 31 July 2007, the Group had cash and cash equivalents of approximately HK$4.4 million (2006: HK$0.4 million). The Directors is of the view that the Group is in a healthy liquidity position.

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 years, 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$4.2 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 83 full time employees as at 31 July 2007 (2006: 84). 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$7.6 million (2006: HK$8.8 million).

The value of land use rights in the PRC has appreciated according to a valuation report performed by a qualified valuer in August 2006. The valuation report indicated the value of land and properties was RMB105 million while their net book value was approximately RMB71.5 million at 31 July 2007. The book value of the land use rights and properties has not been adjusted to reflect the market value as revaluation of land use rights is not allowed under current Hong Kong accounting standards.

Overall, the net assets of the Group were approximately HK$94.6 million equivalent to approximately HK$0.05 per share.

BUSINESS REVIEW

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

During the year ended 31 July 2007, the Group had achieved the following objectives:

RESEARCH & PRODUCT DEVELOPMENT:

Continued to conduct research and development at the Chinese Medicinal Fungal (CMF) Proteomics Laboratory;

Joint studies and research with the Guangdong Provincial People's Hospital to conduct human clinical trial on Immunomodulatory and Anti-Tumor Activities of HERBSnSENSES™ Cordyceps Polysaccharides Platinum;

Joint studies and research with the Peking Union Medical College to conduct human clinical trial on Anti-Hepatitis and Anti-Tumor Activities of HERBSnSENSES™ Polysaccharides Liver Enrich; and

CHAIRMAN'S STATEMENT

Completed 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.

BRAND-BUILDING AND DISTRIBUTION OF HERBAL AND OTHER PRODUCTS:

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

Continued the promotion of membership scheme to strengthen relations with existing members and to recruit new members by promoting the use of the online e-store system and organising more joint membership programmes with external parties;

Marketing and distribution of HERBSnSENSES™ products via our websites www.herbsnsenses.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; and

Obtaining licenses and health regulatory approval in Taiwan and Indonesia. Other approvals in Malaysia, Singapore and the UAE are underway.

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; 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 formula 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 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, Europe and the Middle East;

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

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

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

Strengthening the penetration rate of HERBSnSENSES™ products to the current distribution channel of chain stores;

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

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

Enhancing the brand awareness of HERBSnSENSES™ products via Television commercials; and

Continue to search for more business opportunities for the Group.

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, 24 October 2007

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 55, is the founding Chairman and Chief Executive Officer of the Company where she founded the Group's first flagship herbal product HERBSnSENSESTM™ Cordyceps in 2001. She was the Group's driving force behind the expansion of the business into a health product company utilizing Traditional Chinese Medicine as a base with the support of advanced biotechnology. Ms. Cheng is actively involved in the strategic planning and financial management 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 37, 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 56, 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 47, 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 and Brilliant Arts Multi-Media Holding Limited, both of which are listed companies 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.

Mr. Yeung Chi Hung, aged 46, 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 14 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

Dr. Zou Ling, aged 47, graduated from Zhongshan Medical University of Medicine. She works for Internal Diseases Department of Guangdong Provincial People's Hospital and specializes in internal secretion. Dr. Zou has a deep understanding in the treatment of diabetes and hyperthyroidism. She has written numerous articles for various magazines in the PRC. Dr. Zou joined the Group in May 1997 and is the chief physician and medical adviser on the product development of the Company.

ADVISORY BOARD

Medical and Clinical Advisers

Dr. Lin Shu Guang, aged 56, 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 50, 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Dr. Zeng Guo Hong, aged 53, 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 49, 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.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 July 2007.

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 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 79.

The directors do not recommend the payment of any dividend for the year ended 31 July 2007.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$240,000 (2006: HK$Nil).

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 18 to the financial statements.

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.

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 29 and 30 to the financial statements.

DIRECTORS' REPORT

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 2007 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 31 to the financial statements and in the consolidated statement of changes in equity on page 32 respectively.

DISTRIBUTABLE RESERVES

At 31 July 2007, the Company's reserves available for distribution to shareholders comprising share premium account less accumulated losses, amounted to HK$90,348,157.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 45% of the sales for the year and sales to the largest customer included therein accounted for approximately 20% of sales.

Purchases from the Group's five largest suppliers accounted for approximately 55% purchases for the year and purchases from the largest supplier included therein accounted for approximately 28% 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.

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

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 Ms. Cheng Kit Yin, Kelly and Ms. Kuo Kwan 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 12 to 14 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' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 July 2007, 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 Rules 5.49 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of shares directly and beneficially owned	Percentage of the Company's issued share capital
Ms. Cheng Kit Yin, Kelly	1,071,004,230	52.53
Mr. Man Kong Yui	9,501,000	0.47
Ms. Kuo Kwan	4,663,866	0.23

The interests of the directors in the share options of the Company are separately disclosed in note 30 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 30 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 2007, the following interest of 5% or more of the issued share capital of the Company was 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 Global Gains Investment Limited	135,616,000	6.65

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

GROUP'S EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board of directors, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

DIRECTORS' REPORT

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the disclosable connected transactions of the Group are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 21 to 26 of the annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 July 2007, 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 conflict of interest which any such person has or may have with the Group.

AUDITOR

In October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited. The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company.

By Order of the Board
Cheng Kit Yin, Kelly
Chairman

Hong Kong, 24 October 2007

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 July 2007, the Group has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code"), except for the deviations to Code Provisions A.2.1 and A.4.1 as explained in this report. 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 2007.

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 2007.

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 for the year ended 31 July 2007.

CORPORATE GOVERNANCE REPORT

The Board met 4 times during the year ended 31 July 2007. 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	5
Mr. Man Kong Yui	5
Mr. Yeung Chi Hung	5

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.

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 Code provision A.4.1 in that all INEDs are not appointed for specific terms. However, all INEDs are subject to retirement at least once every three years and the Company has complied with Code Provision A.4.2. A resolution was put forward to the shareholders at the Company's last annual general meeting held on 22 November 2006 for amending the Articles of Association of the Company (the "Articles") to comply with the CG Code. The resolution was passed and all directors including all INEDs are subject to rotation in accordance with the Articles.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

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 Articles, 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 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 the remuneration of non-executive directors.

The Remuneration Committee met once during the year ended 31 July 2007 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. 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 2007. Its 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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 July 2007, 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 auditor about their financial reporting are set out in the Independent Auditor's Report on pages 27 and 28 of this report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year, remuneration paid/payable to auditors for audit services and non-audit services of the Group are approximately HK$468,000 and HK$Nil, respectively.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system.

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 management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and auditor.

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.

INDEPENDENT AUDITOR'S REPORT

Horwath

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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 consolidated financial statements of GreaterChina Technology Group Limited set out on pages 29 to 79, which comprise the consolidated and Company balance sheets as at 31 July 2007, the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

INDEPENDENT AUDITOR'S REPORT

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

24 October 2007
Shiu Hong NG
Practising Certificate number P03752

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$	2006 HK$
Turnover	6	**18,622,377**	13,522,758
Cost of sales		**(5,311,832)**	(8,025,845)
Gross profit		**13,310,545**	5,496,913
Other revenue	6	**834,917**	669,542
Other gains and losses	6	**12,937,532**	150,830
Selling, administrative and other operating expenses		**(38,827,944)**	(25,208,560)
Loss from operating activities	7	**(11,744,950)**	(18,891,275)
Finance costs	8	**(439,661)**	(1,069,589)
Loss before taxation		**(12,184,611)**	(19,960,864)
Taxation	11	**–**	–
Loss for the year		**(12,184,611)**	(19,960,864)
Attributable to:			
Equity holders of the Company		**(11,893,389)**	(18,457,226)
Minority interest		**(291,222)**	(1,503,638)
		(12,184,611)	(19,960,864)
Loss per share	13		
Basic		**0.63 cents**	1.46 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$	2006 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**57,596,866**	60,024,927
Land use rights	15	**27,103,001**	26,162,343
Intangible assets	16	**2,683,923**	3,228,786
Goodwill	19	**–**	17,373,603
Held-to-maturity securities	20	**780,000**	–
Available-for-sale investments	20	**194,200**	194,200
		88,357,990	106,983,859
Current assets			
Inventories	21	**4,293,823**	5,537,751
Trade receivables	22	**4,191,846**	4,563,975
Other receivables, deposits and prepayments	23	**7,298,418**	11,085,489
Bank balances and cash		**1,974,778**	389,678
		17,758,865	21,576,893
Current liabilities			
Trade payables	24	**1,105,868**	1,268,626
Due to a related company	33(a)	**–**	448,460
Due to a director	33(a)	**–**	1,313,400
Other payables and accruals		**3,853,971**	3,731,483
Receipts in advance		**926,424**	667,674
Other tax payables		**108,894**	49,073
Interest-bearing bank borrowings	25	**–**	1,946,718
Obligations under a finance lease	26	**162,206**	–
		6,157,363	9,425,434
Net current assets		**11,601,502**	12,151,459
Total assets less current liabilities		**99,959,492**	119,135,318
Non-current liabilities			
Interest-bearing bank borrowings	25	**5,162,783**	2,920,077
Other loans	27	**–**	27,010,905
Obligations under a finance lease	26	**227,847**	–
		5,390,630	29,930,982
Net assets		**94,568,862**	89,204,336
EQUITY			
Share capital	29	**20,389,039**	8,136,960
Reserves		**74,179,823**	76,372,297
Equity attributable to equity holders of the Company		**94,568,862**	84,509,257
Minority interest		**–**	4,695,079
Total equity		**94,568,862**	89,204,336

Director *Director*

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$	2006 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**39,965**	72,593
Interests in subsidiaries	*18*	**108,604,904**	110,478,831
Held-to-maturity securities	*20*	**780,000**	–
		109,424,869	110,551,424
Current assets			
Other receivables, deposits and prepayments	*23*	**2,666,375**	530,273
Bank balances		**469,270**	26,133
		3,135,645	556,406
Current liabilities			
Other payables and accruals		**1,725,869**	1,587,278
Net current assets/(liabilities)		**1,409,776**	(1,030,872)
Net assets		**110,834,645**	109,520,552
EQUITY			
Share capital	*29*	**20,389,039**	8,136,960
Reserves	*31*	**90,445,606**	101,383,592
Total equity		**110,834,645**	109,520,552

Director *Director*

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Issued share capital HK$ *(Note 29)*	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 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
Net loss for the year	–	–	–	–	(11,893,389)	(11,893,389)	(291,222)	(12,184,611)
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	–	(4,403,857)	(4,403,857)
Recognition of equity-settled share-based payment	–	–	41,000	–	–	41,000	–	41,000
Open offer of share subscription *(Note 29)*	12,205,440	4,611,452	–	–	–	16,816,892	–	16,816,892
Exercise of share options	46,639	191,903	(14,676)	–	–	223,866	–	223,866
Exchange differences arising on translation of overseas operations	–	–	–	4,871,236	–	4,871,236	–	4,871,236
Balance at 31 July 2007	20,389,039	399,094,564*	97,449*	6,345,229*	(331,357,419)*	94,568,862	–	94,568,862

* These reserves made up the consolidated reserves of HK$74,179,823 (2006: HK$76,372,297) in the consolidated balance sheet.

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	2007	2006
	HK$	HK$
Cash flows from operating activities		
Loss before taxation	**(12,184,611)**	(19,960,864)
Adjustment for:		
Interest expenses	**439,661**	1,069,589
Interest income	**(827,003)**	(654,702)
Dividend income	**–**	(11,589)
Amortisation of intangible assets	**697,102**	692,380
Waiver of loan, net of goodwill adjustment	**(8,805,825)**	–
Amortisation of land use rights	**612,134**	607,603
Depreciation	**6,832,630**	6,867,631
Provision for doubtful debts	**4,617,042**	208,554
Loss on disposal of available-for-sale investments	**–**	154,440
Gain on disposal of investments held for trading	**–**	(7,213)
Loss/(gain) on disposal of property, plant and equipment	**108,372**	(11,480)
Negative goodwill released to income	**(4,240,079)**	(4,786,577)
Share-based payment expense	**41,000**	71,125
Impairment of goodwill	**–**	4,500,000
Provision for slow moving inventories	**1,746,965**	169,222
Operating loss before working capital changes	**(10,962,612)**	(11,091,881)
(Increase)/decrease in inventories	**(503,037)**	1,730,176
Increase in trade receivables	**(4,244,913)**	(2,965,084)
Decrease in other receivables, deposits and prepayments	**3,787,071**	8,025,170
(Decrease)/increase in trade payables	**(162,758)**	263,107
Increase/(decrease) in other payables and accruals	**122,488**	(2,071,867)
Increase/(decrease) in other tax payables	**59,821**	(439,949)
Increase in receipts in advance	**258,750**	7,784
Effect of foreign exchange rate changes	**(513,967)**	(60,115)
Cash used in operations	**(12,159,157)**	(6,602,659)
Interest received	**827,003**	686,816
Interest paid	**(439,661)**	(1,069,589)
Net cash used in operating activities	**(11,771,815)**	(6,985,432)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	2007	2006
	HK$	HK$
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**30,000**	54,900
Acquisition of held-to-maturity securities	**(780,000)**	–
Acquisition of available-for-sale investments	**–**	(1,560,000)
Acquisition of additional equity interest of a subsidiary	**(1)**	(1)
Purchase of property, plant and equipment	**(1,072,744)**	(212,802)
Proceeds from disposal of investments held for trading	**–**	357,530
Proceeds from disposal of available-for-sale investments	**–**	2,975,148
Dividends received from equity investments	**–**	11,589
Net cash (used in)/generated from investing activities	**(1,822,745)**	1,626,364
Cash flows from financing activities		
Proceeds from open offer of share subscription	**16,816,892**	–
Proceeds from exercise of share options	**223,866**	–
Decrease in amount due to a related company	**(448,460)**	(740,890)
(Decrease)/increase in amount due to a director	**(1,313,400)**	1,313,400
Repayment of finance lease obligations	**(109,947)**	–
Net cash generated from financing activities	**15,168,951**	572,510
Net increase/(decrease) in cash and cash equivalents	**1,574,391**	(4,786,558)
Cash and cash equivalents at beginning of year	**389,678**	5,186,527
Effect of foreign exchange rate changes	**10,709**	(10,291)
Cash and cash equivalents at end of year	**1,974,778**	389,678
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,974,778**	389,678

The accompanying notes 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. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

The HKICPA has issued the following new standards and interpretations that are not yet effective. The Group has already commenced an assessment of these new standards and interpretations but is not yet in a position to state whether these new standards and interpretations would have a significant impact on its result of operations and financial position.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and 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.

(b) *Basis of preparation of financial statements*

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

The presentation of financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the applications of policies and reported amounts to assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4 to the financial statements.

(c) *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.

3. Principal accounting policies (Continued)

(c) *Basis of consolidation (Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

(d) *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 the profit and loss account.

(e) *Subsidiaries*

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(f) 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 within the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on 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.

(g) Property, plant and equipment

Buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their historical cost, less any subsequent accumulated depreciation and accumulated impairment losses. Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is 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 assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. Principal accounting policies (Continued)

(g) *Property, plant and equipment (Continued)*

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	Over the lease term
Machinery and office equipment	10% – 33$^{1}/_{3}$%
Motor vehicles	20% – 25%
Furniture and fixtures	33$^{1}/_{3}$%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

(h) *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.

(i) *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 period of the land use rights granted.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(j) *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 10 to 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.

(k) *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.

(l) *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.

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 reduced 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.

3. Principal accounting policies (Continued)

(l) *Impairment of assets excluding goodwill (Continued)*

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.

(m) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the standard costing method and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(n) *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 the 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(n) *Financial instruments (Continued)*

(ii) Investments (Continued)

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 the 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 the 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. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Impairment losses recognised in the profit and loss account for equity investments classified as available-for-sale are not subsequently reversed through the profit and loss account. Impairment losses recognised in the 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 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. Principal accounting policies (Continued)

(n) *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.

(o) *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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(o) Taxation (Continued)

Deferred tax is the tax expected to be payable or recoverable on the 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.

(p) 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 expenditures 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. Principal accounting policies (Continued)

(q) *Leases*

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(r) *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 financial statements.

Foreign currency transactions are translated into Hong Kong dollars, being the functional currency at the rates of exchange prevailing on the dates 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 the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(r) Translation of foreign currencies (Continued)

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 the profit and loss account 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.

(s) 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.

(t) 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. Principal accounting policies (Continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

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

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment. Intersegment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. Critical accounting estimates and judgments

Estimates and judgments

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 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 expenses. Share option expenses are 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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. Details of the business segments are summarised 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:

2007

	Herbal products HK$	**Advisory services HK$**	**Western medicine products HK$**	**Consolidated HK$**
Segment revenue				
Turnover	**12,704,262**	**319,757**	**5,598,358**	**18,622,377**
Segment results	**(3,992,133)**	**(330,663)**	**3,343,729**	**(979,067)**
Unallocated corporate expenses				**(10,765,883)**
Loss from operating activities				**(11,744,950)**
Finance costs				**(439,661)**
Loss before taxation				**(12,184,611)**
Taxation				**–**
Loss for the year				**(12,184,611)**

5. Segment information (Continued)

(a) *Business segments (Continued)*

2007

	Herbal products HK$	Advisory services HK$	Western medicine products HK$	Unallocated HK$	Consolidated HK$
Segment assets	5,789,287	1,831,663	84,937,087		92,558,037
Unallocated assets					13,558,818
Total assets					106,116,855
Segment liabilities	703,919	242,367	8,426,160		9,372,446
Unallocated liabilities					2,175,547
Total liabilities					11,547,993
Other segment information:					
Additions to property, plant and equipment	–	18,627	43,367	1,510,750	1,572,744
Depreciation	564,980	288,776	5,801,751	177,123	6,832,630
Amortisation of intangible assets	–	–	1,309,236	–	1,309,236

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5. Segment information (Continued)

(a) *Business segments (Continued)*

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)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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:

2007

	Hong Kong HK$	**The People's Republic of China HK$**	**Consolidated HK$**
Segment revenue			
Turnover	**13,024,019**	**5,598,358**	**18,622,377**
Segment assets	**21,179,768**	**84,937,087**	**106,116,855**
Additions to property, plant and equipment	**1,529,377**	**43,367**	**1,572,744**

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

6. Turnover, other revenue and other gains and losses

	2007	2006
	HK$	HK$
Turnover		
Sales	**18,302,620**	13,101,958
Rendering of services	**319,757**	420,800
	18,622,377	13,522,758
Other revenue		
Interest income	**827,003**	654,702
Dividend income	–	11,589
Others	**7,914**	3,251
	834,917	669,542
Other gains and losses		
Recognition of negative goodwill	**4,240,079**	4,786,577
Impairment of goodwill	–	(4,500,000)
(Loss)/gain on disposal of property, plant and equipment	**(108,372)**	11,480
Gain on disposal of investments held for trading	–	7,213
Loss on disposal of available-for-sale investments	–	(154,440)
Waiver of loan, net of goodwill adjustment *(note 27)*	**8,805,825**	–
	12,937,532	150,830

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. Loss from operating activities

	2007	2006
	HK$	HK$
The Group's loss from operating activities is arrived at after charging/(crediting):		
Depreciation	6,832,630	6,867,631
Amortisation of intangible assets	697,102	692,380
Amortisation of land use rights	612,134	607,603
Research and development costs	3,072	312,510
Provision for doubtful debts	4,617,042	208,554
Provision for slow moving inventories	1,746,965	169,222
Net foreign exchange gains	(349,113)	(189,282)
Minimum lease payments under operating leases in respect of land and buildings	1,354,351	1,297,361
Auditor's remuneration	468,000	438,000
Staff costs including directors' remuneration:		
Salaries and other benefits	7,336,031	8,445,179
Share-based payment	41,000	71,125
Pension scheme contributions	211,721	327,695
	7,588,752	8,843,999

8. Finance costs

	The Group	
	2007	2006
	HK$	HK$
Interest expenses:		
Bank loans and overdrafts wholly repayable within five years	403,978	1,069,589
Finance leases	35,683	–
	439,661	1,069,589

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$**	**2007 Total HK$**
Executive directors					
Cheng Kit Yin, Kelly	**–**	**2,880,000**	**–**	**12,000**	**2,892,000**
Kuo Kwan	**–**	**600,000**	**–**	**12,000**	**612,000**
Independent non-executive directors					
Lau Lap Ping	**96,000**	**–**	**–**	**–**	**96,000**
Man Kong Yui	**96,000**	**–**	**–**	**–**	**96,000**
Yeung Chi Hung	**96,000**	**–**	**–**	**–**	**96,000**
	288,000	**3,480,000**	**–**	**24,000**	**3,792,000**

	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 director					
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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10. Five highest paid employees

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2006: three) non-directors, highest paid employees for the year are as follows:

	The Group	
	2007	2006
	HK$	HK$
Salaries and other allowances	**650,698**	979,367
Share-based payment	**–**	2,446
Pension scheme contributions	**30,898**	35,400
	681,596	1,017,213

The aggregate emoluments of each of the highest paid employees was 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 tax losses brought forward from previous years exceed the estimated income of the PRC subsidiary for the year.

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

	The Group	
	2007	2006
	HK$	HK$
Loss before taxation	**(12,184,611)**	(19,960,864)
Taxation credit calculated at Hong Kong profits tax rate of 17.5%	**(2,132,307)**	(3,493,151)
Tax effect of expenses not deductible for taxation purposes	**3,327,316**	975,725
Tax effect of non-taxable items	**(742,021)**	(839,915)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(835,484)
Utilisation of previously unrecognised tax losses	**(3,577,454)**	–
Deferred tax benefits arising from tax losses and other timing differences not recognised	**3,124,466**	4,192,825
Taxation	**–**	–

(c) Details of unrecognised deferred tax during the year are set out in note 28 to the financial statements.

12. Net loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 July 2007 dealt with in the financial statements of the Company, was HK$15,767,665 (2006 : HK$27,453,474) (note 31).

13. Loss per share

	2007	2006
	HK$	HK$
Loss:		
Loss attributable to equity holders of the Company used in basic and diluted loss per share calculation	**11,893,389**	18,457,226

	2007	2006
Shares:		
Weighted average number of ordinary shares used in the basic loss per share calculation	**1,897,331,300**	1,264,989,580
Loss per share-basic	**0.63 cents**	1.46 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 2007 and 31 July 2006, they exerted no dilution effect on the basic loss per share for the years ended 31 July 2007 and 31 July 2006.

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(Expressed in Hong Kong dollars)

14. Property, plant and equipment

The Group

	Buildings	Leasehold improvements	Machinery and office equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
	(Note a)						
Cost:							
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	–	–	–	–	–	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
Additions	–	766,700	93,442	581,367	131,235	–	1,572,744
Exchange adjustments	5,385,833	–	1,353,323	80,777	–	29,811	6,849,744
Disposals	(195,940)	(925,000)	–	(200,000)	–	–	(1,320,940)
At 31 July 2007	93,747,065	3,287,950	31,906,154	1,990,321	163,439	4,519,989	135,614,918
Aggregate depreciation and impairment:							
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
Provided during the year	3,973,331	260,670	2,451,099	120,127	19,621	7,782	6,832,630
Exchange adjustments	2,706,243	–	1,083,422	73,103	–	5,670	3,868,438
Disposals	(67,292)	(925,000)	–	(179,167)	–	–	(1,171,459)
At 31 July 2007	47,016,434	2,613,739	26,860,041	1,376,090	49,224	102,524	78,018,052
Net book value:							
At 31 July 2007	46,730,631	674,211	5,046,113	614,231	114,215	4,417,465	57,596,866
At 31 July 2006	48,153,020	168,181	7,133,869	166,150	2,601	4,401,106	60,024,927

Note a: The Group's buildings were situated in the People's Republic of China ("PRC"). At 31 July 2007, certain of the Group's buildings with a net book value of approximately HK$19,720,000 (2006: HK$19,793,000) were pledged to a bank to secure the bank loans (note 25).

Note b: The carrying amount of the motor vehicle of the Group held under a finance lease as at 31 July 2007 was HK$437,125 (2006: HK$ Nil). The related depreciation charge was HK$100,875 (2006: HK$ Nil).

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 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
Additions	–	21,576	–	21,576
At 31 July 2007	2,521,250	4,888,093	32,204	7,441,547
Accumulated depreciation:				
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
Provided during the year	–	52,904	1,300	54,204
At 31 July 2007	2,521,250	4,849,428	30,904	7,401,582
Net book value:				
At 31 July 2007	–	38,665	1,300	39,965
At 31 July 2006	–	69,993	2,600	72,593

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(Expressed in Hong Kong dollars)

15. Land use rights

	The Group
	HK$
Cost:	
At 31 July 2005	30,199,553
Exchange adjustments	459,444
At 31 July 2006	30,658,997
Exchange adjustments	1,864,606
At 31 July 2007	32,523,603
Accumulated amortisation:	
At 31 July 2005	3,825,278
Charge for the year	607,603
Exchange adjustments	63,773
At 31 July 2006	4,496,654
Charge for the year	612,134
Exchange adjustments	311,814
At 31 July 2007	5,420,602
Net book value:	
At 31 July 2007	27,103,001
At 31 July 2006	26,162,343

The land use rights are valid for a period of 50 years from 1999 and situated in the PRC. At 31 July 2007, part of the land use rights of the Group with a net book value of approximately HK$11,187,000 (2006: HK$10,799,000) were pledged to a bank to secure the bank loans (note 25).

16. Intangible assets

	The Group Intellectual properties HK$
Cost:	
At 31 July 2005	69,777,639
Exchange adjustments	104,092
At 31 July 2006	69,881,731
Exchange adjustments	422,448
At 31 July 2007	70,304,179
Accumulated amortisation and impairment:	
At 31 July 2005	65,908,974
Charge for the year	692,380
Exchange adjustments	51,591
At 31 July 2006	66,652,945
Charge for the year	697,102
Exchange adjustments	270,209
At 31 July 2007	67,620,256
Carrying amount:	
At 31 July 2007	2,683,923
At 31 July 2006	3,228,786

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17. Website development costs

	The Group
	HK$
Cost:	
At 31 July 2005, 2006 and 2007	26,946,020
Accumulated amortisation and impairment:	
At 31 July 2005, 2006 and 2007	26,946,020
Carrying amount:	
At 31 July 2006 and 2007	–

18. Investments in subsidiaries

	The Company	
	2007	2006
	HK$	HK$
Unlisted shares, at cost	**13,227,656**	13,227,656
Amounts due from subsidiaries	**354,217,479**	344,194,853
	367,445,135	357,422,509
Less : Impairment losses	**(258,840,231)**	(246,943,678)
	108,604,904	110,478,831

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.

18. Investments 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 directly	indirectly	Principal activities
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
HnS Health Products Limited (formerly known as Ladiesasia Limited)	The British Virgin Islands	Hong Kong	US$1	100	–	Trading of Chinese herbal products
i.Business Limited	Hong Kong	Hong Kong	HK$2	100	–	Under de-registration
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. ("RTG")	The People's Republic of China ("PRC")	PRC	RMB 91,300,000	–	100	Manufacture and sale of pharmaceutical and healthcare products

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19. Goodwill

	The Group
	HK$
Cost:	
At 31 July 2005 and 2006	21,873,603
Adjustment *(note 27)*	(21,873,603)
At 31 July 2007	–
Amortisation and impairment:	
At 31 July 2005	–
Impairment loss recognised in the year	4,500,000
At 31 July 2006	4,500,000
Written back *(note 27)*	(4,500,000)
At 31 July 2007	–
Carrying amount:	
At 31 July 2007	–
At 31 July 2006	17,373,603

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

As explained in note 27 to the financial statements, following the waiver of loan by the former shareholder of RTG, the carrying value of the goodwill was adjusted to Nil.

20. Investment in securities

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Held-to-maturity securities				
Unlisted debt securities at amortised cost	**780,000**	–	**780,000**	–
Available-for-sale investments				
Unlisted investments at fair value	**194,200**	194,200	**–**	–

21. Inventories

	The Group	
	2007	2006
	HK$	HK$
Inventories comprise:		
Raw materials	**1,818,389**	1,770,128
Work-in-progress	**342,516**	141,431
Finished goods	**2,132,918**	3,125,692
Goods for resale	**–**	500,500
	4,293,823	5,537,751

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	
	2007	2006
	HK$	HK$
0 – 60 days	**1,512,896**	768,000
61 – 90 days	**527,866**	–
Over 90 days	**2,151,084**	3,795,975
	4,191,846	4,563,975

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23. Other receivables, deposits and prepayments

		The Group		The Company	
	Notes	**2007**	2006	**2007**	2006
		HK$	HK$	**HK$**	HK$
Other receivables	*(i)*	**3,813,030**	8,157,778	**135,909**	356
Due from related companies	*(ii)*	**–**	1,182,911	**–**	396,482
Utility and other deposits		**2,765,133**	1,400,480	**2,411,543**	21,935
Prepayments		**720,255**	344,320	**118,923**	111,500
		7,298,418	11,085,489	**2,666,375**	530,273

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 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 2007, approximately HK$6,150,000 of the refund was still outstanding and included in other receivables. Whilst the Group is actively pursuing the full repayment of the balance from the contractor, the directors consider it prudent to make a provision of HK$3,000,000 at this stage. The utilised portion of the deposit of approximately HK$4,000,000 was classified as construction in progress as the Group intends to make use of the partially installed facilities for production of suitable products.

(ii) The amounts were unsecured, interest-free and had no fixed terms of repayment.

24. Trade payables

As at 31 July 2007, the aged analysis of trade payables was as follows:

	The Group	
	2007	2006
	HK$	HK$
0 – 60 days	**227,904**	327,821
61 – 90 days	**222,754**	252,626
Over 90 days	**655,210**	688,179
	1,105,868	1,268,626

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	
	2007	2006
	HK$	HK$
Bank loans – secured	**5,162,783**	4,866,795

The borrowings are payable as follows:

	2007	2006
	HK$	HK$
Within one year	**–**	1,946,718
In the second year	**5,162,783**	2,920,077
	5,162,783	4,866,795
Less: Amount due for settlement within 12 months (shown under current liabilities)	**–**	(1,946,718)
Amount due for settlement after 12 months	**5,162,783**	2,920,077

The carrying amounts of the Group's borrowings as at 31 July 2006 and 2007 were all denominated in Renminbi.

(a) The bank loans are arranged at the fixed interest rate of 5.88% (2006: 6.24% to 6.55%) per annum.

(b) The directors consider the carrying amount of interest bearing bank borrowings approximate their fair value.

(c) The bank loans are secured by certain buildings and part of the land use rights of the Group with a total net book value of approximately HK$30,907,000 (2006: HK$30,952,000) as at 31 July 2007 (notes 14 and 15).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26. Obligations under a finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Amounts payable under a finance lease:				
Within one year	**194,172**	–	**162,206**	–
In the second to fifth years inclusive	**242,715**	–	**227,847**	–
	436,887	–	**390,053**	–
Less: Future finance charges	**46,834**	–		
Present value of lease obligations	**390,053**	–		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**162,206**	–
Amount due for settlement after 12 months			**227,847**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3 years. For the year ended 31 July 2007, the average effective borrowing rate was 5.5% per annum (2006: Nil). Interest rates are fixed at the contract date, thus exposing the Group to a fair value interest rate risk. The lease was on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessor's title to the leased assets.

27. Other loan

Other loan represented the amounts owed by RTG to the vendor as of 5 November 2002, being the date of the agreement for the purchase of shares in RTG by the Group from the vendor. By a waiver of loan agreement dated 27 April 2007, the vendor agreed to waive the loan permanently and will not demand RTG for repayment of the loan in whole or in part. The waiver of loan by the vendor affected the calculation of the goodwill previously recognised by the Group as the loan payable was deemed as a contingent consideration at the date of acquisition of RTG. Accordingly, the loan waiver of RMB27,750,193 was utilised to reduce the carrying value of the goodwill of HK$17,373,603 as at the date of waiver to Nil. The remaining balance of HK$8,805,825 is included as other gains and losses in the profit and loss account. The vendor is China Global Gains Investment Limited which held 6.65% equity interest in the Company as at 31 July 2007.

28. Deferred taxation

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
General provision for doubtful debts	**81,000**	76,000	**–**	–
Decelerated depreciation allowances	**263,000**	286,000	**213,000**	219,000
Tax losses	**23,970,000**	27,014,000	**3,626,000**	2,973,000
	24,314,000	27,376,000	**3,839,000**	3,192,000

At 31 July 2007, the Group had unused tax losses of approximately HK$118,637,000 (2006: HK$143,668,000) 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. Tax losses were incurred primarily by group companies in Hong Kong and can be carried forward indefinitely to offset future taxable profits of these companies. Unused tax losses of the Group exclude the tax loss of approximately HK$18,331,000 of a subsidiary currently in the process of de-registration.

29. Share capital

	2007	2006
	HK$	HK$
Authorised:		
5,000,000,000 (2006: 2,000,000,000) ordinary shares of HK$0.01 each	**50,000,000**	20,000,000
Issued and fully paid:		
2,038,903,866 (2006: 813,696,000) ordinary shares of HK$0.01 each	**20,389,039**	8,136,960

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29. Share capital (Continued)

A summary of the movements in the authorised, issued and fully paid share capital of the Company during the year is as follows:

	Number of share	**Amount**
		HK$
Authorised:		
At 31 July 2005 and 2006	2,000,000,000	20,000,000
Increase *(note (i))*	3,000,000,000	30,000,000
At 31 July 2007	5,000,000,000	50,000,000
Issued and fully paid:		
At 31 July 2005 and 2006	813,696,000	8,136,960
Open offer of share subscription *(note (ii))*	1,220,544,000	12,205,440
Exercise of share options *(note (iii))*	4,663,866	46,639
At 31 July 2007	2,038,903,866	20,389,039

Notes:

(i) Pursuant to an ordinary resolution passed on 14 August 2006, the authorised share capital was increased to HK$50,000,000 by the creation of an additional 3,000,000,000 ordinary shares of HK$0.01 each.

(ii) Pursuant to an ordinary resolution passed at the extraordinary general meeting on 1 September 2006, the Company issued 1,220,544,000 ordinary shares at HK$0.01 each by way of an open offer at an issue price of HK$0.015 per share on the basis of three offer shares for every two existing shares held. Of the proceeds, net of issue expenses, of HK$16,816,892 were received, HK$12,205,440 and HK$4,611,452 were credited to the share capital and share premium account respectively.

(iii) On 18 June 2007, options were exercised to subscribe for 4,663,866 ordinary shares in the Company at a consideration of HK$223,866 of which HK$46,639 was credited to share capital. The balance of HK$177,227 was credited to the share premium account. An amount of HK$14,676 was transferred from the share-based payment reserve to the share premium account following the exercise of the options.

30. 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30. Share-based payment transactions (Continued)

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

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

	Number of Share Options									
	Outstanding as at 1.8.2005	Granted during 2006	Exercised during 2006	Cancelled during 2006	Outstanding as at 31.7.2006	Adjusted by open offer	Granted during 2007	Exercised during 2007	Cancelled during 2007	Outstanding as at 31.7.2007
Category:										
Directors										
Ms Cheng Kit Yin, Kelly	67,808,000	8,000,000	–	–	75,808,000	42,044,774	–	–	–	117,852,774
Dr Ngai Sai Ming	5,000,000	–	–	(5,000,000)	–	–	–	–	–	–
Dr Lau Lap Ping	1,000,000	813,000	–	–	1,813,000	1,005,530	–	–	–	2,818,530
Ms Kuo Kwan	–	3,000,000	–	–	3,000,000	1,663,866	–	(4,663,866)	–	–
Mr Man Kong Yui	–	813,000	–	–	813,000	450,908	–	–	–	1,263,908
Mr Yeung Chi Hung	–	813,000	–	–	813,000	450,908	–	–	–	1,263,908
	73,808,000	13,439,000	–	(5,000,000)	82,247,000	45,615,986	–	(4,663,866)	–	123,199,120
Employees (in aggregate)	1,900,000	1,100,000	–	–	3,000,000	1,663,866	1,000,000	–	(2,487,396)	3,176,470
Other										
Consultant	–	–	–	–	–	–	10,000,000	–	–	10,000,000
	75,708,000	14,539,000	–	(5,000,000)	85,247,000	47,279,852	11,000,000	(4,663,866)	(2,487,396)	136,375,590
Weighted average exercise price	HK$0.2303	HK$0.075	HK$–	HK$0.234	HK$0.2036	HK$0.0006	HK$0.1854	HK$0.048	HK$0.0896	HK$0.1391

30. Share-based payment transactions (Continued)

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 from the date of grant. Options of 5,000,000 granted to Dr. Ngai Sai Ming were cancelled following his resignation as non-executive director of the Company during the year ended 31 July 2006.

(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 from the date of grant.

(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 from the date of grant.

(v) Pursuant to the agreement dated 15 June 2007, the Company granted 10,000,000 options to an independent consultant at the exercise price of HK$0.189 each. The consultant can only exercise these options upon successfully introducing projects to the Group. Based on the performance of the consultant to date, the directors consider that it is not realistic to expect the consultant will ever be able to exercise the options. As a result, the value of these options has not been recognised as an expense.

(vi) On 13 July 2007, the Company granted 1,000,000 options to an employee of the Group at an exercise price of HK$0.149 each of which 500,000 shares are exercisable from 13 July 2007 to 12 July 2017 and 500,000 shares are exercisable from 1 July 2008 to 12 July 2017.

The fair value of the options granted during the year 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 are as follows:

	2007	2006
Weighted average share price	**HK$0.137**	HK$0.048
Exercise price	**HK$0.149**	HK$0.075
Expected volatility	**73.97%**	62.57%
Expected life	**4.7 years**	1 year
Risk-free rate	**4.63%**	4.38%
Expected dividend yield	**0%**	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$41,000 related to equity-settled share-based payment transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. Reserves

The Company

	Share premium account	Share-based payment reserve	Accumulated losses	Total
	HK$	HK$	HK$	HK$
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
Recognition of equity-settled share-based payment	–	41,000	–	41,000
Premium received on open offer of share subscription	4,611,452	–	–	4,611,452
Issue of new shares on exercise of share options	191,903	(14,676)	–	177,227
Net loss for the year	–	–	(15,767,665)	(15,767,665)
Balance at 31 July 2007	399,094,564	97,449	(308,746,407)	90,445,606

Under the Companies Law (1998 Revised) of the Cayman Islands, the 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.

32. Non-cash transaction

During the year, additions to motor vehicle of HK$500,000 was financed by a finance lease.

33. 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, other than those disclosed elsewhere in these financial statements, are disclosed below.

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

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

34. 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	
	2007	2006
	HK$	HK$
Within one year	**1,709,840**	456,980
In the second to fifth year, inclusive	**2,487,040**	–
	4,196,880	456,980

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 certain concentration risk as sales to the Group's five largest customers and to the largest customer for the year accounted for 45% and 20% 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 financial 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 its long-term bank borrowing and obligations under a finance lease. The Group's long-term bank loans and finance lease obligations bear interest at fixed rates have exposed the Group to a 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 RMB, 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 2007.

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 less impairment when it is impractical to obtain such information.

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

36. Approval of financial statements

The financial statements were approved by the board of directors on 24 October 2007.

FINANCIAL SUMMARY

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	(Note 1)			(Note 2)	
	2003	2004	2005	2006	**2007**
	HK$	HK$	HK$	HK$	**HK$**
Turnover	8,670,341	4,180,437	8,323,928	13,522,758	**18,622,377**
Cost of sales	(12,456,567)	(2,007,280)	(5,031,224)	(8,025,845)	**(5,311,832)**
Gross profit/(loss)	(3,786,226)	2,173,157	3,292,704	5,496,913	**13,310,545**
Other revenue	10,542,940	9,107,721	1,283,042	669,542	**834,917**
Other gains and losses	–	–	493,547	150,830	**12,937,532**
Selling, administrative and other operating expenses	(58,281,165)	(24,729,956)	(25,478,496)	(25,208,560)	**(38,827,944)**
Impairment losses	(58,542,585)	–	–	–	**–**
Loss on disposal of long term investments	–	(23,491,178)	–	–	**–**
Prepayments written off	(12,500,000)	(4,598,750)	–	–	**–**
Loss from operating activities	(122,567,036)	(41,539,006)	(20,409,203)	(18,891,275)	**(11,744,950)**
Finance costs	(1,583,071)	(962,510)	(390,661)	(1,069,589)	**(439,661)**
Share of loss of a jointly controlled entity	(5,075,667)	(8,852,002)	(284,616)	–	**–**
Loss before tax	(129,225,774)	(51,353,518)	(21,084,480)	(19,960,864)	**(12,184,611)**
Tax	–	–	–	–	**–**
Net loss for the year	(129,225,774)	(51,353,518)	(21,084,480)	(19,960,864)	**(12,184,611)**
Attributable to:					
Equity holders of the Company	(129,225,774)	(51,353,518)	(19,586,171)	(18,457,226)	**(11,893,389)**
Minority interests	–	–	(1,498,309)	(1,503,638)	**(291,222)**
	(129,225,774)	(51,353,518)	(21,084,480)	(19,960,864)	**(12,184,611)**
ASSETS AND LIABILITIES					
Total assets	214,161,471	191,852,162	166,294,774	128,560,752	**106,116,855**
Total liabilities	(73,240,417)	(70,844,626)	(53,169,986)	(39,356,416)	**(11,547,993)**
	140,921,054	121,007,536	113,124,788	89,204,336	**94,568,862**

Notes:

1. The consolidated results for three years ended 31 July 2005 and the assets and liabilities as at 31 July 2003, 2004 and 2005 of the Group have been extracted from the Company's published annual reports.

2. The consolidated results for the two years ended 31 July 2007 and the assets and liabilities as at 31 July 2006 and 2007 of the Group are set out on pages 29 and 30, respectively.