

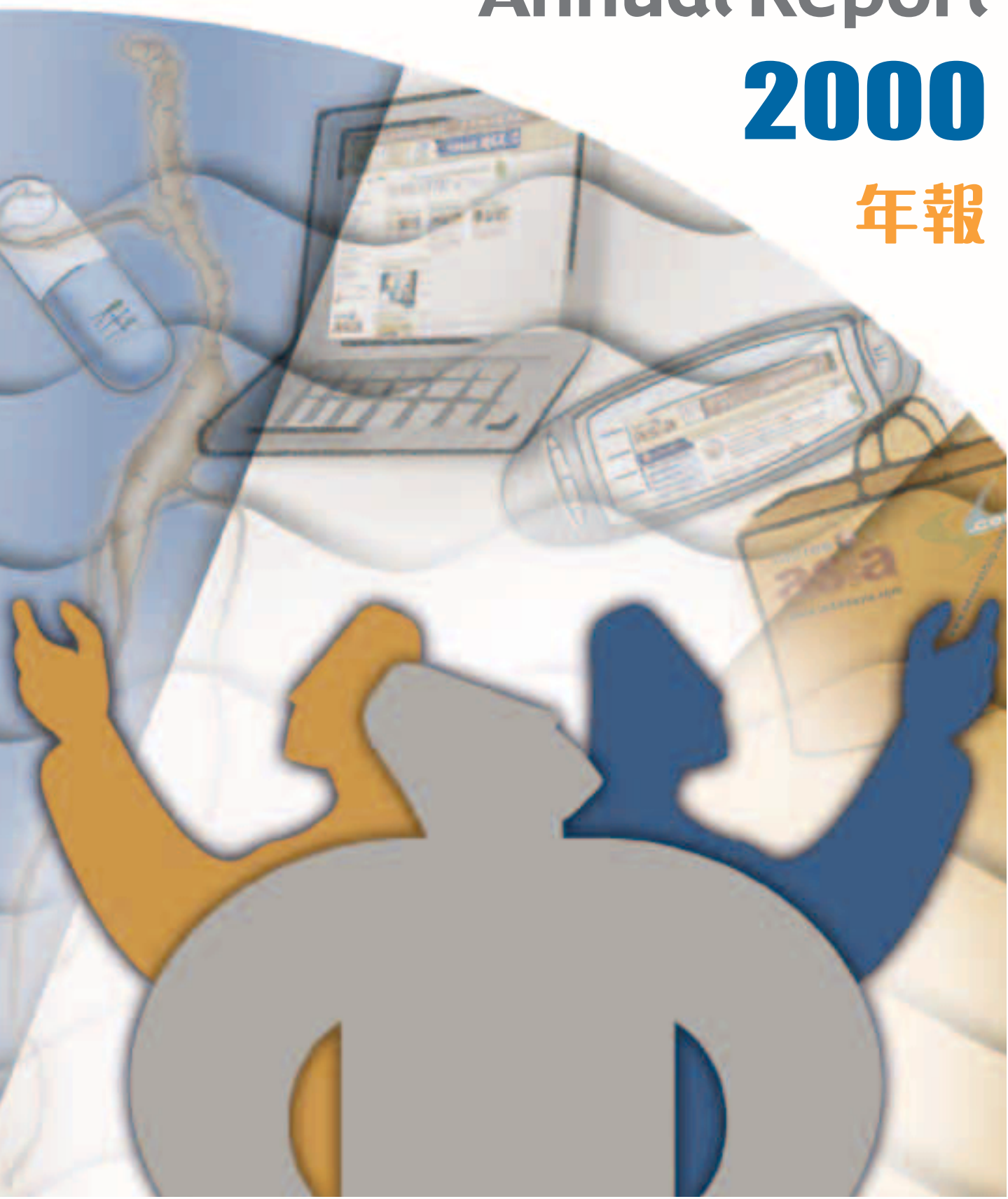


GreaterChina
Technology Group Limited
大中華科技(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)

Annual Report

2000

年報



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

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

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

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

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

香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）之特色

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

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

香港聯合交易所有限公司對本文件之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本文件全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

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



Contents

| | |
|--|----|
| Corporate Profile | 2 |
| Notice of Annual General Meeting | 3 |
| Chairman's Statement | 4 |
| Directors, Senior Management and Staff | 10 |
| Comparison of Business Objectives and Actual Businesses | 14 |
| Directors' Report | 20 |
| Auditors' Report | 26 |
| Consolidated Income Statement | 27 |
| Consolidated Balance Sheet | 28 |
| Balance Sheet | 29 |
| Consolidated Cash Flow Statement | 30 |
| Notes to the Financial Statements | 31 |
| Financial Summary | 46 |

Corporate Profile

DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Lau Soi Kuan, Vivian
Mr. Kam Shing

Independent Non-executive Directors

Mr. Heng Kwo Seng
Dr. Lau Lap Ping

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE MEMBERS

Mr. Heng Kwo Seng
Dr. Lau Lap Ping

COMPLIANCE OFFICER

Mr. Mak Shiu Chung, Godfrey

COMPANY SECRETARY

Ms. Lee Lai Ling, Amy LL.B, (Hons)

QUALIFIED ACCOUNTANT

Mr. Chuang, Johnny CPA (Aust.), AHKSA

AUDITORS

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

BANKERS

Citibank, N.A.
Standard Chartered Bank
DBS Kwong On Bank

LEGAL ADVISERS

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

On PRC Law

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

On Hong Kong Law

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

SPONSOR

Pacific Challenge Capital Limited
2201-06, Worldwide House
19 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Zephyr House
Mary Street
PO Box 2681 George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS

33rd Floor, 118 Connaught Road West
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

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

Hong Kong

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

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of GreaterChina Technology Group Limited (the "Company") will be held at 33/F, 118 Connaught Road West, Hong Kong on 9 November, 2000 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the period from 13 January, 2000 (date of incorporation) to 31 July, 2000;
2. To re-elect retiring director and to fix his remuneration; and
3. To re-appoint auditors and to authorize the board of directors to fix his remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. "THAT:

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

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

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

B. "THAT:

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

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

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

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

By Order of the Board
Lee Lai Ling, Amy
Company Secretary

Hong Kong, 28 September, 2000

Note:

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



Chairman's Statement

| Financial Review | Business Review |
| Future Plans and Development | Appreciation |

Our Group, GreaterChina Technology Group Limited (the "Company") was successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("SEHK") on 6 April, 2000. With our deepest gratitude in thanking all of you for your continuous support and encouragement, we hereby present to you our audited financial results for the period from 13 January, 2000 (date of incorporation) to 31 July, 2000.

The mission of the Company and its subsidiaries ("the Group") is to become the provider of the most comprehensive and useful interactive contents on the Internet in Asia within the health and lifestyle industry focusing on a balanced portfolio of online and offline technology related ventures that promote a premium quality lifestyle for our community.

During the past financial period, the Company has achieved the following objectives:

- Our flagship portal www.greaterchinaherbs.com, a comprehensive healthcare portal focuses on Traditional Chinese Medicine has now included up to 500 herbs on its Herbal Encyclopedia. It has rich contents in Chinese, English and Japanese. At present, the portal has a membership base of over 12,000.
- Our second portal www.ladiesasia.com was launched on 23 May, 2000. It has successfully positioned itself as the future leader in paving the way for Asian women to unite together to express their inner thoughts and feelings. At present, the portal has a membership base of over 8,000 and is one of the only listed vertical communities in Asia focusing on the female community.
- Our Group has established co-branded sites and linkage to an international search engine which has created global brand recognition to our portals.

- Our Group's revenue has proven to have a steady growth over this period. Almost 55% of the Group's turnover was contributed from portal development and information technology advisory and the rest was from online advertising.
- Our interest income has brought in attractive additional revenue to the Group. Furthermore, our management team has exercised strict cost control measures over the entire operations, therefore during the period the Group has maintained a conservative cash position.
- Our Group has invested a 60% shareholding interest in a B2B portal www.bio-bt.com. This portal emphasizes on the development and distribution of a unique bioinsecticide product known as *Bacillus thuringiensis* ("BT").
- As part of the Group's overall strategy, it is always in search of and identifying direct investment opportunities to expand and diversify our business model within our stated industry of health and lifestyle, thus enhancing our revenue streams.

Overall, with all the aforementioned goals being achieved, the Group has managed to spend about HK\$37 million for the period from 13 January, 2000 (the date of incorporation) to 31 July, 2000.

FINANCIAL REVIEW

For the financial period from 13 January, 2000 (date of incorporation) to 31 July, 2000, the Group's revenue was HK\$11.7million which comprised of HK\$8.5 million from interest and sundry income and HK\$3.2 million from its core business. As a result of substantial expenses incurred to promote market awareness and worldwide branding, a net loss of HK\$27 million was attributable to shareholders of the Group during this financial period.

At present, the Group maintains a strong liquidity position, holding fixed bank deposits and balances of approximately HK\$328 million.

BUSINESS REVIEW



Flagship Website – www.greaterchinaherbs.com

Since the launch of www.greaterchinaherbs.com, the flagship portal of the Group on 15 November, 1999, the Group has continuously dedicated itself in the promotion of Traditional Chinese Medicine. Empowered by the strong content base in its Herbal Encyclopedia, Weekly Hotspots and the widely popular online consultation services, the portal has become the most comprehensive healthcare contents on Traditional Chinese Medicine (“TCM”).

Over 12,000 people mainly from U.S.A. and Asia had registered as members of the portal and these registered members are growing at 200 per week. Platforms in different languages including English,

Chinese and Japanese were launched to promote the use of TCM to people with different ethnic background since TCM supports alternative healing and enhances quality of life. The Korean platform is scheduled to be launched in the last quarter of this year.

With over 40 advertising banners on hand and most of them from world renowned pharmaceutical companies, marketing efforts will continue to include different options such as advertorials, integrated links and interstitial advertisements on these products. Our online consultation service is provided through e-mail but due to the increasing demand from our members, the e-mail consultation service has extended to a telephone service so that our members could actually interact with our herbalists at their own convenience.



Second Website – www.ladiesasia.com

The second portal of the Group, www.ladiesasia.com, is targeted to unite Asian women around the world to join together to express their inner thoughts and feelings – creating a robust vertical community that will better serve the needs of this affluent and growing sector.

This portal has registered almost 8,000 members and it offers online community, unique and informative content from fashion to beauty, health to sex, career to finance, events to social issues as well as a shopping boutique for health products and an auction platform is also available. At present, income is already generated from integrated links and product placement from various clients.

To enhance better quality living, www.ladiesasia.com will also create valuable





contents on western herbs and a chat room will be available for our members to communicate with one another. Furthermore, a subscription site within the portal will be launched in the near future in which its focus will be on short plays and documentaries. With all these resourceful contents and special visual effects on the Internet supported by our IT team, the management feels that this portal will not only attract special interested groups to visit the site but at the same time create e-commerce opportunities for the Group to build up its revenue stream.

Moreover, through www.ladiesasia.com, a fund raising channel will be available for the education of female children in under-developed countries.



Other Investment – www.bio-bt.com

On 15 June, 2000, our Group through a wholly owned subsidiary has subscribed 60% shareholding interest in Weston Investment Limited (“Weston”) at an amount of HK\$5,376,000, and whereas Weston holds 75% interest in Beijing Weston Biological

Technology Co. Limited (“Beijing Weston”). The other 25% interest is held by the Institute of Chemical Metallurgy, Chinese Academy of Sciences (“ICM”). This strategic alliance will definitely move the Group to the fast growing market of biotechnology which enhances the Group’s mission.

Beijing Weston possesses the unique industrial technique of producing *Bacillus thuringiensis* (“Bt”) bioinsecticide. Produced through high biological technique, this Bt-bioinsecticide is non-toxic and harmless to humans, domestic animals and the environment but strongly effective for insect control. At present, only 4% pesticide used in the People’s Republic of China (“PRC”) is bioinsecticide and with the harmful and carcinogenic effects from chemical pesticide, the Group believes that bioinsecticide will soon replace this chemical pesticide. Moreover with its low production costs on Bt, it is estimated that gross profit margin for this product will play a role in the Group’s revenue. Beijing Weston has started its production line and by October 2000, our first batch of Bt-bioinsecticide will be available for distribution. Both market and environmental demand are lucrative opportunities for the Group to enter into this untapped market and through its B2B portal, www.bio-bt.com, the Group will expand its Bt development and distribution on a worldwide basis.



FUTURE PLANS AND DEVELOPMENT

Apart from supporting our vertical portals with the most informative and interesting contents, the Group continues to build other quality websites to complement its mission. www.ceohongkong.com is scheduled for its inauguration sometime in the fall of this year. It is a subscriber's site and is targeted at businessmen, financial consultants, lawyers, accountants, bankers who are always in search of business information. It will provide online, interactive environment for users to share their business experience, company profiles, planning and investment opportunities.

As part of the Group's strategies to support our global presence, all our websites are to be translated into multi-lingual platforms including Chinese, English, Japanese and Korean.

Due to the recent changes in the Internet market sentiment, the Group has carefully reviewed our business plan and has strived for the best revenue model which is indicated as follows:

www.greaterchinaherbs.com:



- Promote online advertising services to our existing clients and enhance their services to include integrated links, interstitial advertisements and advertorials. This will not only stimulate our clients' interest but will also create more customers from the same background to use Internet as an advertising medium;
- To act as an exclusive agent for the worldwide distribution of selected Chinese patent medicine through B2B portals;
- To jointly organize online distance learning education programme on Traditional Chinese

Medicine with renowned medical institutions, both subscription and tuition fees will serve attractive income to the Group;

- To offer offline services by expanding our doctors' online consultation service to include telephone hotline;
- To create offline income by setting up Traditional Chinese Medicine cyber-clinics for consultation, acupuncture, foot therapy and shiatsu etc.

www.ladiesasia.com:



- Promote online advertising services to existing and new clients which include integrated links, product placement, advertorials and interstitial advertisements;
- To set up e-commerce platform www.sensesshop.com for the distribution of health products, herbal teas and teapots, aromatherapeutic oils and accessories, lingerie and pyjamas;
- To introduce a full subscription site for members only for special visual effects Internet programs;
- To create offline income by including western herbalists' online telephone consultation services.



www.bio-bt.com:



- To become the worldwide distributor of Bt-bioinsecticide through a B2B portal.

iBUSINESS – information technology services:

- Continue to promote its web design and development resources;
- Provide customized business solutions for small medium enterprises;
- Act as IT advisors for database architecture, network communications and web programming;
- The Directors are of the opinion that during the coming quarters that a large contribution of the Group's revenue will be generated from our iBUSINESS information technology services due to the high demand of IT requirements throughout Asia;

- Serve as also an application service provider for small medium business to utilize our e-commerce platform to conduct e-commerce transactions.

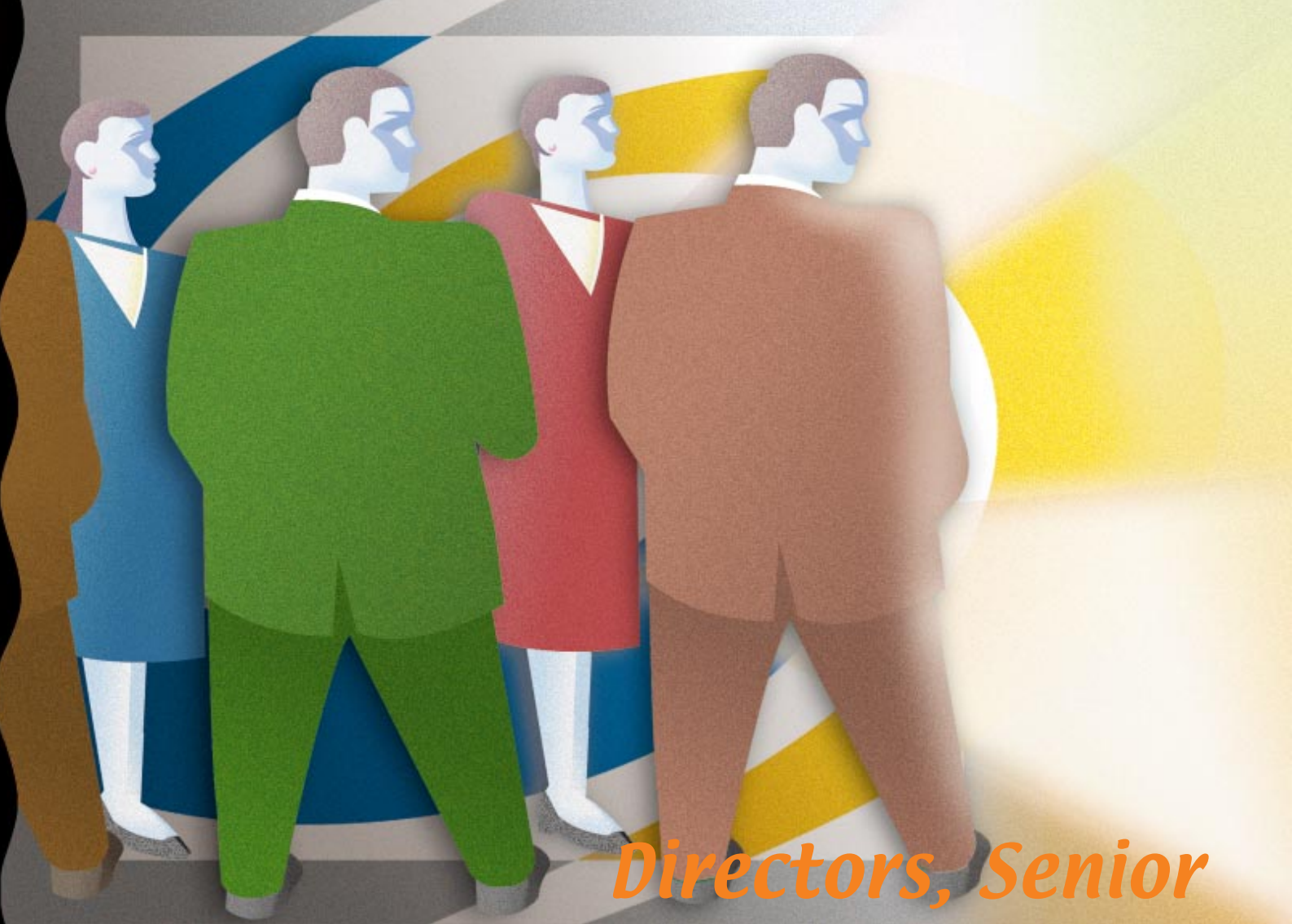
It is also anticipated that with such comprehensive contents and multilingual platforms on our vertical portals, bringing in high volume of traffic and user membership, a diversified revenue stream which includes both online and offline will be able to facilitate the overall increase of earnings to the Group in the foreseeable future.

APPRECIATION

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



Kelly Cheng
Chairman and Chief Executive Officer
Hong Kong, 19 September, 2000



*Directors, Senior
Management and
Staff*

DIRECTORS

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

EXECUTIVE DIRECTORS

Ms. Cheng Kit Yin, Kelly, aged 48, is the Chairman and Chief Executive Officer of the Company. She is actively involved in the corporate planning, financial management as well as the daily operations of the Group. She graduated from York University, Toronto, Canada with a bachelor degree in mathematics and a master degree in computer science from the University of Toronto, Canada. She has over 22 years' experience in banking, auditing and finance. Ms. Cheng was the founder of the Group's business and joined the Group when it started its business in May 1997. During the past few years, Ms. Cheng founded and developed a portal known as www.greaterchinaherbs.com which was launched in November 1999. Since February 1997, Ms. Cheng has been a director and the chief financial officer of China Rich Holding Limited ("China Rich").

Mr. Mak Shiu Chung, Godfrey, aged 37, is the executive director of the Company. Prior to his appointment, Mr. Mak was the managing director of the corporate finance department for a well known European bank, whereas he was responsible for providing corporate finance services to Hong Kong and People's Republic of China ("PRC") companies. From 1990 to 1997, Mr. Mak was responsible for marketing equity and equity-linked products to corporate in PRC, Taiwan, Hong Kong and Macau ("Greater China"), Korea and the Philippines for two well known investment banks. Mr. Mak began his career in 1988 as an administrative officer in the Hong Kong

Government. Mr. Mak holds a bachelor degree of science in business studies from the University of Bradford Management Centre and a master degree of business administration from University of Wales. Mr. Mak is a member of the Hong Kong Securities Institute and a graduate of the Chartered Institute of Marketing. Mr. Mak joined the Group in January 2000.

NON-EXECUTIVE DIRECTORS

Ms. Lau Soi Kuan, Vivian, aged 35, holds a bachelor of arts degree from the University of Texas, the United States and a master degree in business administration from Macquarie University, Sydney, Australia. She is a fellow member of the Australian Institute of Management and is on the Executive Advisory Committee of Management Information Services Asia. Ms. Lau is also the founding member of the Hong Kong chapter of the Internet Advertising Bureau and the chairperson of the Hong Kong 4As Interactive Committee. In May 1999, she was selected as one of the twelve Global Internet Superstars by Advertising Age International. Ms. Lau's previous positions include managing director of Grey Interactive Limited, director of Information Technology for Grey Advertising Hong Kong Limited and senior planning consultant of the Chief Information Office of Qantas Airways Limited. She joined the Group in January 2000.

Mr. Kam Shing, aged 69, graduated from the Beijing University, the PRC. Mr. Kam has over 42 years' experience in business administration while working for the Guangxi Provincial Government in the PRC. Since 1981, Mr. Kam has been working in Hong Kong as a director of three private companies owned by the Guangxi Provincial Government of the PRC. He joined the Group in January 2000. Mr. Kam is currently an executive director of China Rich.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Heng Kwoo Seng, aged 52, is the senior partner of a firm of Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Society of Accountants.

Dr. Lau Lap Ping, aged 48, graduated from Zhongshan Medical University of Medicine. She held the position of Attending Physician in Internal Medicine and Pediatrics of Dong San Regional People's Hospital from 1973 to 1994. After that, she worked in a herbal medicinal trading company as a Deputy General Manager and joined the Group in January 2000.

SENIOR MANAGEMENT

Mr. Lin Zhi Hang, vice president of the business development (China Division), was born in China in 1940, and graduated from Beijing Centered University of Finance & Economics with a Major in International Finance.

Having been engaged in the banking industry for more than 30 years, Mr. Lin is not only a specialist in International Finance and International Trade, but also a highly competent administration.

Of particular note, Mr. Lin was the high ranking official of Bank of China Group, Hong Kong.

Mr. Cheng Siu Chung, Patrick, aged 35, vice president of the information technology department of the Company, obtained a bachelor degree in business administration with double major in computing science and business administration at Simon Fraser University (Vancouver, Canada) in 1986. Since then, he has worked in the information technology industry for both commercial and government sectors and participated in implementing some of the large-scale information technology projects. He is presently pursuing a

master degree in Internet Computing at the University of Hong Kong. He joined the Group in March 2000.

Dr. Zou Ling, aged 41, 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 of the Company.

Ms. Nicola Bleach, aged 28, is the assistant vice president of business operations, managing the content structure and development of all the websites within the Group. Miss Bleach holds a double major Bachelors Degree in French and Economics from Lancaster University in the United Kingdom. Prior to joining the Group in March 2000, she worked with an international management consulting firm in Hong Kong for 3 years.

Mr. Cheng Lee Chuen, aged 48, is the manager of business operation and he is also a Traditional Chinese Medicine doctor and provides online medical advice to our patients. He holds a Master degree of Business Administration from York University, Toronto, Canada. Before joining the Company, he was an assistant professor of a university in Hong Kong and has worked for several Canadian and PRC pharmaceutical companies.

Mr. Chuang, Johnny, aged 32, is the accounting manager of the Company. He joined the Group in January 2000. He is in charge of the accounting department. He is member of Australian Society of Certified Practicing Accountants and an associate member of Hong Kong Society of Accountants.

Prior to his employment with the Group, he worked with an international accounting firm in Hong Kong for over 6 years.

Ms. Lee Lai Ling, Amy, aged 35, is the corporate legal counsel and the company secretary of the Company. She joined the Group in February 2000. Ms. Lee read law at Westminster University in United Kingdom which was then called Polytechnic of Central London and was admitted as a solicitor in Hong Kong in 1995. She attained substantial experience in both corporate and commercial matter as well as in commercial, construction and personal injury litigation. From May 1998 onwards, she served some local listed companies as in-house legal officer. Ms. Lee is now responsible for overseeing and advising on all legal and regulatory matters and also company secretarial tasks of the Group's business.

ADVISORY BOARD

Medical and Clinical Advisers

Dr. Lin Shu Guang, aged 49, is the Governor of Guangdong Provincial People's Hospital and the Dean of Guangdong Provincial Cardiovascular Research Institute and is specialized in cardiovascular pharmacological research. He has been practicing extensively in cardiology for more than 20 years, and is fellow of 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 43, graduated from Guangzhou Medical College of Medicine and continued his study at the University of George Washington, the USA. He acted as the Vice Governor of Guangdong People's Provincial Hospital and he also took up the Hospital's administrative work.

Dr. Zeng Guo Hong, aged 46, graduated from Zhongshan Medical University. He specializes in pediatric cardiac catheterization and is a specialist in the PRC in radiofrequency ablation and treatments for paroxysmal supraventricular tachycardia in children. He is the tutor for MM Candidates in Cardiovascular Pediatric, Deputy Dean of Guangdong Province blood vessels study Institute, Vice Governor of Guangdong Provincial People's Hospital, and deputy general manager of 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 42, 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.





Comparison of Business Objectives and Actual Businesses

- | Content Development | E-commerce Development |
- | Product and Technology Development and Enhancement |
- | Market Penetration |
- | Resources Employment | Use of Proceeds from Issuance of New Shares |
- | Reasons for Difference Between Usage of Proceeds and Forecast Usage |

C OMPARISON BETWEEN PROPOSED BUSINESS OBJECTIVES AND ACTUAL PERFORMANCE FOR THE PERIOD FROM 27 MARCH, 2000 TO 31 JULY, 2000

Proposed

Actual

CONTENT DEVELOPMENT

Sign up with new PRC raw content provider for research material and professional consultation

Not yet achieved because of the enactment of the regulations in the practice of Traditional Chinese Medicine may affect the qualification of the content provider

Increase knowledge repository of herbal encyclopedia to 500 herbs

514 herbs were published on the website in both English and Chinese

Develop two search engines for searching herbal information and sickness diagnosis

Already in place

Enhance content of the section “East meets West” by providing information on combined therapeutic treatments of Eastern and Western medicine

Clinical results of several diseases cured by combined therapeutic treatments of Eastern and Western medicine are published on the website

Provide interactive services such as message boards, chat rooms, etc and create membership registration panel

Membership registration panel was created and the membership profile is closely monitored and other interactive services are continuously installed

Launch Japanese version of www.greaterchinaherbs.com

Japanese version was launched in April 2000

Commence translation of the content of www.greaterchinaherbs.com into Korean and create the Korean platform

Not yet achieved because of the enactment of the practice of Traditional Chinese Medicine may affect the qualification of the translators

Create an interactive forum among members for sharing personal experiences in the use of Chinese herbs, recipes and therapies

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

Commence development of the content for www.ladiesasia.com and www.ceohongkong.com

Already in place

Not yet achieved because the Group is careful in selecting the right contents to be included in the portal

www.ladiesasia.com was launched in May 2000 and the structure of www.ceohongkong.com has been developed to include business profiles, investment opportunities, etc

E-COMMERCE DEVELOPMENT

Select herbal, health, anti-ageing, antiobesity, hair and body products for e-commerce development

Form alliances with local partners in setting up e-commerce platform for online shopping

Launch e-commerce through IBM e-commerce solution which includes hardware and software packages for e-commerce

Unique herbal and health products to be sold on e-commerce platform were identified such as aromatherapeutic oils and Chinese teapots

Arrangement has been set up with various small to medium enterprises offering unique products for online shopping on consignment basis

Hardware was received but awaiting the installation of software to be completed in August 2000 because of the delay of delivery of several parts

PRODUCT AND TECHNOLOGY DEVELOPMENT AND ENHANCEMENT

Provide co-location solution for web servers and access to Digital Island's network for the content distribution services to include caching and mirroring services, and to understand better the country of origin of the browsers with the aim of delivering the content to the targeted customers

The web servers were located at the Hong Kong office of Digital Island and maintained by them and including a monitoring system in the server

Utilize IBM RISC (Reduced Instruction Set Computing) / 6000 open computing platform for high scalability to support heavy traffic and loading, and high availability for Internet business

Adopt the latest Internet access platforms such as digital televisions to reach the old generation and homemakers

Utilize the IBM Universal Database and full-text searching technology to provide content management, navigation, and searching in multilingual and multimedia Internet environment

Implement application business logic on middle-tier using latest Java technology to provide a broad range of e-business services. The industrial Internet standard Java technology provides simplified development, rapid deployment and distributed application

Support the site with the state-of-the-art infrastructure technology and offer facilities such as message boards, chat rooms, calendar and special interest groups

Adopt the latest mobile computing technology such as Wireless Application Protocol ("WAP") to deliver the content and healthcare information to mobile phone users

MARKET PENETRATION

Commence promotion campaigns in the US, Singapore, Japan, Taiwan, Europe through advertising agents

The IBM RISC / 6000 web servers were acquired and installed

Not yet achieved because the Group is still comparing the cost of using different service provider

The installation of the software is completed in August 2000

Various portals and websites e.g. www.bio-bt.com and www.gctg.com/riverdance/ were developed for other companies using Java technology to contribute to our revenue stream

Not yet achieved because the Group is waiting for the appropriate software (Mindspan) to be installed

Not yet achieved because the Group is still comparing the cost of using different service provider

Promotion campaigns were carried out in US, Singapore, Japan, Taiwan, Malaysia and Australia through different advertising agents

Participate in Traditional Chinese Medicine seminars, tradeshow, and exhibitions in Hong Kong and PRC

Sign up with promotional and advertising partners to do global online advertising on sites related to health, women, lifestyles, search engines, superportals, button sponsor on homepages, etc

Form strategic alliances with universities or distance learning institutions to promote the use of the Group's customized content as in the curriculum

Distribute updated newsletters, promotional corporate gifts and liaise with trade development commissions and medical societies on a worldwide basis

Participate in Asian Medex 2000, Information Infrastructure Expo and Digital World 2000 and seminars in Guangzhou and Fuzhou

Various promotional partners have been signed up for global online advertsing

Not yet achieved since the Group is still comparing the curriculum of different institutions

Corporate gifts were offered to the registered members around the world

RESOURCES EMPLOYMENT

Increase online marketing staff (2)

One person

Increase e-commerce sourcing and marketing staff (2)

One person

Employ research team (5)

Two persons

Increase content development team (4)

Two persons

Employ project manager (1)

One person

Employ database team (4)

Three persons

Our Group feels that in order to expand progressively, we will take time in finding the best possible candidates

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

| | Proposed HK\$ | Actual HK\$ |
|---|-------------------------|-----------------------|
| Content Translation and Product Development | 4,000,000 | 4,000,000 |
| E-commerce Development | 10,000,000 | 3,000,000 |
| Promotion and Marketing | 30,000,000 | 27,000,000 |
| Maintenance and Operation | 4,000,000 | 3,000,000 |
| | <u>48,000,000</u> | <u>37,000,000</u> |

REASONS FOR DIFFERENCE BETWEEN USAGE OF PROCEEDS AND FORECAST USAGE

Many internet companies have a reputation of burning enormous amounts of cash, major staff expansion and high expenditures on the latest and most sophisticated equipment. At the same time, many of these companies have faced massive layoffs or have simply disappeared the face of the web. With the Group's experienced management and focus, we have been able to maintain proper financial and cost controls to ensure stability in the Group's growth and as a result the amount of the forecast usage of our proceeds exceeds the amount of the usage of our actual proceeds.

DIRECTORS' REPORT

The directors present their first report and the audited financial statements for the period from 13 January, 2000 (date of incorporation) to 31 July, 2000.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET

The Company was incorporated in the Cayman Islands on 13 January, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 20 February, 2000.

The shares of the Company have been listed on the GEM since 6 April, 2000.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 18 February, 2000, the name of the Company was changed from GreaterChina Technology Corporation Limited to GreaterChina Technology Group Limited.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of its subsidiaries are set out in note 16 to the financial statements.

The Group's turnover and operating loss are principally derived from the provision of online content and the provision of portal development and information technology consultation services in Hong Kong.

RESULTS

The results of the Group for the period from 13 January, 2000 to 31 July, 2000 are set out in the consolidated income statement on page 27.

The directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A summary of the results of the Group for each of three years ended 31 July, 2000 is set out on page 46.

SHARE CAPITAL AND OPTIONS

Details of movements in the authorised and issued share capital of the Company during the period are set out in note 20 to the financial statements.

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

Details of the Company's Share Option Scheme are set out in note 21 to the financial statements.

RESERVES

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

PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment amounting to HK\$9,438,604 through the acquisition of subsidiaries and other additions.

Details of movements in plant and equipment of the Group and the Company during the period are set out in note 12 to the financial statements.

BORROWINGS

Bank loan and overdrafts repayable within one year or on demand are classified as current liabilities. A repayment analysis of obligations under a hire purchase contract is set out in note 18 to the financial statements.

No interest was capitalised by the Group during the period.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 July, 2000 are set out in note 16 to the financial statements.

DIRECTORS

The directors of the Company during the period from date of incorporation up to the date of this report, who were all appointed on 13 January, 2000, were:

Executive directors

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

Mr. Mak Shiu Chung, Godfrey

Non-executive directors

Ms. Lau Sio Kuan, Vivian

Mr. Kam Shing

Independent non-executive directors

Dr. Lau Lap Ping

Mr. Heng Kwo Seng

In accordance with Article 108 of the Company's Articles of Association, Mr. Kam Shing retires and, being eligible, offers himself for re-election.

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

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS

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

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

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

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

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Cheng Kit Yin, Kelly and Mr. Mak Shiu Chung, Godfrey, being the executive directors, has entered into a service contract with the Company for an initial term of 35 months commencing from 18 February, 2000 and will continue thereafter until terminated by not less than three months' notice in writing served by either party expiring at the end of the initial term of the director's appointment or at any time thereafter.

The director being proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

- (i) Shares

As at 31 July, 2000, the interests of the directors and the chief executive of the Company in the share capital of the Company and the associated corporation pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Shares in the Company

| Name of director | Number of shares Personal and total interests |
|--------------------------|--|
| Ms. Cheng Kit Yin, Kelly | 38,594,020 |

Shares in China Rich Holdings Limited

| Name of director | Number of shares Personal and total interests |
|--------------------------|--|
| Ms. Cheng Kit Yin, Kelly | 52,300,000 |

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS (Continued)

(ii) Options

Options in the Company

As explained in note 21 to the financial statements, the Company has a Share Option Scheme under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company. No options were granted since the Share Option Scheme was approved.

Options in China Rich Holdings Limited

| Name of director | Date of grant | Exercise price HK\$ | Number of share options | | | |
|--------------------------|------------------|------------------------|-----------------------------------|------------|-----------|-----------------------------------|
| | | | Outstanding as at 13.1.2000 | Granted | Exercised | Outstanding as at 31.7.2000 |
| | | | | | | |
| Ms. Cheng Kit Yin, Kelly | 5 March, 1997 | 0.43 | 5,000,000 | - | - | 5,000,000 |
| | 26 January, 2000 | 0.30 | - | 4,000,000 | - | 4,000,000 |
| | 22 March, 2000 | 0.33 | - | 10,000,000 | - | 10,000,000 |
| Mr. Kam Shing | 24 April, 1998 | 0.20 | 2,000,000 | - | 2,000,000 | - |
| | 26 January, 2000 | 0.30 | - | 3,000,000 | - | 3,000,000 |

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

Other than as disclosed above and nominees shares in certain subsidiaries held in trust for the Group, at 31 July, 2000, neither the directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 July, 2000, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses the following company as having an interest of 10% or more of the issued share capital of the Company:

| Name | Number of shares |
|-----------------------------|------------------|
| China Rich Holdings Limited | 250,949,559 |

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 July, 2000.

PRE-EMPTIVE RIGHTS

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

YEAR 2000

In the Company's prospectus dated 30 March, 2000, the directors reported that the computers and software internally used by the Group are believed to be year 2000 compliant and therefore, the Year 2000 compliance issue had no material adverse on the business operations in all functional areas of the Group.

The Group has not experienced to date any significant adverse consequences in connection with the year 2000 issue. However, the directors will continue their oversight of date change issues during the year 2000.

AUDIT COMMITTEE

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

SPONSOR INTEREST

Pursuant to the agreement dated 30 March, 2000 entered into between the Company and Pacific Challenge Capital Limited ("Pacific Challenge"), Pacific Challenge will receive a fee for acting as the Company's retained sponsor for the period from 6 April, 2000 to 31 July, 2002.

At 31 July, 2000, neither the directors, employees nor their associates of Pacific Challenge, had any interest in any securities of the Company or any of its associated corporations.

LARGEST SUPPLIERS AND CUSTOMERS

The five largest suppliers of the Group for the period accounted for approximately 69% of the Group's cost of purchases such as purchases of hardware and softwares and services such as web design. The Group's largest supplier accounted for approximately 63% of its cost of purchases and services for the period.

The five largest customers of the Group for the period accounted for approximately 66% of the Group's turnover. The Group's largest customer accounted for approximately 24 of its turnover for the period.

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

AUDITORS

During the period, Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Cheng Kit Yin, Kelly

Chairman and Chief Executive Officer

Hong Kong, 19 September, 2000

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF GREATERCHINA TECHNOLOGY GROUP LIMITED
(FORMERLY KNOWN AS GREATERCHINA TECHNOLOGY CORPORATION LIMITED)
(*incorporated in the Cayman Islands with limited liability*)

We have audited the financial statements on pages 27 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 July, 2000 and of the loss and cash flows of the Group for the period from 13 January, 2000 (date of incorporation) to 31 July, 2000 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Hong Kong, 19 September, 2000

> Consolidated Income Statement

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

| | Notes | HK\$ |
|--------------------------------|-------|----------------------------|
| Turnover | 3 | 3,205,239 |
| Cost of sales | | <u>(648,690)</u> |
| Gross profit | | 2,556,549 |
| Other revenue | 4 | 8,547,260 |
| Administrative expenses | | (7,436,005) |
| Other operating expenses | | (6,250,816) |
| Slotting fee | 5 | <u>(23,340,000)</u> |
| Loss from operations | 6 | (25,923,012) |
| Finance costs | 7 | <u>(723,746)</u> |
| Loss before taxation | | (26,646,758) |
| Taxation | 9 | <u>–</u> |
| Loss before minority interests | | (26,646,758) |
| Minority interests | | <u>(369,516)</u> |
| Net loss for the period | 10 | <u><u>(27,016,274)</u></u> |
| Loss per share | 11 | <u><u>4.8 cents</u></u> |

There were no recognised gains or losses other than the net loss for the period.

At 31 July, 2000

| | Notes | HK\$ |
|--|-------|---------------------------|
| NON-CURRENT ASSETS | | |
| Plant and equipment | 12 | 8,758,818 |
| Website development costs | 13 | 11,509,263 |
| Intangible asset | 14 | 1,494,884 |
| Investment | 15 | 560,495 |
| | | <u>22,323,460</u> |
| CURRENT ASSETS | | |
| Debtors, deposits and prepayments | | 106,380,837 |
| Amount due from the China Rich Group | 17 | 964,766 |
| Pledged bank deposits | | 225,230,728 |
| Bank balances and cash | | 102,655,723 |
| | | <u>435,232,054</u> |
| CURRENT LIABILITIES | | |
| Creditors and accrued charges | | 29,224,667 |
| Obligations under a hire purchase contract | 18 | 77,496 |
| Bank loan – due within one year, secured | 19 | 18,151,784 |
| Bank overdrafts, secured | 19 | 64,830,422 |
| | | <u>112,284,369</u> |
| NET CURRENT ASSETS | | <u>322,947,685</u> |
| | | <u><u>345,271,145</u></u> |
| CAPITAL AND RESERVES | | |
| Share capital | 20 | 6,780,800 |
| Reserves | 22 | 334,049,015 |
| | | <u>340,829,815</u> |
| MINORITY INTERESTS | | 4,260,493 |
| NON-CURRENT LIABILITY | | |
| Obligations under a hire purchase contract | 18 | 180,837 |
| | | <u>345,271,145</u> |

The financial statements on pages 27 to 45 were approved by the Board of Directors on 19 September, 2000 and are signed on its behalf by:

Cheng Kit Yin, Kelly
Director

Mak Shiu Chung, Godfrey
Director

At 31 July, 2000

| | Notes | HK\$ |
|--|-------|---------------------------|
| NON-CURRENT ASSETS | | |
| Plant and equipment | 12 | 4,087,670 |
| Investments in subsidiaries | 16 | 13,227,646 |
| | | <u>17,315,316</u> |
| CURRENT ASSETS | | |
| Debtors, deposits and prepayments | | 72,133,306 |
| Amount due from a subsidiary | | 4,672 |
| Pledged bank deposits | | 202,636,323 |
| Bank balances | | 102,556,247 |
| | | <u>377,330,548</u> |
| CURRENT LIABILITIES | | |
| Amounts due to subsidiaries | | 17,037,327 |
| Obligations under a hire purchase contract | 18 | 77,496 |
| Bank overdraft, secured | 19 | 9,245,255 |
| | | <u>26,360,078</u> |
| NET CURRENT ASSETS | | <u>350,970,470</u> |
| | | <u><u>368,285,786</u></u> |
| CAPITAL AND RESERVES | | |
| Share capital | 20 | 6,780,800 |
| Reserves | 22 | 361,324,149 |
| | | <u>368,104,949</u> |
| NON-CURRENT LIABILITY | | |
| Obligations under a hire purchase contract | 18 | 180,837 |
| | | <u>368,285,786</u> |

Cheng Kit Yin, Kelly
Director

Mak Shiu Chung, Godfrey
Director

> Consolidated Cash Flow Statement

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

| | NOTES | HK\$ |
|--|-------|--------------------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 23 | <u>(82,598,787)</u> |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | | 5,615,525 |
| Interest paid on bank loan and overdrafts | | (618,319) |
| Interest paid on obligations under a hire purchase contract | | <u>(16,533)</u> |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | <u>4,980,673</u> |
| INVESTING ACTIVITIES | | |
| Increase in pledged bank deposits with original maturity over three months | | (152,636,324) |
| Acquisition of subsidiaries | 24 | (5,308,274) |
| Purchase of plant and equipment | | (2,748,038) |
| Website development costs | | <u>(958,141)</u> |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | <u>(161,650,777)</u> |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES | | <u>(239,268,891)</u> |
| FINANCING ACTIVITIES | 25 | |
| Net proceeds from issue of shares | | 331,278,479 |
| Inception of a hire purchase contract | | 310,000 |
| Repayment of obligations under a hire purchase contract | | <u>(51,667)</u> |
| NET CASH INFLOW FROM FINANCING | | <u>331,536,812</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT 31 JULY, 2000 | | <u><u>92,267,921</u></u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Pledged bank deposits | | 72,594,404 |
| Bank balances and cash | | 102,655,723 |
| Bank loan and overdrafts | | <u>(82,982,206)</u> |
| | | <u><u>92,267,921</u></u> |

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

1. *GROUP REORGANISATION*

The Company was incorporated in the Cayman Islands on 13 January, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands.

The Company is an investment holding company. Details of the activities of the subsidiaries (together with the Company referred to as “the Group”) are set out in note 16.

Pursuant to a group reorganisation (“Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 20 February, 2000. The shares of the Company have been listed on the GEM since 6 April, 2000.

Under the Group Reorganisation, China Rich Holdings Limited (“China Rich”) and its subsidiaries (the “China Rich Group”) transferred all their assets and liabilities relating to their operation of the website - www.greaterchinaherbs.com to Greaterchinaherbs.com Limited, in consideration for the issue of one share of Greaterchinaherbs.com Limited to China Rich; China Rich then transferred two shares of Greaterchinaherbs.com Limited to the Company in consideration for shares issued by the Company.

2. *SIGNIFICANT ACCOUNTING POLICIES*

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 July, 2000.

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

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

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company’s balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue recognition

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

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

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

Plant and equipment

Plant and equipment are stated at cost less depreciation. The 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 income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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

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

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the term of the lease |
| Office equipment | 33 $\frac{1}{3}$ % |
| Motor vehicle | 25% |
| Furniture and fixtures | 33 $\frac{1}{3}$ % |

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets held under hire purchases contracts

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The corresponding liability is included in the balance sheet as a hire purchase obligation. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Website development costs

The costs incurred in acquiring website database, website application and infrastructure are capitalised and amortised over a period of three years. Other website development costs are charged to the income statement in the period in which they are incurred.

Intangible asset

The intangible asset is stated at cost and will be amortised over five years from the commencement of production.

Advertising expenses

The cost of advertising is expensed as incurred.

Operating leases

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

Investments

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

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

Foreign currencies

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

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

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Taxation

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

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

3. **TURNOVER**

Turnover represents advertising income, portal development and information technology advisory income received and receivable during the period and is analysed as follows:

| | HK\$ |
|---|------------------|
| Advertising income | 1,471,939 |
| Portal development and information technology advisory income | 1,733,300 |
| | <u>3,205,239</u> |

4. **OTHER REVENUE**

| | HK\$ |
|-----------------|------------------|
| Interest income | 7,154,991 |
| Sundry income | 1,392,269 |
| | <u>8,547,260</u> |

5. **SLOTING FEE**

The amount represents slotting fee of HK\$23,340,000 payable to Lycos Asia (HK) Ltd. to establish co-branded site and linkage to its network for the period of three years starting from 21 February, 2000. In the opinion of the directors, this fee was established on a business decision and this linkage will create global brand recognition to the Group's portals. It was written off in the current period as in the opinion of the directors, the co-branded site and the linkage of the network do not have the capacity to generate future economic benefits that would eventually result in significant net cash inflows to the Group.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

6. LOSS FROM OPERATIONS

| | HK\$ |
|--|-----------|
| Loss from operations has been arrived at after charging: | |
| Advertising and promotion expenses | 3,429,763 |
| Auditors' remuneration | 152,000 |
| Amortisation of website development costs | 1,721,470 |
| Depreciation on: | |
| Owned assets | 628,119 |
| Asset held under a hire purchase contract | 51,667 |
| Operating leases payment in respect of rented premises | 184,069 |
| Staff costs | 4,316,463 |
| Website development costs | 2,337,513 |
| Less: Amount capitalised | 958,141 |
| | 1,379,372 |

7. FINANCE COSTS

| | HK\$ |
|---|---------|
| Interest on: | |
| Bank loan and overdrafts wholly repayable within five years | 707,213 |
| A hire purchase contract | 16,533 |
| | 723,746 |

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

| | HK\$ |
|-------------------------------------|-----------|
| <i>Directors' other emoluments</i> | |
| Salaries and other allowances: | |
| Executive directors | 1,982,760 |
| Non-executive directors | 86,620 |
| Independent non-executive directors | 86,620 |
| | 2,156,000 |

The emoluments of the directors were within the following bands:

| | No. of directors |
|--------------------------------|------------------|
| HK\$nil to HK\$1,000,000 | 5 |
| HK\$1,000,001 to HK\$1,500,000 | 1 |
| | 6 |

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

8. **DIRECTORS' AND EMPLOYEES' EMOLUMENTS** (Continued)

Directors' other emoluments (Continued)

During the period, there were two directors who received emoluments of HK\$1,082,760 and HK\$900,000 respectively. All other four directors received emoluments of HK\$43,310 respectively. None of the directors has waived any emoluments during the period.

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

Employees' emoluments

During the period, the five highest paid individuals included two directors, details of whose emoluments are set out above. The aggregate salaries and other allowances of the remaining three highest paid individuals were HK\$673,692.

9. **TAXATION**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profits during the period.

There was no significant unprovided deferred taxation during the period or at the balance sheet date.

10. **NET LOSS FOR THE PERIOD**

Of the Group's net loss for the period, a profit of HK\$258,860 has been dealt with in the financial statements of the Company.

11. **LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss for the period of HK\$27,016,274 and on the weighted average of 560,856,800 shares in issue during the period.

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

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

12. PLANT AND EQUIPMENT

| | Leasehold improve- ments HK\$ | Plant and machinery HK\$ | Office equipment HK\$ | Motor vehicle HK\$ | Furniture and fixtures HK\$ | Total HK\$ |
|---|--|--------------------------------|-----------------------------|--------------------------------------|--------------------------------------|------------------|
| THE GROUP | | | | | | |
| COST | | | | | | |
| Acquired on acquisition of subsidiaries | 50,000 | 4,671,148 | 1,659,418 | 310,000 | – | 6,690,566 |
| Additions | 758,450 | – | 1,845,466 | – | 144,122 | 2,748,038 |
| At 31 July, 2000 | 808,450 | 4,671,148 | 3,504,884 | 310,000 | 144,122 | 9,438,604 |
| DEPRECIATION | | | | | | |
| Provided for the period and balance at 31 July, 2000 | 134,742 | – | 477,864 | 51,667 | 15,513 | 679,786 |
| NET BOOK VALUE | | | | | | |
| At 31 July, 2000 | <u>673,708</u> | <u>4,671,148</u> | <u>3,027,020</u> | <u>258,333</u> | <u>128,609</u> | <u>8,758,818</u> |
| | Leasehold improvements HK\$ | Office equipment HK\$ | Motor vehicle HK\$ | Furniture and fixtures HK\$ | Total HK\$ | |
| THE COMPANY | | | | | | |
| COST | | | | | | |
| Acquired during the period and balance at 31 July, 2000 | | 808,450 | 3,504,884 | 310,000 | 144,122 | 4,767,456 |
| DEPRECIATION | | | | | | |
| Provided for the period and balance at 31 July, 2000 | | 134,742 | 477,864 | 51,667 | 15,513 | 679,786 |
| NET BOOK VALUE | | | | | | |
| At 31 July, 2000 | | <u>673,708</u> | <u>3,027,020</u> | <u>258,333</u> | <u>128,609</u> | <u>4,087,670</u> |

The motor vehicle is held under a hire purchase contract.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

13. WEBSITE DEVELOPMENT COSTS

| | HK\$ |
|--|------------|
| THE GROUP | |
| COST | |
| Acquired on acquisition of subsidiaries | 12,272,592 |
| Additions | 958,141 |
| | 13,230,733 |
| At 31 July, 2000 | |
| AMORTISATION | |
| Provided for the period and balance at 31 July, 2000 | 1,721,470 |
| | 11,509,263 |
| NET BOOK VALUE | |
| At 31 July, 2000 | 11,509,263 |

14. INTANGIBLE ASSET

THE GROUP

The intangible asset represents technology knowhow of concept and insecticidal mechanism of bioinsecticide acquired from a third party. The amount is stated at cost and will be amortised over five years from the commencement of production. No amortisation was charged during the period as the Group has not commenced production.

15. INVESTMENT

THE GROUP

The investment represents the Group's 18.75% other investment in 北京科谷苑工貿有限公司. In the opinion of the directors, the fair value of the Group's other investment equals to the cost of the investment.

16. INVESTMENTS IN SUBSIDIARIES

| | HK\$ |
|--------------------------|------------|
| THE COMPANY | |
| Unlisted shares, at cost | 13,227,646 |
| | 13,227,646 |

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 July, 2000 are as follows:

| Name of subsidiary | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued capital held by the Company | | Principal activities |
|--|----------------------------|------------------------------|---|--------------|---|
| | | | Directly % | Indirectly % | |
| Greaterchinaherbs.com Limited | British Virgin Islands | US\$2 | 100 | - | Provision of online healthcare content |
| Ladiesasia Limited | British Virgin Islands | US\$1 | 100 | - | Provision of online general content for Asian women |
| iBusiness Limited | Hong Kong | HK\$2 | 100 | - | Portal development |
| Greaterchina Technology Capital Market Limited | Hong Kong | HK\$2 | 100 | - | Inactive |
| iCare Technology Limited | British Virgin Islands | US\$1 | 100 | - | Investment holding |
| Weston Investment Limited | Hong Kong | HK\$8,960,000 | - | 60 | Investment holding |
| Beijing Weston Biological-Technology Co. Limited | People's Republic of China | RMB1,320,000 | - | 45 | Production and sale of bio-insecticide (not yet commenced business) |

Beijing Weston Biological-Technology Co. Limited principally operates in the People's Republic of China. All other subsidiaries principally operate in Hong Kong.

The Group has an option, which shall be exercisable on or before 29 June, 2001, to subscribe for additional 10 per cent. of the share capital of Weston Investment Limited at a price of HK\$1 per share.

17. AMOUNT DUE FROM THE CHINA RICH GROUP

THE GROUP

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

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

18. OBLIGATIONS UNDER A HIRE PURCHASE CONTRACT

THE GROUP AND THE COMPANY

The maturity of obligations under a hire purchase contract is as follows:

| | HK\$ |
|--|----------------|
| Within one year | 77,496 |
| More than one year but not exceeding two years | 77,496 |
| More than two years but not exceeding five years | 103,341 |
| | <hr/> |
| | 258,333 |
| Less: Amount due within one year shown under current liabilities | 77,496 |
| | <hr/> |
| Amount due after one year | <u>180,837</u> |

19. BANK LOAN AND OVERDRAFTS

The bank loan and overdrafts of the Group and the bank overdraft of the Company are secured by pledged bank deposits.

20. SHARE CAPITAL

| | Number of shares | Share capital HK\$ |
|--|----------------------|-----------------------|
| Authorised: | | |
| Shares of HK\$0.01 each | | |
| At date of incorporation | 10,000,000 | 100,000 |
| Increase in share capital | 1,990,000,000 | 19,900,000 |
| | <hr/> | <hr/> |
| At 31 July, 2000 | <u>2,000,000,000</u> | <u>20,000,000</u> |
| Issued and fully paid: | | |
| Shares of HK\$0.01 each | | |
| Issue of shares to China Rich | 1 | - |
| Issue of shares on acquisition of a subsidiary | 9,999,999 | 100,000 |
| Issue of shares by capitalisation of share premium account | 304,666,668 | 3,046,667 |
| Issue of shares to strategic investors | 93,333,332 | 933,333 |
| Issue of shares to a director and employees of the Group | 68,000,000 | 680,000 |
| Issue of shares by way of placing | 202,080,000 | 2,020,800 |
| | <hr/> | <hr/> |
| At 31 July, 2000 | <u>678,080,000</u> | <u>6,780,800</u> |

The Company was incorporated with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 13 January, 2000, one share was allotted and issued nil paid to China Rich.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

20. SHARE CAPITAL (Continued)

Pursuant to a resolution in writing of the sole shareholder of the Company passed on 20 February, 2000, to effect the Group Reorganisation in preparation for the listing of the Company's shares on the GEM, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of a further 1,990,000,000 shares. On the same date, 9,999,999 shares were issued and credited as fully paid to China Rich and credited as fully paid at par the one share allotted and issued to China Rich nil paid on 13 January, 2000, as consideration for the transfer of two shares of US\$1 each in Greaterchinaherbs. com Limited from China Rich to the Company.

On 20 February, 2000, a sum of HK\$2,933,334 standing to credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 293,333,335 shares for allotment and issue to holders of shares whose name appear on the register of members of the Company at the close of business on 20 February, 2000 in proportion to their then existing shareholding.

On 21 February, 2000, three strategic investors acquired 93,333,332 shares at an aggregate subscription price of HK\$94,740,000.

On 21 February, 2000, a sum of HK\$113,333 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 11,333,333 shares for allotment and issue to holders of shares whose names appear on the register of member of the Company at the close of business on 21 February, 2000 in proportion to their then existing shareholding.

On 26 February, 2000, 68,000,000 shares were issued and allotted, for cash at par, to Ms. Cheng Kit Yin, Kelly and other employees of the Group.

Pursuant to another written resolution which was passed on 17 March, 2000, the Company issued 202,080,000 shares for cash at HK\$1.38 per share on 5 April, 2000 by way of placing.

The net proceeds from the placing, after deducting related expenses, are approximately HK\$259 million. The Board of Directors intended to apply such net proceeds as follows:

- as to approximately HK\$103 million for promotion and marketing activities;
- as to approximately HK\$29 million for e-commerce development and operation;
- as to approximately HK\$70 million for maintenance and operation;
- as to approximately HK\$29 million for content translation and product development;
and
- as to the balance of approximately HK\$28 million as additional working capital of the Company.

All shares issued by the Company during the period rank pari passu with the then existing shares in all respects.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

21. SHARE OPTION SCHEME

In accordance with the Company's Share Option Scheme for employees, which was adopted pursuant to a resolution in writing passed by the sole shareholder of the Company on 21 February, 2000, executive directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares in the Company.

The subscription price for shares under the Share Option Scheme will be a price determined by the directors, but may not be less than the higher of the closing price of shares on the GEM on the date of grant of the particular option or the average of the closing price of the shares on the GEM for the five trading days immediately preceding the date of grant of the particular option or the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the directors to each grantee. Such period may not end on a date prior to the date falling three years after the date upon which the officer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination thereof. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

No options were granted since the Share Option Scheme was approved.

22. RESERVES

| | Share premium HK\$ | Accumulated (loss) profit HK\$ | Total HK\$ |
|---------------------------|--------------------------|--------------------------------------|--------------------|
| THE GROUP | | | |
| Issue of shares | 383,783,877 | – | 383,783,877 |
| Capitalisation | (3,046,667) | – | (3,046,667) |
| Share issue expenses | (19,671,921) | – | (19,671,921) |
| Net loss for the period | – | (27,016,274) | (27,016,274) |
| | <u>361,065,289</u> | <u>(27,016,274)</u> | <u>334,049,015</u> |
| Balance at 31 July, 2000 | <u>361,065,289</u> | <u>(27,016,274)</u> | <u>334,049,015</u> |
| THE COMPANY | | | |
| Issue of shares | 383,783,877 | – | 383,783,877 |
| Capitalisation | (3,046,667) | – | (3,046,667) |
| Share issue expenses | (19,671,921) | – | (19,671,921) |
| Net profit for the period | – | 258,860 | 258,860 |
| | <u>361,065,289</u> | <u>258,860</u> | <u>361,324,149</u> |
| Balance at 31 July, 2000 | <u>361,065,289</u> | <u>258,860</u> | <u>361,324,149</u> |

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

22. RESERVES (Continued)

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

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

| | HK\$ |
|--|--------------|
| Loss before taxation | (26,646,758) |
| Interest income | (7,154,991) |
| Interest expenses | 723,746 |
| Depreciation and amortisation | 2,401,256 |
| Increase in debtors, deposits and prepayments | (79,361,130) |
| Increase in amount due from the China Rich Group | (964,766) |
| Increase in creditors and accrued charges | 28,403,856 |
| | (82,598,787) |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (82,598,787) |

24. ACQUISITION OF SUBSIDIARIES

| | HK\$ |
|-----------------------------------|-------------|
| Net assets acquired: | |
| Plant and equipment | 6,690,566 |
| Website development costs | 12,272,592 |
| Intangible asset | 1,494,884 |
| Investment | 560,495 |
| Bank balances and cash | 67,726 |
| Debtors, deposits and prepayments | 2,140,241 |
| Creditors and accrued charges | (731,917) |
| Minority interests | (3,890,977) |
| | 18,603,610 |
| Satisfied by: | |
| Issue of shares | 13,227,610 |
| Cash | 5,376,000 |
| | 18,603,610 |
| | 18,603,610 |

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

24. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

| | |
|---------------------------------|--------------------|
| Cash consideration | (5,376,000) |
| Bank balances and cash acquired | 67,726 |
| | <u>(5,308,274)</u> |

The subsidiaries acquired during the period contributed approximately HK\$3.6 million of revenue and HK\$28 million of loss before taxation for the period between the date of incorporation and the balance sheet date.

During the period since acquisition, the subsidiaries acquired have contributed approximately HK\$2 million to the Group's net operating cash outflows, received approximately HK\$1.8 million in respect of returns on investments and servicing of finance and utilised approximately HK\$0.5 million on investing activities.

25. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

| | Share capital and share premium HK\$ | Obligations under a hire purchase contract HK\$ |
|--|--|---|
| Proceeds from issue of shares | 374,290,400 | – |
| Issue of shares to acquire Greaterchinaherbs.com Limited | 13,227,610 | – |
| Expenses paid in connection with the issue of shares | (19,671,921) | – |
| Inception of a hire purchase contract | – | 310,000 |
| Repayments of amount borrowed | – | (51,667) |
| | <u>367,846,089</u> | <u>258,333</u> |
| Balance at 31 July, 2000 | <u>367,846,089</u> | <u>258,333</u> |

26. RELATED PARTY TRANSACTIONS

Other than the amount due from the China Rich Group as disclosed in note 17, during the period, the Group entered into the following transactions with the China Rich Group:

- (i) The Group paid rental of HK\$184,069 to the China Rich Group. The charge is based on the areas occupied by the Group at a unit rate of HK\$17 per square feet pursuant to the agreement entered into between the parties dated 21 February, 2000. The unit rate per square feet was determined by reference to the market rental transactions similar to this property in January, 2000, which was confirmed by a chartered surveyor.
- (ii) The Group paid administrative service fee of HK\$216,552 to the China Rich Group. The fee is charged at a fixed monthly fee of HK\$40,000 pursuant to the agreement entered into between the parties dated 21 February, 2000. The fee was calculated with reference to the proportion of the estimated time spent by staff of the China Rich Group on the affairs of the Group.

For the period from 13 January, 2000 (date of incorporation) to 31 July, 2000

26. RELATED PARTY TRANSACTIONS (Continued)

- (iii) The China Rich Group provided qualified Chinese herbalist doctors to handle online enquiries by the users of the Group's website. In respect of the services provided, the Group paid consultant fee of HK\$438,333 to the China Rich Group. The fee is charged at a fixed monthly fee of HK\$50,000 pursuant to the agreement entered into between the parties dated 11 November, 1999. The fee was calculated with reference to the proportion of the estimated time spent by the doctors.
- (iv) The Group paid website development costs of HK\$150,000 to the China Rich Group pursuant to the agreement entered into between the parties dated 3 January, 2000. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.
- (v) The Company acquired the entire issued share capital of Greaterchinaherbs.com Limited from the China Rich Group at a consideration of HK\$13,227,610 pursuant to the agreement entered into between the parties dated 18 February, 2000. The consideration was based on the costs spent by the China Rich Group in developing the website – www.greaterchinaherbs.com.
- (vi) The Group received advertising fee income of HK\$353,293 from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.
- (vii) The Group received information technology advisory income of HK\$771,900 from the China Rich Group. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients.

27. LEASE COMMITMENTS

At 31 July, 2000, the Group and the Company had outstanding commitments payable in the following twelve months under non-cancellable operating leases in respect of rented premises, as follows:

| | HK\$ |
|---|---------|
| Operating leases which expire in the second to fifth year inclusive | 408,000 |

28. CAPITAL COMMITMENTS

THE GROUP

| | HK\$ |
|---|---------|
| Capital expenditure in respect of the development of website application and infrastructure contracted for but not provided for in the financial statements | 490,000 |

The Company did not have any significant capital commitment at the balance sheet date.

29. RETIREMENT BENEFIT SCHEME

At 31 July, 2000, the Group did not operate any retirement schemes covering their employees. Subsequent to 31 July, 2000, the Company has established a defined contribution provident scheme for qualifying employees of the Group. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The scheme will be effective from 1 December, 2000.

| | (Note 1) | | | (Note 2) |
|--------------------------------|--------------------|--------------------|----------------------------|----------------------------|
| | 1998 | 1999 | 2000 | 13.1.2000 |
| | HK\$ | HK\$ | HK\$ | to |
| | | | | 31.7.2000 |
| | | | | HK\$ |
| Turnover | – | – | 3,205,239 | 3,205,239 |
| Cost of sales | – | – | (648,690) | (648,690) |
| Gross profit | – | – | 2,556,549 | 2,556,549 |
| Other revenue | – | – | 8,547,260 | 8,547,260 |
| Administrative expenses | (141,497) | (395,827) | (9,246,753) | (7,436,005) |
| Other operating expenses | (985,125) | (1,018,825) | (7,475,482) | (6,250,816) |
| Slotting fee | – | – | (23,340,000) | (23,340,000) |
| Loss from operations | (1,126,622) | (1,414,652) | (28,958,426) | (25,923,012) |
| Finance costs | – | – | (723,746) | (723,746) |
| Loss before taxation | (1,126,622) | (1,414,652) | (29,682,172) | (26,646,758) |
| Taxation | – | – | – | – |
| Loss before minority interests | (1,126,622) | (1,414,652) | (29,682,172) | (26,646,758) |
| Minority interests | – | – | (369,516) | (369,516) |
| Net loss for the year/period | <u>(1,126,622)</u> | <u>(1,414,652)</u> | <u>(30,051,688)</u> | <u>(27,016,274)</u> |

Notes:

1. The combined results of the Group for the each of the three years ended 31 July, 2000 have been prepared on the basis that the current group structure had been in existence throughout each of the three years ended 31 July, 2000 and on the basis that the Group had operated the website business – www.greaterchinaherbs.com throughout each of the three years ended 31 July, 2000.

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

2. The results for the period from 13 January, 2000 to 31 July, 2000 have been extracted from the consolidated income statement as set out on page 27.
3. The Company was incorporated in the Cayman Islands on 13 January, 2000. Accordingly, the only consolidated balance sheet was at 31 July, 2000 which is set out on page 28.



GreaterChina Technology Group Limited

大中華科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

PROXY FORM FOR ANNUAL GENERAL MEETING

I/We ⁽¹⁾ _____
of _____
being the registered holder(s) of _____ shares ⁽²⁾ of HK\$0.01 each in the capital of GreaterChina Technology Group Limited (the "Company"), HEREBY APPOINT THE CHAIRMAN OF THE MEETING or ⁽³⁾ _____
of _____
as my/our proxy to vote and act for me/us at the Annual General Meeting (and at any adjournment thereof) of the Company to be held at 33/F, 118 Connaught Road West, Hong Kong on Thursday, 9 November, 2000 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions as set out in the notice convening the said meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the Resolutions as indicated below, or, if no such indication is given, as my/our proxy thinks fit.

| Resolutions | For ⁽⁴⁾ | Against ⁽⁴⁾ |
|---|--------------------|------------------------|
| 1. To receive and consider the audited financial statements and the reports of the directors and auditors for the period from 13 January, 2000 (date of incorporation) to 31 July, 2000. | | |
| 2. To re-elect the retiring director, Mr Kam Shing, as a non-executive director and fix his remuneration. | | |
| 3. To re-appoint auditors and authorize the board of directors to fix their remuneration. | | |
| 4. A. To grant a general mandate to the directors to issue and dispose of additional shares not exceeding 20% of the issued share capital of the Company as at the date of this resolution. | | |
| B. To grant a general mandate to the directors to repurchase shares in the capital of the Company not exceeding 10% of the issued share capital of the Company as at the date of this resolution. | | |
| C. To extend, conditional upon the above resolution nos. 4A and 4B being duly passed, the general mandate to allot shares by adding the repurchased shares to the 20% general mandate | | |

Dated this _____ day of _____ 2000

Signed ⁽⁵⁾ _____

Notes:

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- Please insert the number of shares of HK\$0.01 each in the Company to which this form of proxy relates registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- If any proxy other than the Chairman is preferred, strike out the words "the Chairman of the Meeting or" herein stated and insert the name and address of the proxy desired in the space provided in BLOCK CAPITAL. IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "AGAINST"**. Failure to complete any or all the boxes will entitle your proxy to cast his votes at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint registered holders of any share, any one of such persons may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of such share.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's principal office at 33/F, 118 Connaught Road West, Hong Kong not less than 48 hours before the time for the holding of the meeting or any adjournment thereof.
- The proxy need not be a member of the Company but must attend the meeting in person to represent you.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the annual general meeting if you so wish.
- Any alteration made in this form of proxy must be initialled by the person who signs it.