

## 24. RETENTION MONEY RECEIVABLE/PAYABLE

### THE GROUP

In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by principals/main contractors as retention money for a period of time after the work has been completed. Accordingly, the retention money receivable and payable represent contract sums withheld from the Group by principals/main contractors and by the Group from its subcontractors.

## 25. ADVANCES TO SUBCONTRACTORS

### THE GROUP

The amounts are unsecured, bear interest at market rate except for doubtful advances on which no interest is accrued, and are repayable on demand.

The aging analysis of advances to subcontractors is stated as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	2,113	13,377
91 to 180 days	19,023	—
	<u>21,136</u>	<u>13,377</u>

## 26. TRADE AND OTHER CREDITORS

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	19,025	34,879
31 to 60 days	19,002	7,360
61 to 90 days	933	—
91 to 180 days	558	—
181 to 365 days	4,973	—
	<u>44,491</u>	<u>42,239</u>

## 27. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The schedule for repayment of the obligations under finance leases and hire purchase contracts is as follows:		
Within one year	3,218	919
More than one year but not exceeding two years	1,577	550
More than two years but not exceeding five years	92	–
	<u>4,887</u>	<u>1,469</u>
Less: Amount due within one year shown under current liabilities	<u>(3,218)</u>	<u>(919)</u>
Amount due after one year	<u><u>1,669</u></u>	<u><u>550</u></u>

## 28. BANK BORROWINGS, SECURED

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings comprise the following:		
Trust receipt loans	46,610	58,926
Bank loans and overdrafts	214,651	243,686
	<u>261,261</u>	<u>302,612</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	241,315	302,612
More than one year but not exceeding two years	1,163	–
More than two years but not exceeding five years	4,248	–
More than five years	14,535	–
	<u>261,261</u>	<u>302,612</u>
Less: Amount due within one year shown under current liabilities	<u>(241,315)</u>	<u>(302,612)</u>
Amount due after one year	<u><u>19,946</u></u>	<u><u>–</u></u>

## 29. SHARE CAPITAL

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Shares of HK\$0.10 each		
Authorised:		
At beginning and end of the year	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
At beginning of the year	161,792	135,762
Issued to Central Securities Holdings Limited	–	20,000
Issued as consideration to acquire 100% of the issued share capital of Tammerworth	35,000	–
Exercise of share options	1,695	6,030
Exercise of warrants	<u>8,750</u>	<u>–</u>
At end of the year	<u>207,237</u>	<u>161,792</u>

The effect of the acquisition of Tammerworth are set out in note 33.

### Warrants

On 5th August, 1999, the Company entered into an agreement with the placing agents for the private placing of 300,000,000 units of warrants of the Company at a price of HK\$0.085 per unit to independent investors. Each unit of warrants will give the holder the right to subscribe in cash for one share of the Company at an initial subscription price of HK\$0.28 per share of HK\$0.10 of the Company (subject to adjustment) at any time from the date of issue thereof up to and including 31st March, 2001. Particulars of the placing were set out in the Company's document dated 8th September, 1999. On 27th February, 2000, the subscription price changed from HK\$0.28 per share to HK\$0.26 per share due to the reduction of the share premium account of the Company and the change in shareholding structure after the completion of the distribution in specie in shares of GreaterChina.

During the year, the registered holders of 87,500,000 warrants exercised their rights to subscribe for shares of the Company. At 31st July, 2000, the Company had outstanding 212,500,000 warrants. Exercise in full of such warrants would result in the issue of 212,500,000 additional shares of HK\$0.10 each.

## Share option scheme

Under the terms of the share option scheme which was adopted at a special general meeting of the Company held on 30th September, 1994, the Board of Directors of the Company may, at their discretion, grant options to employees, including executive directors, of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and an amount not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. Options granted under the scheme will entitle the holders to subscribe for shares from the date of grant up to 30th September, 2004.

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

Exercise price	Number of share options				
	At 1st August, 1999	Granted during the year	Exercised during the year	Cancelled during the year	At 31st July, 2000
HK\$0.72 per share	500,000	–	–	–	500,000
HK\$0.53 per share	3,000,000	–	–	–	3,000,000
HK\$0.48 per share	500,000	–	–	–	500,000
HK\$0.43 per share	10,000,000	–	–	–	10,000,000
HK\$0.33 per share	–	30,000,000	–	–	30,000,000
HK\$0.30 per share	–	75,900,000	8,850,000	–	67,050,000
HK\$0.20 per share	11,700,000	–	8,100,000	2,300,000	1,300,000
	<u>25,700,000</u>	<u>105,900,000</u>	<u>16,950,000</u>	<u>2,300,000</u>	<u>112,350,000</u>

During the year ended 31st July, 2000, no consideration was received from the granting of share options.

### 30. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Distributable reserve HK\$'000	Other reserve HK\$'000	(Deficit)/ retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st August, 1998	381,315	11,613	(49,628)	–	–	(38,025)	305,275
Premium arising from issue of shares, net of expenses	28,445	–	–	–	–	–	28,445
Goodwill on acquisition of a subsidiary	–	–	(856)	–	–	–	(856)
Goodwill on acquisition of an associate	–	–	(2,152)	–	–	–	(2,152)
Net profit for the year	–	–	–	–	–	15,781	15,781
At 1st August, 1999	409,760	11,613	(52,636)	–	–	(22,244)	346,493
Issue of new warrants, net of expenses	–	–	–	–	23,798	–	23,798
Premium arising from issue of shares	105,000	–	–	–	–	–	105,000
Premium arising from issue of shares on exercises of warrants, net of expenses	22,400	–	–	–	(6,939)	–	15,461
Premium arising from issue of shares on exercise of options	2,580	–	–	–	–	–	2,580
Goodwill reversed on disposal of an associate	–	–	2,152	–	–	–	2,152
Negative goodwill on acquisition of a subsidiary	–	–	758	–	–	–	758
Reduction of share premium transferred to distributable reserve	(150,000)	–	–	150,000	–	–	–
Transfer	–	–	–	(72,967)	–	72,967	–
Net profit for the year	–	–	–	–	–	216,320	216,320
Distributions ( <i>note 13</i> )	–	–	–	–	–	(149,927)	(149,927)
At 31st July, 2000	<u>389,740</u>	<u>11,613</u>	<u>(49,726)</u>	<u>77,033</u>	<u>16,859</u>	<u>117,116</u>	<u>562,635</u>
Attributable to:							
Company and subsidiaries	389,740	11,613	(49,726)	77,033	16,859	127,114	572,633
Associates	–	–	–	–	–	(9,998)	(9,998)
	<u>389,740</u>	<u>11,613</u>	<u>(49,726)</u>	<u>77,033</u>	<u>16,859</u>	<u>117,116</u>	<u>562,635</u>

	Share premium HK\$'000	Distributable reserve HK\$'000	Other reserve HK\$'000	(Deficit)/ retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st August, 1998	381,315	–	–	(73,003)	308,312
Premium arising from issue of shares, net of expenses	28,445	–	–	–	28,445
Net profit for the year	–	–	–	36	36
At 1st August, 1999	409,760	–	–	(72,967)	336,793
Issue of new warrants, net of expenses	–	–	23,798	–	23,798
Premium arising from issue of shares, net of expenses	105,000	–	–	–	105,000
Premium arising from issue of shares on exercises of warrants, net of expenses	22,400	–	(6,939)	–	15,461
Premium arising from issue of shares on exercises of options	2,580	–	–	–	2,580
Reduction of share premium transferred to distributable reserve	(150,000)	150,000	–	–	–
Transfer	–	(72,967)	–	72,967	–
Net profit for the year	–	–	–	150,377	150,377
Distributions ( <i>note 13</i> )	–	–	–	(149,927)	(149,927)
As 31st July, 2000	<u>389,740</u>	<u>77,033</u>	<u>16,859</u>	<u>450</u>	<u>484,082</u>

The capital reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1994.

Pursuant to a resolution passed at the special general meeting of the Company held on 26th February, 2000, the share premium account of the Company was reduced by an amount of HK\$150,000,000. The amount arising from the reduction of the share premium account was credited to the distributable reserve account. An amount of HK\$72,967,000 of the distributable reserve was written off against the accumulated deficit of the Company as at 31st July, 1999. Particulars of the reduction were set out in the Company's circular dated 3rd February, 2000 and were approved by the shareholders on 26th February, 2000.

The Company's reserves available for distribution to shareholders as at 31st July, 2000 comprised the retained profits of HK\$450,000 and distributable reserve of HK\$77,033,000.

### 31. DEFERRED TAXATION

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance brought forward	50,099	50,330
Transfer to consolidated income statement ( <i>note 11</i> )	(20,544)	(231)
	<u>50,099</u>	<u>50,330</u>
Balance carried forward	<u>29,555</u>	<u>50,099</u>

At the balance sheet date, the components of deferred taxation are as follows:

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences because of:		
Surplus on revaluation of properties under development in the PRC upon acquisition by the Group	28,600	49,400
Excess of tax allowances over depreciation	955	699
	<u>29,555</u>	<u>50,099</u>

The Group and the Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

### 32. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	228,425	15,631
Share of results of associates	14,068	1,186
Gain on disposal of GreaterChina	(227,854)	–
Net gain on disposal of an associate	(179,520)	–
Provision for bad and doubtful debts	19,437	3,473
Depreciation and amortisation	10,351	6,578
Loss on disposal of property, plant and equipment	38	1,347
Interest income	(15,697)	(14,208)
Interest on bank borrowings	19,635	10,308
Finance charges in respect of finance leases and hire purchase contracts	337	229
Impairment loss for properties under development and completed properties for sale	109,040	–
Decrease (increase) in properties under development	40,846	(38,245)
Decrease (increase) in amounts due from contract customers	18,782	(725)
Decrease (increase) in amount due from an associate	2,942	(2,942)
(Increase) decrease in trade and other debtors	(27,007)	23,816
(Increase) decrease in deposits, temporary payment and prepayments	(4,722)	1,715
(Increase) decrease in retention money receivable	(1,413)	149
(Increase) decrease in advances to subcontractors	(27,196)	8,163
Increase (decrease) in trade and other creditors	2,372	(11,831)
Increase (decrease) in amounts due to contract customers	6,827	(20,627)
(Decrease) increase in accrued charges	(2,179)	5,568
Increase (decrease) in retention money payable	4,864	(4,696)
Increase in amount due to an associate	965	–
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(6,659)</u>	<u>(15,111)</u>

### 33. ACQUISITION OF A SUBSIDIARY

During the year ended 31st July, 2000, the Group acquired 100% of the issued share capital of Tammerworth and the benefits of shareholders' loans totalling HK\$40,651,652 granted to Tammerworth for HK\$140,000,000. The consideration was satisfied by the issue and allotment of 350,000,000 shares of the Company. This transaction has been accounted for by using the acquisition method of accounting.



	2000 HK\$'000	1999 HK\$'000
<b>NET ASSETS ACQUIRED</b>		
Golf resort under construction	83,050	–
Prepayment for golf resort under construction	56,950	–
Property, plant and equipment	654	–
Trade and other debtors	64	–
Bank balances and cash	40	44
	<hr/>	<hr/>
Net assets acquired during the year	140,758	44
Goodwill	(758)	856
	<hr/>	<hr/>
	<u>140,000</u>	<u>900</u>
<b>SATISFIED BY</b>		
Shares allotted	140,000	–
Cash	–	900
	<hr/>	<hr/>
	<u>140,000</u>	<u>900</u>
<b>NET CASH INFLOW (OUTFLOW) ARISING ON ACQUISITION</b>		
Cash consideration	–	(900)
Bank balances and cash acquired	40	44
	<hr/>	<hr/>
	<u>40</u>	<u>(856)</u>

The 350,000,000 shares of the Company were issued at a price of HK\$0.40 per share. This price represented a discount of approximately 15.8% to the closing price of HK\$0.475 per share as quoted on the Stock Exchange on 10th February, 2000 and a discount of approximately 0.99% over the average closing price of HK\$0.404 per share for the last ten trading days up to and including 10th February, 2000. Particulars of the acquisition of Tammerworth were set out in the Company's circular dated 14th February, 2000 and were approved by the shareholders on 1st March, 2000.

The subsidiary acquired during the year contributed HK\$1,026,000 (1999: HK\$1,194,000) of the Group's net operating cash flows, paid nil (1999: HK\$1,167,000) in respect of financing activities and utilised HK\$1,335,000 (1999: Nil) for investing activities. The results of the subsidiary acquired attributable to the Group during the year are insignificant.

### 34. DISTRIBUTION OF SHARES IN GREATERCHINA

On 26th February, 2000, the Company distributed 75,462,452 shares of GreaterChina to the shareholders of the Company thereby reducing the Company's interest in GreaterChina from 65.72% to 49.86%. The net assets disposed of were as follows:

	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET ASSETS DISPOSED OF</b>		
Property, plant and equipment	2,019	–
Website development costs	8,551	–
Bank balances and cash	95,420	–
Other debtors	56	–
Other creditors	(120)	–
	<hr/>	<hr/>
	105,926	–
Less: Minority interests	(36,322)	–
	<hr/>	<hr/>
	69,604	–
Gain on distribution of shares in GreaterChina ( <i>note 7</i> )	97,443	–
	<hr/>	<hr/>
	167,047	–
	<hr/> <hr/>	<hr/> <hr/>
Distribution in specie	108,482	–
Interest in GreaterChina	58,565	–
	<hr/>	<hr/>
	167,047	–
	<hr/> <hr/>	<hr/> <hr/>
<b>NET CASH OUTFLOW ARISING ON DISPOSAL</b>		
Bank balances and cash disposed of	(95,420)	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary disposed of during the year contributed HK\$64,000 (1999: Nil) of the Group's net operating cash flows, contributed HK\$95,420,000 (1999: Nil) in respect of financing activities and utilised HK\$10,570,000 (1999: Nil) for investing activities. The results of GreaterChina attributable to the Group have been disclosed in the consolidated income statement.

### 35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and other reserve <i>HK\$'000</i>	Trust receipt loans <i>HK\$'000</i>	Obligations under finance leases and hire purchase contracts Bank loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Loan from a minority shareholder of a subsidiary <i>HK\$'000</i>	Other loan <i>HK\$'000</i>	
At 1st August, 1998	517,077	27,156	–	1,395	1,852	4,520	8,938
Issue of shares for cash	56,060	–	–	–	–	–	–
Expenses incurred in connection with the issue of shares	(1,585)	–	–	–	–	–	–
Net cash outflow during the year	–	(12,818)	–	–	–	–	–
Inception of finance leases and hire purchase contracts	–	–	–	1,739	–	–	–
Repayments during the year	–	–	–	(1,665)	–	(4,520)	(8,938)
Share of loss by minority shareholders	–	–	–	–	(1,133)	–	–
At 1st August, 1999	571,552	14,338	–	1,469	719	–	–
Issue of shares for cash	28,486	–	–	–	–	–	–
Issue of warrants for cash	25,500	–	–	–	–	–	–
Expenses incurred in connection with the issue of shares, warrants and options	(1,702)	–	–	–	–	–	–
Issue of shares for acquisition of a subsidiary	140,000	–	–	–	–	–	–
Reduction of share premium transferred to distributable reserve	(150,000)	–	–	–	–	–	–
New bank loans raised	–	–	21,595	–	–	–	–
Net cash inflow during the year	–	11,181	–	–	–	–	–
Inception of finance leases and hire purchase contracts	–	–	–	6,173	–	–	–
Repayments during the year	–	–	(847)	(2,755)	–	–	–
Share of loss by minority shareholders	–	–	–	–	(719)	–	–
Arising from capital contribution from minority shareholders	–	–	–	–	36,322	–	–
Distribution of shares in GreaterChina	–	–	–	–	(36,322)	–	–
At 31st July, 2000	<u>613,836</u>	<u>25,519</u>	<u>20,748</u>	<u>4,887</u>	<u>–</u>	<u>–</u>	<u>–</u>

### 36. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged short-term bank deposits	335,448	255,085
Bank balances and cash	6,230	8,750
Trust receipt loans, repayable within three months from the date of the advances	(21,091)	(44,588)
Bank loans and overdrafts, repayable within three months from the date of the advances	(193,903)	(243,686)
	<u>126,684</u>	<u>(24,439)</u>

The Group's short-term bank deposits have been pledged to secure overdraft facilities and short-term bank borrowings granted by banks.

### 37. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases and hire purchase contracts in respect of assets with a total capital value at the inception of the finance leases and hire purchase contracts of approximately HK\$6,173,000 (HK\$1,739,000).

During the year, the Company issued shares to acquire interest in a subsidiary, details of which are set out in note 33.

During the year, the Company distributed 75,462,452 shares of GreaterChina to the shareholders of the Company by way of a distribution in specie, effects of which are set out in note 34.

### 38. COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases to make payments in the next year in respect of land and buildings as follows:

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:		
– within one year	130	1,464
– in the second to fifth years inclusive	78	121
	<u>208</u>	<u>1,585</u>

At the balance sheet date, the Group had the following other commitments:

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments contracted for but not provided in the financial statements in relation to:		
– acquisition of land in the PRC	–	12,869
– acquisition of shares in a subsidiary from a minority shareholder	4,400	4,700
– construction of golf resort	1,991	–
	<u>6,391</u>	<u>17,569</u>
Commitments authorised but not contracted for:		
– construction of properties	<u>1,744</u>	<u>–</u>

At 31st July, 2000, one of the Company's subsidiaries was committed to contribute capital of approximately HK\$41,340,000 (1999: Nil) to its subsidiary.

At the balance sheet date, the Company did not have any commitments.

### **39. PLEDGE OF ASSETS**

#### **THE GROUP**

At the balance sheet date, leasehold land and buildings having a net book value of approximately HK\$42,098,000 (1999: HK\$12,152,000), bank deposits of approximately HK\$335,448,000 (1999: HK\$255,085,000) certain trade receivable from customers, the properties under development for rent and completed properties for sale of the Group have been pledged to banks to secure credit facilities granted to the Group.

#### **THE COMPANY**

At the balance sheet date, a bank deposit of approximately HK\$23,716,000 (1999: HK\$22,207,000) has been pledged to a bank to secure credit facilities granted to the Group.

## 40. CONTINGENT LIABILITIES

### THE GROUP

At the balance sheet date, the Group did not have any significant contingent liabilities.

### THE COMPANY

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK\$261,261,000 (1999: HK\$302,612,000) were utilised at the balance sheet date.

## 41. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following related party transactions:

- (i) The Group received rental income of HK\$184,000 from GreaterChina. 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 21st 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 received administrative service fee of HK\$216,000 from GreaterChina. The fee is charged at a fixed monthly fee of HK\$40,000 pursuant to the agreement entered into between the parties dated 21st February, 2000. The fee was initially determined with reference to the proportion of the estimated time spent by staff of the Group on the affairs of GreaterChina.
- (iii) The Group provided qualified Chinese herbalist doctors to handle online enquiries by the users of GreaterChina's website. In respect of the services provided, the Group received consultant fee of HK\$438,000. The fee is charged at a fixed monthly fee of HK\$50,000 pursuant to the agreement entered into between parties dated 11th November, 1999. The fee was initially determined with reference to the proportion of the estimated time spent by the doctors.
- (iv) The Group received website development fees of HK\$150,000 from GreaterChina pursuant to the agreement entered into between the parties dated 3rd January, 2000. The fee was determined at prices agreed between the parties.
- (v) The Group sold the entire issued share capital of GreaterChinaherbs.com Limited to GreaterChina at a consideration of HK\$13,228,000 pursuant to the agreement entered into between the parties dated 18th February, 2000. The consideration was based on the costs spent by the Group in developing the website-[www.greaterchinaherbs.com](http://www.greaterchinaherbs.com).

- (vi) The Group paid advertising fees of HK\$353,000 to GreaterChina. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients by GreaterChina.
- (vii) The Group paid information technology advisory fee of HK\$772,000 to GreaterChina. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients by GreaterChina.
- (viii) During the year, Ms. Cheng Kit Yin, Kelly and certain employees of the Group were granted rights to subscribe for up to 15 per cent. of the capital of GreaterChina at par value of HK\$0.01 each. These transactions were set out in the Company's circular dated 3rd February, 2000 and were approved by the Company's shareholders in a special general meeting held on 26th February, 2000.
- (ix) During the year the Group acquired the entire issued share capital of Tammerworth and the benefits of shareholders' loans totalling HK\$40,651,652 granted to Tammerworth from Ms. Yeung Pak Wa and Mr. Yip Siu Sang at a total consideration of HK\$140,000,000 which were satisfied by the issue of a total of 350,000,000 shares of the Company. Pursuant to the agreement, Ms Yeung Pak Wa and Mr. Yip Siu Sang are responsible for all costs and expenses to be incurred in the construction of the golf resort. Pursuant to the valuation report issued by Chesterton Petty Limited dated 14th February, 2000, the estimated costs to complete the golf resort amounted to approximately HK\$56,950,000. Mr. Yip Siu Sang is the elder brother of Mr. Yip Kwong, Robert, the Chairman of the Company. These transaction were set out in the Company's circular dated 14th February, 2000 and were approved by the shareholders in a special general meeting held on 1st March, 2000.

## **42. RETIREMENT BENEFIT SCHEME**

At 31st July, 2000, the Group did not operate any retirement schemes covering their employees. Subsequent to 31st 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 1st December, 2000.

### 43. SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited ( <i>note a</i> )	British Virgin Islands	100%	US\$200	Investment holding
Bright Success Enterprises Limited	British Virgin Islands	100%	US\$1	Investment holding
Build Policy Limited	Hong Kong	100%	Ordinary HK\$100 Non-voting deferred ( <i>note b</i> ) HK\$1,000,000	Investment holding
Business Rootis Limited	Hong Kong	100%	Ordinary HK\$100 Non-voting deferred ( <i>note b</i> ) HK\$2	Property holding
Cater Associates Limited ( <i>note c</i> )	Hong Kong	90%	Ordinary HK\$10,000	Inactive
China Rich Construction Company Limited	Hong Kong	100%	Ordinary HK\$2	Investment holding
China Rich International Investments Holdings Limited	British Virgin Islands	100%	Ordinary US\$1	Inactive
China Rich Properties Limited (“China Rich”)	Hong Kong	100%	Ordinary HK\$10,000,000	Property development
China Rich Technology Limited	British Virgin Islands	100%	US\$10,000	Investment holding
Condor Holdings Limited	Hong Kong	100%	Ordinary HK\$10,000	Investment holding



<b>Name of subsidiary</b>	<b>Place of incorporation or registration and operation</b>	<b>Proportion of ownership interest and voting power held</b>	<b>Issued and fully paid share capital</b>	<b>Principal activity</b>
D&D Media & Productions Limited	Hong Kong	100%	Ordinary HK\$10,000	Inactive
Evergreen Club Limited	Hong Kong	100%	Ordinary HK\$2	Operation of a retirement club
Evergreen Travel Agency Limited	Hong Kong	100%	Ordinary HK\$500,000	Travel agent
Expo Media Services Limited	British Virgin Islands	100%	US\$1	Inactive
Fitzroya Finance Company Limited	Hong Kong	100%	Ordinary HK\$1,000,000	Money lending
Gaoming Silver Ocean Golf Club Co., Limited	Hong Kong	100%	Ordinary HK\$2	Inactive
Greater China Herbs Development Company Limited	Hong Kong	100%	Ordinary HK\$2	Operation of a Chinese medical clinic
Loyal Communication Limited (note a)	British Virgin Islands	100%	Ordinary US\$1,000	Inactive
Kai Him Holdings Limited (note c)	Hong Kong	90%	Ordinary HK\$10,000	Inactive
Marvelink Limited	British Virgin Islands	100%	US\$2	Investment holding
Mega Pacific Holdings Limited	Hong Kong	98%	Ordinary HK\$38,747,557	Investment holding
Shunde China Rich Properties Limited (“Shunde China Rich”)	PRC	100%	(note d)	Property development

<b>Name of subsidiary</b>	<b>Place of incorporation or registration and operation</b>	<b>Proportion of ownership interest and voting power held</b>	<b>Issued and fully paid share capital</b>	<b>Principal activity</b>
Tammerworth Development Limited	Hong Kong	100%	Ordinary HK\$1,500,000	Investment holding
Union Public Cars Limited <i>(note c)</i>	Hong Kong	100%	Ordinary HK\$2	Inactive
Wai Shun Construction Company Limited	Hong Kong	100%	Ordinary HK\$100 Non-voting deferred <i>(note b)</i> HK\$30	Repairs and maintenance of buildings
Wing Fai (China) Development Limited	Hong Kong	100%	Ordinary HK\$10	Investment holding
Wing Fai Construction Company Limited	Hong Kong	100%	Ordinary HK\$100 Non-voting deferred <i>(note b)</i> HK\$28,000,000	Repairs and maintenance of civil engineering establishments
Wing Fai (Overseas) Development Limited <i>(note c)</i>	Hong Kong	90%	Ordinary HK\$10,000	Investment holding
Wing Fai Overseas Engineering Limited <i>(note c)</i>	Hong Kong	90%	Ordinary HK\$10,000	Inactive
Wing Fai Property Management Limited <i>(note c)</i>	Hong Kong	54%	Ordinary HK\$10,000	Investment holding
Zhukuan Wing Fai Construction Company Limited	Hong Kong	51%	Ordinary HK\$100,000	Repairs and maintenance of civil engineering establishments

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
廣州市紫霞山莊有限公司 (formerly known as 花都市萬福山莊有限公司)	PRC	51%	Registered HK\$9,330,000	Operation of a recreational park
廣東協和高級醫療中心	PRC	(note e)	Registered RMB10,015,863	Operation of a medical centre in the PRC
高明銀海高爾夫球俱樂部有限公司 Gaoming Silver Ocean Golf Club Co., Ltd. (“Gaoming Silver Ocean”) (note f)	PRC	100%	Registered US\$2,700,000	Operation of a golf resort in the PRC

*Notes:*

- (a) Benefit Holdings International Limited and Loyal Communication Limited are directly held by the Company. All other companies are indirectly held by the Company.
- (b) The non-voting deferred shares are held by Benefit Holdings International Limited and carry minimal right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On a winding-up, the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid up to the non-voting deferred shares held by them respectively after a total sum of HK\$100,000,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the company.
- (c) Applied for a strike off from the Companies Registry on 1st August, 1998.
- (d) Shunde China Rich was established in the PRC in March 1996 in accordance with a cooperative joint venture agreement entered into between China Rich and a PRC party on 18th June, 1994. The principal activities of Shunde China Rich are the development, sales and leasing of the property development project currently undertaken by China Rich. Pursuant to the joint venture agreement, China Rich is entitled to the entire profit or loss of Shunde China Rich and on liquidation of Shunde China Rich, China Rich is entitled to all the assets and liabilities of Shunde China Rich.
- (e) This is a joint venture for a period of 12 years up to December 2007 established under a joint venture agreement with another PRC party. Under the joint venture agreement, there are provisions to extend the period of the joint venture, the Group is required to contribute the entire registered capital of the joint venture, and is also required to guarantee that the profit payable to the PRC joint venture partner is not less than RMB700,000 per annum or 20% of the annual net profit of the joint venture, whichever is higher.
- (f) Gaoming Silver Ocean was established in the PRC in August 1993 in accordance with a Sino-foreign cooperative joint venture agreement (“JV agreement”) entered into between Norton International Limited and a PRC party on 29th July, 1993. Pursuant to the agreement entered into between the Group and the relevant PRC parties on 26th July, 1997, the entire interest of Norton International

Limited in Gaoming Silver Ocean was transferred to the Group. Pursuant to the JV agreement and the supplemental agreement, the joint venture is for a period of 30 years from August 1993 and can be extended to a period subject to the negotiation between the parties. The Group is entitled to a profit sharing ratio of 80%. However, if Gaoming Silver Ocean operates at a loss, all the loss will be shared by the Group. Gaoming Silver Ocean has a registered capital of US\$8,000,000. Up to 31st July, 2000, the Group has contributed an aggregate investment of HK\$21,060,000.