

# Interim Report 2000

China Rich Holdings Limited

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 JANUARY, 2001

	Six months ended 31 January, 2001 (unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(72,579)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(5,923)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,253)
NET CASH OUTFLOW BEFORE FINANCING	(82,755)
NET CASH INFLOW FROM FINANCING	8,736
DECREASE IN CASH AND CASH EQUIVALENTS	(74,019)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	126,684
CASH AND CASH EQUIVALENTS AT END OF PERIOD	52,665

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Principal accounting policies and basis of presentation

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" except that, in this first year of implementation of the standard, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, no comparative figures have been presented for the unaudited condensed consolidated cash flow statement.

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The interim consolidated financial statements for the six months ended 31 January, 2001 are unaudited and have been reviewed by the Audit Committee of the Company.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 July, 2000.

## 2. Segment information

	Turnover		Contribution to	
	Six months ended		(loss) profit	
	31 January,		before taxation	
	2001	2000	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong	126,008	146,896	21,187	28,369
Provision of medical and health services in the People's Republic of China	9,350	-	4,974	-
	<b>135,358</b>	146,896	<b>26,161</b>	28,369
Other income			6,430	-
Administrative and other operating expenses			(47,197)	(30,056)
Share of results of an associate			(8,339)	(4,070)
Interest expenses (net)			(5,755)	(4,791)
Net gain on partial disposal of an associate			-	44,740
(Loss) profit before taxation			<b>(28,700)</b>	34,192

(Loss) profit before taxation is arrived at after charging depreciation amounting to HK\$5,555,000 (1.8.1999 to 31.1.2000: HK\$2,701,000).

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### 3. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for the six months ended 31 January, 2001. Taxation for the six months ended 31 January, 2000 was calculated at 16% on the estimated assessable profit for that period.

### 4. Proposed interim dividend

The directors have determined that no interim dividend should be paid for the six months ended 31 January, 2001. An interim dividend of HK\$0.01 per share was proposed for the six months ended 31 January, 2000.

### 5. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	Six months ended 31 January,	
	2001 (unaudited) HK\$'000	2000 (unaudited) HK\$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(28,700)	28,167

	Number of shares	
	2001 '000	2000 '000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	2,072,370	1,623,015

Effect of dilutive potential ordinary shares:

Options	2,815
Warrants	49,275

Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share

1,675,105

The exercise of the outstanding Company's share options and warrants would not result in any dilutive effect in the current period.

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## 6. Property, plant and equipment

During the six months ended 31 January, 2001, a total amount of approximately HK\$85,424,000 was transferred from completed properties for sale to property, plant and equipment. Such properties will be held by the Group for long-term.

## 7. Trade and other debtors

The policy of the Group is to offer credit terms ranging from 30 to 90 days. The aging analysis of trade and other debtors is stated as follows:

	<b>31 January, 2001 (unaudited) HK\$'000</b>	31 July, 2000 (audited) HK\$'000
Aged:		
0 to 30 days	<b>20,321</b>	23,721
31 to 60 days	<b>559</b>	2,101
61 to 90 days	<b>–</b>	53,463
91 to 180 days	<b>769</b>	1,861
Over 180 days	<b>92,308</b>	5,687
	<b>113,957</b>	86,833

## 8. Advances to subcontractors

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:

	<b>31 January, 2001 (unaudited) HK\$'000</b>	31 July, 2000 (audited) HK\$'000
Aged:		
0 to 30 days	<b>23,984</b>	2,113
91 to 180 days	<b>–</b>	19,023
Over 180 days	<b>18,000</b>	–
	<b>41,984</b>	21,136

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## 9. Trade and other creditors

The aging analysis of trade and other creditors is summarised as follows:

	<b>31 January, 2001 (unaudited) HK\$'000</b>	31 July, 2000 (audited) HK\$'000
Aged:		
0 to 30 days	972	19,025
31 to 60 days	27,093	19,002
61 to 90 days	16,887	933
91 to 180 days	1,100	558
Over 180 days	23,130	4,973
	<b>69,182</b>	44,491

## 10. Share Capital

	<b>31 January, 2001 (unaudited) HK\$'000</b>	31 July, 2000 (audited) HK\$'000
Share of HK\$0.10 each		
Authorised:		
At the beginning and end of the period/year	<b>300,000</b>	300,000
Issued and fully paid:		
At beginning of the period/year	<b>207,237</b>	161,792
Issued as consideration to acquire 100% of the issued share capital of Tammerworth Development Limited	–	35,000
Exercise of share options	–	1,695
Exercise of warrants	–	8,750
At the end of period/year	<b>207,237</b>	207,237

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## 11. Reserves

	<b>31 January, 2001 (unaudited) HK\$'000</b>	31 July, 2000 (audited) HK\$'000
Share premium	<b>389,740</b>	389,740
Capital reserve	<b>11,613</b>	11,613
Goodwill reserve	<b>(49,726)</b>	(49,726)
Distributable reserve	<b>77,033</b>	77,033
Other reserve	<b>16,859</b>	16,859
Retained profits	<b>88,416</b>	117,116
	<b>533,935</b>	562,635

## 12. Pledged of assets

At 31 January, 2001 leasehold land and buildings having a net book value of approximately HK\$126,000,000 (31 July, 2000: HK\$42,098,000), bank deposits of approximately HK\$413,606,000 (31 July, 2000: HK\$335,448,000), 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.

## 13. Related party transactions

During the six months ended 31 January, 2001, the Group entered into the following related party transactions with GreaterChina Technology Group Limited ("GreaterChina"), in which Ms. Cheng Kit Yin, Kelly, a director of the Company, is interested by virtue of her shareholding in GreaterChina and is the chairman of GreaterChina:

- (i) The Group received rental income of HK\$204,000 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 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 received administrative service fee of HK\$240,000 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 21 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 enquires by the users of GreaterChina's website. In respect of the services provided, the Group received consultant fee of HK\$300,000. The fee is charged at a fixed monthly fee of HK\$50,000 pursuant to the agreement entered into between parties dated 11 November, 1999. The fee was initially determined with reference to the proportion of the estimated time spent by the doctors.
- (iv) the Group paid advertising fees of HK\$1,450,000 to GreaterChina. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients by GreaterChina.
- (v) The Group paid information technology advisory fee of HK\$23,000 to GreaterChina. The fee was determined at prices agreed between the parties and was similar to terms offered to other clients by GreaterChina.

The Group did not receive any income or paid any expenses to GreaterChina during the six months ended 31 January, 2000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and prospects

During the first half of this financial year, the turnover of the Group amounted to HK\$135 million, representing a 9.7% drop from the same period last year. Net loss attributable to shareholders was HK\$28.7 million for the six months ended 31 January, 2001 (the "Period"), compared with a net profit of HK\$7.5 million a year ago. Excluding the contributions from associates, and the one-off gain from the disposal of Outblaze Limited, the Group's operating loss widened from HK\$6 million in the first half of 2000 to HK\$20 million during the same period in 2001 mainly due to higher administrative expenses.

The Group's turnover is mainly derived from construction income. Currently, the Group is working on 6 civil engineering contracts awarded by the Government of the HKSAR, with completion dates phased between April 2001 and July 2002. As at 31 January, 2001, total value of contract work on hand amounts to HK\$1,051 million.

On 5 December, 2000, the Group has agreed with Yoshiya International Corporation, Limited ("Yoshiya") to dispose certain subsidiaries of the Group, namely those comprising Evergreen Club, to Yoshiya. The Group will receive HK\$120 million cash, and HK\$526.8 million new shares issued by Yoshiya valued at HK\$0.48 each in return for the disposal. Upon completion, the Group will have acquired approximately 69.5% of the enlarged issued share capital of Yoshiya, and will therefore be obliged under the Hong Kong

Code of Takeovers and Mergers to make a general offer to all shareholders of Yoshiya at HK\$0.48 each. As of today, the respective ordinary resolutions to approve the disposal have been duly passed at the special general meeting held by the Group and Yoshiya. Completion of the disposal shall take place on or before the 7th business day after all the conditions precedent have been fulfilled (or waived by the Group where appropriate). Upon the completion of the disposal, a circular in respect of general offer will be dispatched to the shareholders of Yoshiya within 7 days. If the conditions precedent have neither been fulfilled nor waived by the Group by 28 April, 2001 or such later date as mutually agreed, the disposal agreement will lapse, and neither the Group nor Yoshiya shall have any claim against the other except in respect of any antecedent breach.

The Group continues to hold (i) 37% of GreaterChina Technology Group Limited, the shares of which were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and (ii) 33% of GZTF Engineering Consulting Co., Ltd.

Other than the disposal of certain subsidiaries of the Group as discussed above, there were no significant acquisitions and disposals of any subsidiaries or other investments during the Period.

The number of staff as at the end of the Period was over 300, which is similar to the head count as at 31 July, 2000. Besides salary payment, the Group has an employees' share option scheme which was adopted on 30 September, 1994. Details of the share option scheme was stated below.

For segmental information for the Period, please refers to the discussion in the above.

## **Financial results**

### *Borrowings and charge on Group assets*

Bank borrowings of the Group amounted to HK\$423 million, which is fully secured by the assets of the Group. Obligation under finance leases and hire purchase contracts were reduced by HK\$1.6 million because of repayment.

On 31 January, 2001, leasehold land and building having aggregate net book value of approximately HK\$126 million, bank deposits of approximately HK\$413.6 million, completed property for sale approximately HK\$30 million and certain trade receivables from customers of the Group have been pledged to banks to secure credit facilities granted to the Group.



With respect to the interest rate structure of the borrowings, most of bank borrowings were charged by interest rate in line with the deposit rate offered to the Group's bank deposits and the other were based on the best lending rate offered by the banks. The management considers this structure is conservative and flexible for the daily operation of the Group.

#### *Gearing ratio*

The gearing ratio was 35% as at 31 July, 2000 and 57% as at 31 January, 2001. Computation is based on the total bank borrowings and obligation under finance leases and hire purchase contracts compared to total capital and reserve of the Group. As most of the bank borrowings are secured by bank deposits, effective gearing ratio of the Group computed by net outstanding bank borrowings and obligation under finance leases and hire purchase contract compared to total capital and reserve is insignificant.

#### *Exchange rate exposure*

Most of the Group's cash and cash equivalents were held in Hong Kong dollar or Renminbi. Borrowings of the Group were also made in these currencies to avoid the fluctuation in exchange rates. As the exchange rates of Renminbi against Hong Kong dollar were relatively stable during the Period, the Group was not exposed to any significant risk in exchange rate.

#### *Current ratio*

The current ratio decreased from 1.6 as at 31 July, 2000 to 1.2 as at 31 January, 2001 as the current portion of the bank borrowing has increased to finance the further construction of the property under development for rent. The directors are of the opinion that the Group has sufficient liquid assets to maintain daily operation of the Group.

#### *Capital commitments*

Other than HK\$4.4 million for the acquisition of shares in a subsidiary from a minority shareholder and HK\$2 million for the construction of golf resort that contracted and HK\$1.7 million for the construction of properties authorised, there was no other significant capital commitment outstanding at the end of the Period.

There was no significant contingent liabilities outstanding as at 31 January, 2001.