

Business Review and Prospects

During the year ended 31st July, 2002, the turnover of the Group was amounted to approximately HK\$205 million (2001: HK\$316 million), representing a 35% decrease from the previous year. The net loss for the year was HK\$139 million, representing a net loss of HK6.1 cents per share, compared with a net loss of HK\$166 million, representing HK7.9 cents per share in the previous financial year. The net loss for the year was mainly attributable to the revaluation and impairment of the Group's land and buildings, investment properties, properties held for sale and golf club under construction of an aggregate amount of HK\$64 million (2001: HK\$54 million), net provision for doubtful debts of HK\$14 million (2001: HK\$2 million) and loss on disposal of discontinued operation of HK\$45 million (2001: Nil). Despite the negative business environment since last year, the Group was able to reduce the loss from operations to HK\$77 million (2001: HK\$121 million).

Civil Engineering

The Group's turnover during the current year and previous year was mainly derived from the repairs and maintenance of civil engineering construction contracts awarded by the Government of Hong Kong Administrative Region ("HKSAR"). With the drastic downturn in the Hong Kong economy, the impact on the entire civil engineering construction business sector was most severe. At the same time, the Group decided to focus more of its efforts and resources to expand other businesses of the Group such as its property development sector, its medical and health services in the PRC and also other investment opportunities. Therefore, on 22nd April, 2002, the Group disposed of all of its interests in its construction activities related subsidiaries, namely Wing Fai Construction Company Limited, Zhukuan Wingfai Construction Company Limited and Wai Shun Construction Company Limited (together called "Civil Engineering Subsidiaries" or "Wing Fai Subsidiaries") to an independent third party.

The business segment of civil engineering was terminated following the disposal of the Civil Engineering Subsidiaries on 22nd April, 2002 and the financial effects of which were classified and disclosed in the consolidated financial statements as "discontinued operations". The "discontinued operations", therefore, in particular refers to the amounts relating to the Civil Engineering Subsidiaries.

Following the disposal of the Civil Engineering Subsidiaries, the books and records of the Civil Engineering Subsidiaries were transferred accordingly. The consolidated financial statements of the Group in respect of the year ended 31st July, 2002 have been prepared based on the unaudited management accounts of the Civil Engineering Subsidiaries for the period from 1st August, 2001 to 22nd April, 2002. Since the books and records of the Civil Engineering Subsidiaries were taken over and hence out of the control of the

Group, our auditors were unable to access the books and records of the Civil Engineering Subsidiaries and there were no other satisfactory audit procedures that they could adopt to obtain sufficient evidence to satisfy themselves as to whether the amounts in relation to the Civil Engineering Subsidiaries were fairly stated in the consolidated financial statements. Therefore, a qualified opinion arising from limitation of audit scope was included on the consolidated financial statements for the year ended 31st July, 2002. Other than the aforementioned, the auditors are of the opinion that the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st July, 2002.

During the year, the Civil Engineering Subsidiaries contributed costs and expenses of approximately HK\$170 million (2001: HK\$311 million) to the Group. The disposal of the Civil Engineering Subsidiaries, therefore, has reduced the operating expenses of the Group and in addition to the stringent cost control adopted by the Group, the management is optimistic that the Group could reposition itself to reap the upcoming business opportunities in the China market.

Property Development

During the year, the Group recorded a decrease of HK\$10 million in turnover arising from the property development when compared to last year mainly because of the increase in competition in the China market. The operations of property development had recorded a 6% gross profit (2001: 14%) and net segment profit of approximately HK\$1 million (2001: HK\$1 million), before revaluation and impairment loss.





Medical and Health Services

The Group's Guangdong Concord Medical Centre, a private state-of-the-art medical centre with qualified medical professional is ready to meet the growing demand and quality healthcare of the emerging China markets. During the year, the medical and health services attained gross profit and net profit of 53% and 26%, respectively. A segment profit of approximately HK\$4 million (2001: HK\$4 million) was recorded for the year.



Golf Resort

The Group's Gaoming Silver Ocean Golf Resort, an eighteen hole golf resort situated in the center of the Pearl River Delta. The golf course is adjacent to a reservoir and with a beautiful landscape and challenging courses. The golf resort was substantially completed as at year end. Upon completion, the resort will be fully equipped with clubhouse, guestrooms, swimming pool, tennis court, conference facility and other recreational services specially designed for its members and guests.



Financial Results

Other Investments

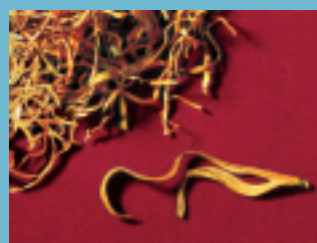
The Group continues to hold (i) 38% of GreaterChina Technology Group Limited, the shares of which were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and (ii) 33% of GZTF Engineering Consulting Company Limited.



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Borrowings and charge on Group assets

The Group's borrowings at the end of the year mainly comprised of bank overdrafts which amounted to HK\$226 million (2001: HK\$463 million), and are fully secured by the Group's cash deposits of HK\$196 million (2001: HK\$413 million), certain of its land and buildings at carrying value of HK\$26 million (2001: HK\$41 million), certain of its investment properties at aggregate carrying value of HK\$32 million (2001: HK\$32 million) and certain of its properties held for sale. The Group, therefore, has effectively no outstanding debts or exposures to its bankers given that the Group's charged assets were at carrying values exceeding the outstanding borrowings. Out of the total borrowings of HK\$226 million, HK\$199 million was repayable within one year and was well covered by the current assets of HK\$323 million as at year end.



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

Current and gearing ratios

The current ratio as at 31st July, 2002 was 1.14 as compared to 1.17 as at 31st July 2001. The gearing ratio, defined as the ratio of total borrowings to capital and reserves, was 41% as compared to 70% as at 31st July, 2001. As most of our bank borrowings are secured by bank deposits, effective gearing ratio of the Group as computed is insignificant. The Directors are of the opinion that the Group has sufficient current assets to maintain the daily operations of the Group.

Overall, the net asset value of the Group was HK\$555 million representing approximately HK\$0.25 per share as compared to HK\$664 million representing HK\$0.29 per share in the previous year.

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 year, the Group was not exposed to any significant risk in exchange rate.

Capital commitment and contingent liabilities

Other than the HK\$4.4 million (2001: HK\$4.4 million) for the acquisition of shares in a subsidiary from a minority shareholder and HK\$1.4 million (2001: HK\$2.8 million) for the construction of the golf resort, there were no other significant capital commitments or contingent liabilities outstanding as at the end of year.



Employees

The number of staff as at the end of the year was over 200 (2001: 300). Remuneration package of the staff comprised of monthly salary, provident fund contributions, medical claims, education allowances and discretionary options issued based on their contributions to the Group. A new share option scheme was approved and adopted in January 2002. Staff costs including directors' remuneration for the year were amounted to HK\$20 million (2001: HK\$67 million). The reduction is mainly attributable to less staff being employed due to the disposal of the construction activities related subsidiaries of the Group during the financial year.

Capital structure

Pursuant to an agreement dated 12th November, 2001 and a supplement agreement dated 26th November, 2001, the Company entered into a conditional placing and underwriting agreement with the placing agents for a private placement of 400,000,000 units of warrants of the Company at a price of HK\$0.10 per unit to independent investors. Each unit of warrants will give the warrant holder the right to subscribe in cash for one share of the Company at an initial subscription price of HK\$0.35 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 11th June, 2003.

The warrants commenced trading on 12th December, 2001. During the year, no registered warrant holders exercised their rights to subscribe for shares in the Company.

On 10th January, 2002, an ordinary resolution was passed at a special general meeting to increase the authorized share capital of the Company from HK\$300,000,000 to HK\$800,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.10 each in the capital of the Company.

Future plans

Due to the gloomy market sentiment, the Group has so far taken a very conservative approach in conserving its financial strength and enhance its perseverance and at the same time reviewing its business strategies. Its goals and objectives in the coming era will be seeking for good investment opportunities by means of acquisition and strategic alliance as well as to capture and cultivate the enormous China market. The Directors believe that with their continuous efforts, new ventures will be brought into the Group to strengthen and broaden their capabilities in securing profitable return to their shareholders.