

Notes to the Financial Statements

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Everbest Holdings Group Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the property development and the provision of medical and health services in the People's Republic of China ("PRC"). The Group was also involved in the repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong, the operations of which were discontinued during the year.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of revised and new Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these revised and new SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, these revised and new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these revised and new SSAPs described above has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment which increases the retained profits as at 1st August, 2000 by HK\$20,724,000.

SSAP14 (Revised) "Leases" specifies additional disclosures for the Group's leasing arrangements. Disclosure for all of the Group's leasing arrangements have been modified so as to meet the requirements of SSAP14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st July, 2001 have been amended so that they are presented on a consistent basis.

In adopting SSAP 30 "Business Combinations", the Group has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st August, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant business, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1st August, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1st January 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than investment properties. Although in prior years the Group complied with the requirements of specific SSAPs in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of goodwill and property, plant and equipment resulting in the identification of impairment loss of goodwill of HK\$49,726,000 for the year ended 31st July, 2001 and of golf resort construction, and property, plant and equipment of HK\$27,000,000 and HK\$13,200,000, respectively, for the year ended 31st July, 2002.

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	2002 HK\$'000	2001 HK\$'000
Impairment loss in respect of golf resort under construction	(27,000)	–
Impairment loss in respect of property, plant and equipment	(13,200)	–
Impairment loss in respect of goodwill	–	(49,726)
	<u> </u>	<u> </u>
	<u>(40,200)</u>	<u>(49,726)</u>

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st July each year.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consideration represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st August, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1st August, 2001 is capitalised and amortised on a straight line basis over its estimated useful life.

On disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in an associates are stated at cost, as reduced by any identified impairment loss.

Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the dates of acquisition. The corresponding liability is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total lease payments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Operating leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment other than properties under construction are stated at cost less depreciation and amortisation and accumulated impairment losses.

Properties in the course of construction are carried at cost less any identified impairment loss. Cost includes professional and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Leasehold land and buildings	Over the shorter of the term of the lease, or 20 years
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20 – 33 ¹ / ₃ %
Plant and machinery	10%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

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

Golf resort under construction

The golf resort under construction is stated at cost less identified impairment loss. Depreciation on the golf resort under construction will be provided when it is ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at lower of cost or estimated net realisable value.

Revenue from pre-sales of properties under development is recognised based on the construction costs of a development project incurred up to the end of a financial period as a proportion of the estimated total construction costs. Income recognised is limited to the amount of pre-sale deposits received. In any case, income is only recognised when it is reasonably certain.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sale deposits received in advance of completion are forfeited. The excess of the sales deposits forfeited over the profits recognised up to the date of forfeiture is credited to the income statement.

Properties for sale

Properties for sale are stated at lower of cost or estimated net realisable value.

Investments in securities

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 year. 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 calculated in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from the sale of completed properties is recognised upon the execution of a binding sale and purchase agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs subject to the limit that income recognised at any time does not exceed the amount of deposits already received.

Medical and examination fee income is recognised when services are provided.

Property rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income from advances to subcontractors and bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, except for doubtful advances on which no interest income is accrued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars 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 financial statements of operations outside Hong Kong which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation, if any, are dealt with in reserves.

Taxation

The charge for taxation is based on the results for the year 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 the 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 an asset will crystallise in the foreseeable future.

4. TURNOVER

	2002 HK\$'000	2001 HK\$'000
Continuing operations:		
Sales of properties in the PRC	7,635	17,626
Provision of medical and health services in the PRC	<u>15,552</u>	<u>17,673</u>
	23,187	35,299
Discontinued operations:		
Repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong	<u>182,295</u>	<u>280,405</u>
	<u><u>205,482</u></u>	<u><u>315,704</u></u>

5. SEGMENT INFORMATION

The Group is currently engaged in property development and the provision of medical and health services in the PRC. In prior years, the Group was also involved in the repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong, the operations of which were discontinued from 22nd April, 2002 (see note 33).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

5. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

Business segments

2002

Results

	Civil engineering HK\$'000 (Note)	Property development HK\$'000	Medical and health services HK\$'000	Golf resort under construction HK\$'000	Consolidated HK\$'000
Segment revenue	<u>182,295</u>	<u>7,635</u>	<u>15,552</u>	<u>-</u>	<u>205,482</u>
Segment results	<u>47,307</u>	<u>(22,932)</u>	<u>3,997</u>	<u>(27,672)</u>	<u>700</u>
Unallocated corporate expenses					<u>(77,850)</u>
Loss from operations					(77,150)
Loss on disposal of discontinued operations					(45,493)
Share of results of associates					(1,709)
Finance costs					<u>(13,675)</u>
Loss before taxation					(138,027)
Taxation charge					<u>(455)</u>
Loss before minority interests					(138,482)
Minority interests					<u>(81)</u>
Net loss for the year					<u>(138,563)</u>

5. SEGMENT INFORMATION (continued)

Business segments (continued)
2002 (continued)

Other information

	Civil engineering HK\$'000 (Note)	Property development HK\$'000	Medical and health services HK\$'000	Golf resort under construction HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	86	-	12	1,507	529	2,134
Depreciation and amortisation	1,744	99	31	829	2,742	5,445
Balance sheet						
ASSETS						
Segment assets	-	400,168	5,157	179,098		584,423
Interests in associates						94,979
Unallocated corporate assets						207,474
						886,876
LIABILITIES						
Segment liabilities	-	118,011	5,054	8,811		131,876
Amount due to an associate						688
Unallocated corporate liabilities						198,323
						330,887

Note: The business segment of civil engineering was ceased following the disposal of Wing Fai Construction Company Limited ("Wing Fai"), Zhukuan Wingfai Construction Company Limited and Wai Shun Construction Company Limited (the "Wing Fai Subsidiaries") on 22nd April, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

5. SEGMENT INFORMATION (continued)

Business segments (continued)

2001

Results

	Civil engineering HK\$'000	Property development HK\$'000	Medical and health services HK\$'000	Golf resort under construction HK\$'000	Consolidated HK\$'000
Segment revenue	<u>280,405</u>	<u>17,626</u>	<u>17,673</u>	<u>-</u>	<u>315,704</u>
Segment results	<u>(24,310)</u>	<u>(53,547)</u>	<u>3,566</u>	<u>-</u>	<u>(74,291)</u>
Unallocated corporate expenses					(13,988)
Gain on expiry of warrants					16,859
Impairment loss in respect of goodwill					<u>(49,726)</u>
Loss from operations					(121,146)
Share of results of associates					(28,140)
Finance costs					<u>(27,571)</u>
Loss before taxation					(176,857)
Taxation credit					<u>11,341</u>
Loss before minority interests					(165,516)
Minority interests					<u>(802)</u>
Net loss for the year					<u><u>(166,318)</u></u>

Other information

	Civil engineering HK\$'000	Property development HK\$'000	Medical and health services HK\$'000	Golf resort under construction HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	1,425	19	30	1,016	392	2,882
Depreciation and amortisation	<u>6,749</u>	<u>102</u>	<u>247</u>	<u>490</u>	<u>2,702</u>	<u>10,290</u>

5. SEGMENT INFORMATION (continued)

Business segments (continued)

2001 (continued)

Balance sheet

	Civil engineering HK\$'000	Property development HK\$'000	Medical and health services HK\$'000	Golf resort under construction HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	<u>195,005</u>	<u>433,325</u>	<u>5,993</u>	<u>174,981</u>	809,304
Interests in associates					106,683
Unallocated corporate assets					<u>375,806</u>
					<u>1,291,793</u>
LIABILITIES					
Segment liabilities	<u>294,530</u>	<u>120,528</u>	<u>5,022</u>	<u>1,521</u>	421,601
Amount due to an associate					403
Unallocated corporate liabilities					<u>204,527</u>
					<u>626,531</u>

Geographical segments

The following tables provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services.

	Revenue		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By geographical market:				
Hong Kong	<u>182,295</u>	<u>280,405</u>	<u>(28,822)</u>	<u>(34,749)</u>
PRC	<u>23,187</u>	<u>35,299</u>	<u>(48,328)</u>	<u>(53,530)</u>
	<u>205,482</u>	<u>315,704</u>	<u>(77,150)</u>	<u>(88,279)</u>
Gain realised on expiry of warrants			–	16,859
Impairment loss in respect of goodwill			–	<u>(49,726)</u>
Loss from operations			<u>(77,150)</u>	<u>(121,146)</u>

Revenue from the Group's discontinued operations was principally derived from Hong Kong.

5. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	302,453	677,753	86	1,442
PRC	<u>584,423</u>	<u>614,040</u>	<u>2,048</u>	<u>1,440</u>
	<u><u>886,876</u></u>	<u><u>1,291,793</u></u>	<u><u>2,134</u></u>	<u><u>2,882</u></u>

6. NET ALLOWANCES FOR BAD AND DOUBTFUL DEBTS

	2002 HK\$'000	2001 HK\$'000
Allowances for bad and doubtful debts	(46,193)	(1,718)
Bad debts written back	<u>32,000</u>	<u>-</u>
	<u><u>(14,193)</u></u>	<u><u>(1,718)</u></u>

Included in allowances for bad and doubtful debts of HK\$46,193,000 was allowance of HK\$33,815,000 for amount due from Wing Fai, a subsidiary of the Company which was disposed of on 22nd April, 2002.

7. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	700	891
Depreciation and amortisation on:		
Owned assets	5,355	7,125
Assets held under finance leases	90	3,165
	5,445	10,290
Loss on disposal of investments in securities	3,903	-
Loss on disposal of property, plant and equipment	18	-
Operating lease rentals in respect of land and buildings	96	206
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	244	1,500
Salaries and other benefits	19,379	65,903
	19,623	67,403
Net foreign exchange loss (gain)	107	(58)
Interest income	(10,833)	(22,376)

8. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

On 22nd April, 2002, the Group disposed of its Wing Fai Subsidiaries which carried on the repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong.

The results of the Wing Fai Subsidiaries for the period from 1st August, 2001 to 22nd April, 2002, which have been included in the consolidated financial statements, were as follows:

	1.8.2001 to 22.4.2002 HK\$'000	1.8.2000 to 31.7.2001 HK\$'000
Turnover	182,295	280,405
Cost of sales	<u>(155,179)</u>	<u>(271,821)</u>
	27,116	8,584
Other operating income	2,962	6,400
Bad debts written back	32,000	–
Administrative expenses	(4,019)	(20,563)
Other operating expenses	<u>(10,752)</u>	<u>(18,731)</u>
Profit (loss) from operations	47,307	(24,310)
Finance costs	<u>(5,188)</u>	<u>(13,995)</u>
Profit (loss) before taxation	42,119	(38,305)
Taxation	<u>–</u>	<u>955</u>
Net profit (loss) for the period/year	<u><u>42,119</u></u>	<u><u>(37,350)</u></u>

The carrying amounts of the assets and liabilities of the Wing Fai Subsidiaries at the date of disposal are set out in note 33.

A loss of HK\$45,493,000 arose on the disposal of the Wing Fai Subsidiaries, being the proceeds of disposal less the carrying amount of the net assets of Wing Fai Subsidiaries (see note 33).

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Finance charges in respect of finance leases	25	458
Interest on bank borrowings wholly repayable within five years	12,880	25,410
Interest on bank borrowings with instalments repayable after five years	<u>770</u>	<u>1,703</u>
	<u><u>13,675</u></u>	<u><u>27,571</u></u>

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
(a) Directors' emoluments		
Fees:		
Executive directors	–	–
Independent non-executive directors	<u>144</u>	<u>332</u>
	<u>144</u>	<u>332</u>
Other emoluments to executive directors:		
Salaries and other benefits	7,733	6,923
Retirement benefits scheme contributions	<u>42</u>	<u>24</u>
	<u>7,775</u>	<u>6,947</u>
Total emoluments	<u><u>7,919</u></u>	<u><u>7,279</u></u>

The emoluments of the above directors fell within the following bands:

	Number of director(s)	
	2002	2001
Nil – HK\$1,000,000	3	5
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	<u>1</u>	<u>1</u>

No remuneration were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group.

There was no arrangement under which a director had waived or agreed to waive any remuneration in both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, four (2001: three) were directors of the Company whose emoluments are set out above. The emolument of the remaining one (2001: two) individual was as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	960	2,186
Retirement benefits scheme contributions	<u>12</u>	<u>16</u>
Total emoluments	<u><u>972</u></u>	<u><u>2,202</u></u>

The emoluments of the above employees fell within the following bands:

	Number of employee	
	2002	2001
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	<u>-</u>	<u>1</u>

11. TAXATION (CHARGE) CREDIT

	2002 HK\$'000	2001 HK\$'000
The (charge) credit comprises:		
Profits tax for the year arising in the PRC	<u>(108)</u>	<u>(137)</u>
(Under) overprovision of profits tax in prior years		
Hong Kong	(347)	-
PRC	<u>-</u>	<u>2,523</u>
	<u>(347)</u>	<u>2,523</u>
Deferred taxation (<i>note 31</i>)	<u>-</u>	<u>8,955</u>
	<u><u>(455)</u></u>	<u><u>11,341</u></u>

No provision for Hong Kong Profits Tax has been made in the financial statements in the current year as the Group incurred tax losses for the year.

Taxation arising in the PRC is calculated at the rates prevailing in the respective regions.

12. DIVIDEND

The amount represented the final dividend for year 2000 of HK1.0 cent per share paid subsequent to the issue of annual report for the year ended 31st July, 2000.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$138,563,000 (2001: HK\$166,318,000) and the weighted average number of 2,256,596,333 (2001: 2,107,452,223) shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the potential shares since their exercise would result in a reduction in loss per share.

The adjustment to comparative basic loss per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	2001 HK cents
Reported figure before adjustment	(5.5)
Adjustment arising from the adoption of SSAP30	<u>(2.4)</u>
Restated	<u><u>(7.9)</u></u>

14. INVESTMENT PROPERTIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At beginning of the year	181,199	–
Additions	5,424	–
Transfer from properties under development	–	233,792
Deficit arising from revaluation	<u>(5,000)</u>	<u>(52,593)</u>
At end of the year	<u><u>181,623</u></u>	<u><u>181,199</u></u>

Investment properties were revalued at their open market values at 31st July, 2002 by Chesterton Petty Limited, an independent valuer, on an open market value basis. This valuation gave rise to a revaluation decrease of HK\$5,000,000 (2001: HK\$52,593,000) which has been charged to the income statement.

The Group's investment properties with an aggregate carrying value of approximately HK\$31,832,000 (2001: HK\$32,623,000) have been pledged to secure credit facilities granted to the Group.

The investment properties are situated in the PRC under long leases.

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For the year ended 31st July, 2002

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Properties under construction HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st August, 2001	65,689	556	17,695	16,115	5,450	105,505
Additions	528	-	486	1,106	14	2,134
Transfer	556	(556)	-	-	-	-
Disposals	-	-	(29)	(87)	-	(116)
Disposal of subsidiaries	-	-	(11,771)	(14,693)	(4,303)	(30,767)
At 31st July, 2002	<u>66,773</u>	<u>-</u>	<u>6,381</u>	<u>2,441</u>	<u>1,161</u>	<u>76,756</u>
DEPRECIATION AND AMORTISATION AND IMPAIRMENT LOSS						
At 1st August, 2001	9,439	-	12,284	14,385	3,015	39,123
Provided for the year	2,554	-	1,595	901	395	5,445
Impairment loss recognised in the income statement	13,200	-	-	-	-	13,200
Eliminated on disposals	-	-	(11)	(87)	-	(98)
Eliminated on disposal of subsidiaries	-	-	(8,921)	(13,621)	(3,145)	(25,687)
At 31st July, 2002	<u>25,193</u>	<u>-</u>	<u>4,947</u>	<u>1,578</u>	<u>265</u>	<u>31,983</u>
NET BOOK VALUES						
At 31st July, 2002	<u>41,580</u>	<u>-</u>	<u>1,434</u>	<u>863</u>	<u>896</u>	<u>44,773</u>
At 31st July, 2001	<u>56,250</u>	<u>556</u>	<u>5,411</u>	<u>1,730</u>	<u>2,435</u>	<u>66,382</u>

Impairment loss of HK\$13,200,000 at 31st July, 2002 in respect of leasehold land and buildings was recognised by reference to the valuation report issued by Chesterton Petty Limited dated 22nd November, 2002, which valued the properties on an open market value basis.

The Group's leasehold land and buildings included above are held under the following terms:

	2002 HK\$'000	2001 HK\$'000
Long leases in Hong Kong	26,946	41,396
Medium-term leases in the PRC	<u>14,634</u>	<u>15,410</u>
	<u>41,580</u>	<u>56,806</u>

15. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31st July, 2002, the net book value of motor vehicles included an amount of approximately HK\$34,000 (2001: HK\$1,253,000) in respect of assets held under finance leases.

16. GOLF RESORT UNDER CONSTRUCTION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Cost		
At beginning of the year	170,973	140,973
Additions	15,567	30,000
	<hr/>	<hr/>
At end of the year	186,540	170,973
Impairment loss recognised in the income statement	(27,000)	-
	<hr/>	<hr/>
	<u>159,540</u>	<u>170,973</u>

The golf resort under construction is situated in the PRC under a long term land use rights.

Impairment loss of HK\$27,000,000 at 31st July, 2002 was recognised by reference to the valuation report issued by Chesterton Petty Limited dated 22nd November, 2002, which valued the golf resort under construction on an open market value basis.

Pursuant to the agreement dated 10th December, 1999 entered into between the Group and Ms. Yeung Pak Wa and Mr. Yip Siu Sang, the former owners of Tammerworth Development Limited ("Tammerworth"), Ms. Yeung Pak Wa and Mr. Yip Siu Sang (the "Former Shareholders") are responsible for all costs and expenses to be incurred in the construction of the golf resort. At the balance sheet date, the costs and expenses for the construction borne by the Former Shareholders amounted to approximately HK\$37,000,000 (2001: HK\$37,000,000). In the opinion of the directors, the Former Shareholders have fulfilled their obligations towards completing the construction of the golf resort pursuant to the supplemental agreement dated 18th January, 2000 (the "Supplemental Agreement") entered into between the Group and the Former Shareholders.

Pursuant to the Supplemental Agreement, 120,000,000 shares were kept by the nominee of the Group as a security for discharging the costs and expenses of the construction of the golf resort. At the balance sheet date, the construction of the golf resort was substantially completed and the 120,000,000 shares of the Company kept by the nominee of the Group was released.

17. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

THE GROUP

Properties under development/properties for sale are situated in the PRC and are held under long term land use rights.

Impairment loss of HK\$19,000,000 in respect of properties for sales was recognised by reference to the valuation report issued by Chesterton Petty Limited dated 22nd November, 2002, which valued the properties on an open market value basis.

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For the year ended 31st July, 2002

17. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE (continued)

For the year ended 31st July, 2001, a total amount of HK\$233,792,000 was transferred from properties under development to investment properties.

Up to 31st July, 2002, properties under development included net interest capitalised of approximately HK\$3,968,000 (2001: HK\$3,968,000).

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at carrying value	2	178,506
Unlisted shares, at cost	<u>140,000</u>	<u>140,000</u>
	140,002	318,506
Less: Allowances	<u>(27,000)</u>	<u>(172,487)</u>
	<u><u>113,002</u></u>	<u><u>146,019</u></u>

The carrying value of the Company's subsidiaries is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less allowances made as considered to be necessary by the directors.

Details of the Company's principal subsidiaries as at 31st July, 2002 are set out in note 41.

None of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

19. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

	2002 HK\$'000	2001 HK\$'000
Amounts due from subsidiaries	924,933	516,871
Amounts due to subsidiaries	(293,853)	–
Allowances for bad and doubtful debts	(209,696)	(114,696)
	<u>421,384</u>	<u>402,175</u>
Carrying amount analysed for reporting purposes as:		
Amounts due from subsidiaries	715,237	402,175
Amounts due to subsidiaries	(293,853)	–
	<u>421,384</u>	<u>402,175</u>

The amounts are unsecured, non-interest bearing and the amounts will not be repaid within the next twelve months.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed shares, at cost	–	–	8,840	8,840
Share of net assets	91,880	103,375	–	–
	<u>91,880</u>	<u>103,375</u>	<u>8,840</u>	<u>8,840</u>
Market value of listed securities	55,826	60,736	51,287	55,798

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

20. INTERESTS IN ASSOCIATES (continued)

Details of the Group's associates at 31st July, 2002 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Proportion of ownership interest		Proportion of voting power held	Principal activities
			Directly	Indirectly		
GreaterChina Technology Group Limited ("GreaterChina")	Cayman Islands	Hong Kong	35%	3%	38%	Manufacturing and trading of traditional Chinese medicine products and provision of advertising, portal development and information technology advisory and consultation services
GZTF Engineering Consulting Co., Ltd. ("GZTF") 廣州通富工程顧問有限公司	PRC	PRC	-	33%	33%	Consultancy service on construction projects

The financial statements of GZTF are not audited by Deloitte Touche Tohmatsu.

Financial information of GreaterChina as extracted from its audited financial statements are as follows:

	2002 HK\$'000	2001 HK\$'000
Non-current assets	106,514	9,966
Current assets	367,667	433,759
Current liabilities	232,928	171,955
Net loss for the year	4,766	69,059

21. TRADE DEBTORS – DUE AFTER ONE YEAR

THE GROUP

The amounts represent non-current portion of trade receivables from sales of completed properties. The amounts bear interest at commercial rates.

22. TRADE AND OTHER DEBTORS

The credit terms of the Group range from 30 to 90 days. The aged analysis of trade and other debtors is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
0 to 30 days	390	39,327
61 to 90 days	–	3,000
91 to 180 days	–	6,000
181 to 365 days	–	24,098
Over 365 days	17,612	–
	<u>18,002</u>	<u>72,425</u>

23. OTHER DEPOSIT

THE GROUP AND THE COMPANY

A sum of HK\$12,500,000 was deposited into an interest bearing client's account kept by a legal firm as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai or any subsequently appointed liquidators of Wing Fai, for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14th July, 2002 and thereafter until the determination of the proceedings against the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14th July, 2002.

As at the date of approval of these financial statements, the directors are not aware of any further actions against the Group taken by the Provisional Liquidators.

24. RETENTION MONEY RECEIVABLE/PAYABLE

THE GROUP

In accordance with the normal practice of the industry in civil engineering, 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 represented contract sums withheld from the Group by principals/main contractors and by the Group from its subcontractors respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

25. ADVANCES TO SUBCONTRACTORS

THE GROUP

The amounts were unsecured, interest bearing at market rate except for doubtful advances on which no interest was accrued, and were repayable on demand.

The aged analysis of advances to subcontractors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	-	1,300
91 to 180 days	-	5,269
	<u>-</u>	<u>6,569</u>
	<u>-</u>	<u>6,569</u>

26. TRADE AND OTHER CREDITORS

The aged analysis of trade and other creditors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	500	22,200
31 to 60 days	20	6,088
61 to 90 days	500	8,373
91 to 180 days	60	2,869
181 to 365 days	60	9,218
Over 365 days	3,669	-
	<u>4,809</u>	<u>48,748</u>
	<u>4,809</u>	<u>48,748</u>

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	79	1,659	70	1,577
More than one year but not exceeding two years	27	92	10	78
More than two years but not exceeding five years	–	27	–	14
	<u>106</u>	<u>1,778</u>	<u>80</u>	<u>1,669</u>
Less: Future finance charges	<u>(26)</u>	<u>(109)</u>	<u>–</u>	<u>–</u>
	<u>80</u>	<u>1,669</u>	<u>80</u>	<u>1,669</u>
Less: Amount due within one year shown under current liabilities			<u>(70)</u>	<u>(1,577)</u>
Amount due after one year			<u>10</u>	<u>92</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

28. BANK BORROWINGS, SECURED

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank borrowings comprise the following:		
Trust receipt loans	–	36,760
Bank loans and overdrafts	<u>226,450</u>	<u>426,608</u>
	<u><u>226,450</u></u>	<u><u>463,368</u></u>
The maturity of the above bank borrowings is as follows:		
On demand or within one year	198,622	439,452
More than one year but not exceeding two years	12,932	7,095
More than two years but not exceeding five years	5,549	5,166
More than five years	<u>9,347</u>	<u>11,655</u>
	226,450	463,368
Less: Amount due within one year shown under current liabilities	<u>(198,622)</u>	<u>(439,452)</u>
Amount due after one year	<u><u>27,828</u></u>	<u><u>23,916</u></u>

29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 1st August, 2000 and 31st July, 2001	3,000,000,000	300,000
Increase during the year	<u>5,000,000,000</u>	<u>500,000</u>
At 31st July, 2002	<u><u>8,000,000,000</u></u>	<u><u>800,000</u></u>
Issued and fully paid:		
At 1st August, 2000	2,072,366,196	207,237
Issued pursuant to a placing and subscription agreement	180,000,000	18,000
Exercise of share options	<u>3,800,000</u>	<u>380</u>
At 31st July, 2001	2,256,166,196	225,617
Exercise of share options	<u>500,000</u>	<u>50</u>
At 31st July, 2002	<u><u>2,256,666,196</u></u>	<u><u>225,667</u></u>

29. SHARE CAPITAL (continued)

On 10th January, 2002, an ordinary resolution was passed at a special general meeting to increase the authorised 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.

During the year, 500,000 share options were exercised at a subscription price of HK\$0.30 per share, resulting in issue of 500,000 shares of HK\$0.10 each for a total cash consideration of HK\$150,000.

Warrants

Pursuant to an agreement dated 12th November, 2001 and a supplemental agreement dated 26th November, 2001, the Company entered into a conditional placing and underwriting agreement with the placing agents for the private placing 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 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.

Trading of the warrants commenced on 12th December, 2001. During the period from 12th December, 2001 to 31st July, 2002, no registered warrant holders exercised their rights to subscribe for shares in the Company.

Options

At 31st July, 2002, the following options to subscribe for shares were outstanding under the Company's share option schemes.

Number of share options	Date of grant	Exercise price per share HK\$	Exercise period
3,000,000	12th February, 1996	0.53	From date of grant to 30th September, 2004
10,000,000	5th March, 1997	0.43	From date of grant to 30th September, 2004
36,500,000	26th January, 2000	0.30	From date of grant to 30th September, 2004
30,000,000	22nd March, 2000	0.33	From date of grant to 30th September, 2004
<hr/> <hr/>			
79,500,000			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

30. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Distri- butable reserve HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits/ (deficit) HK\$'000	Total HK\$'000
THE GROUP								
At 1st August, 2000								
– as originally stated	389,740	11,613	(49,726)	77,033	16,859	–	117,116	562,635
– adjusted for derecognition of liability for dividend for 2000 (Note 2)	–	–	–	–	–	–	20,724	20,724
– as restated	389,740	11,613	(49,726)	77,033	16,859	–	137,840	583,359
Premium arising from issue of shares, net of expenses	8,899	–	–	–	–	–	–	8,899
Premium arising from issue of shares on exercise of options	760	–	–	–	–	–	–	760
Realised upon expiry of warrants	–	–	–	–	(16,859)	–	–	(16,859)
Impairment loss in respect of goodwill	–	–	49,726	–	–	–	–	49,726
Net loss for the year	–	–	–	–	–	–	(166,318)	(166,318)
Dividend paid	–	–	–	–	–	–	(20,724)	(20,724)
At 31st July, 2001	399,399	11,613	–	77,033	–	–	(49,202)	438,843
Issue of warrants	–	–	–	–	40,000	–	–	40,000
Expenses incurred in connection with the issue of warrants	–	–	–	–	(1,155)	–	–	(1,155)
Premium arising from issue of shares on exercise of options	100	–	–	–	–	–	–	100
Share of an associate's unrealised loss on investments in securities	–	–	–	–	–	(9,786)	–	(9,786)
Net loss for the year	–	–	–	–	–	–	(138,563)	(138,563)
At 31st July, 2002	<u>399,499</u>	<u>11,613</u>	<u>–</u>	<u>77,033</u>	<u>38,845</u>	<u>(9,786)</u>	<u>(187,765)</u>	<u>329,439</u>
Attributable to:								
Company and subsidiaries	399,499	11,613	–	77,033	38,845	–	(147,918)	379,072
Associates	–	–	–	–	–	(9,786)	(39,847)	(49,633)
	<u>399,499</u>	<u>11,613</u>	<u>–</u>	<u>77,033</u>	<u>38,845</u>	<u>(9,786)</u>	<u>(187,765)</u>	<u>329,439</u>

30. RESERVES (continued)

	Share premium HK\$'000	Distributable reserve HK\$'000	Other reserve HK\$'000	Retained profits/ (deficit) HK\$'000	Total HK\$'000
THE COMPANY					
At 1st August, 2000					
– as originally stated	389,740	77,033	16,859	450	484,082
– adjusted for derecognition of liability for dividend for 2000 (note 2)	–	–	–	20,724	20,724
– as restated	389,740	77,033	16,859	21,174	504,806
Premium arising from issue of shares, net of expenses	8,899	–	–	–	8,899
Premium arising from issue of shares on exercises of options	760	–	–	–	760
Realised upon expiry of warrants	–	–	(16,859)	–	(16,859)
Net loss for the year	–	–	–	(39,010)	(39,010)
Dividend paid	–	–	–	(20,724)	(20,724)
At 31st July, 2001	399,399	77,033	–	(38,560)	437,872
Issue of warrants	–	–	40,000	–	40,000
Expenses incurred in connection with the issue of warrants	–	–	(1,155)	–	(1,155)
Premium arising from issue of shares on exercises of options	100	–	–	–	100
Net loss for the year	–	–	–	(147,350)	(147,350)
At 31st July, 2002	399,499	77,033	38,845	(185,910)	329,467

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

31. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance brought forward	20,600	29,555
Transfer to income statement (<i>note 11</i>)	<u>-</u>	<u>(8,955)</u>
Balance carried forward	<u><u>20,600</u></u>	<u><u>20,600</u></u>

At the balance sheet date, deferred taxation of HK\$20,600,000 (2001: HK\$20,600,000) recognised in the financial statements represents tax effect of timing differences because of the surplus on revaluation of properties in the PRC upon acquisition by the Group.

A deferred tax asset of approximately HK\$10,028,000 (2001: HK\$26,800,000) has not been recognised in the financial statements in respect of estimated tax losses available to offset future profits as it is not certain that the estimated tax losses will be utilised in the foreseeable future.

THE COMPANY

The Company did not have any significant unprovided deferred taxation for the year or unprovided deferred tax asset or liability at the balance sheet date.

32. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW)
FROM OPERATING ACTIVITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(138,027)	(176,857)
Share of results of associates	1,709	28,140
Loss on disposal of discontinued operations	45,493	–
Loss on disposal of property, plant and equipment	18	–
Loss on disposal of investments in securities	3,903	–
Net allowances for bad and doubtful debts	14,193	1,718
Depreciation and amortisation	5,445	10,290
Interest income	(10,833)	(22,376)
Interest on bank borrowings	13,650	27,113
Finance charges in respect of finance leases	25	458
Gain realised on expiry of warrants	–	(16,859)
Impairment loss in respect of property, plant and equipment	13,200	–
Impairment loss in respect of golf resort under construction	27,000	–
Impairment loss in respect of goodwill	–	49,726
Impairment losses in respect of properties for sale	19,000	1,620
Deficit arising from revaluation of investment properties	5,000	52,593
Decrease (increase) in trade debtors – due after one year	2,290	(15,683)
Increase in properties under development	–	(54,596)
Decrease in properties for sale	7,512	6,723
Decrease in amounts due from contract customers	–	13,343
Decrease (increase) in amount due from an associate	209	(3,308)
(Increase) decrease in trade and other debtors	(20,041)	12,690
Decrease (increase) in deposits and prepayments	10,179	(26,294)
Increase in other deposit	(12,500)	–
(Increase) decrease in retention money receivable	(6,378)	1,343
(Increase) decrease in advances to subcontractors	(1,687)	14,567
(Decrease) increase in trade and other creditors	(26,937)	4,257
Decrease in amounts due to contract customers	–	(6,827)
Increase in accrued charges	6,787	4,722
Increase in retention money payable	1,082	4,041
Increase (decrease) in amount due to an associate	285	(562)
Increase in amounts due from Wing Fai Subsidiaries	39,998	–
	<u>575</u>	<u>(90,018)</u>
Net cash inflow (outflow) from operating activities	<u>575</u>	<u>(90,018)</u>

33. DISPOSAL OF SUBSIDIARIES

On 22nd April, 2002, the Group discontinued its civil engineering operations at the time of disposal of the Wing Fai Subsidiaries.

Net assets of the civil engineering operations at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	5,080
Trade and other debtors	60,271
Deposits and prepayments	44,737
Amount due from a subsidiary of the Company	2
Retention money receivable	11,015
Advances to subcontractors	8,256
Trade and other creditors	(17,002)
Accrued charges	(6,210)
Amount due to a subsidiary of the Company	(40,000)
Retention money payable	(15,184)
Obligations under finance leases	(323)
Taxation payable	(49)
	<u>50,593</u>
Loss on disposal	<u>(45,493)</u>
	<u><u>5,100</u></u>
Satisfied by:	
Cash	<u><u>5,100</u></u>

The impact from the disposal of the above subsidiaries on the Group's results in the current and prior period is disclosed in note 8.

During the year, the subsidiaries disposed of contributed approximately HK\$70,597,000 to the Group's net operating cash outflows, paid approximately HK\$3,577,000 in respect of the net returns on investment and servicing of finance, utilised approximately HK\$85,000 for investing activities and approximately HK\$35,804,000 in respect of financing activities.

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and other reserve HK\$'000	Trust receipt loans HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000
At 1st August, 2000	613,836	25,519	20,748	4,887
Issue of shares for cash	28,140	-	-	-
New bank loans raised	-	-	24,657	-
Expenses incurred in connection with the issue of shares, warrants and options	(101)	-	-	-
Realised upon expiry of warrants	(16,859)	-	-	-
Net cash outflow during the year	-	(11,733)	-	-
Repayment during the year	-	-	(1,161)	(3,218)
At 31st July, 2001	625,016	13,786	44,244	1,669
Issue of warrants for cash	40,000	-	-	-
Issue of shares for cash	150	-	-	-
Expenses incurred in connection with the issue of warrants	(1,155)	-	-	-
Net cash outflow during the year	-	(13,786)	-	-
Repayment during the year	-	-	(3,524)	(1,266)
Disposal of subsidiaries	-	-	-	(323)
At 31st July, 2002	664,011	-	40,720	80

35. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank deposits, secured for credit facilities	195,524	413,282
Bank balances and cash	4,737	10,727
Trust receipt loans, repayable within three months from the date of the advances	-	(22,974)
Bank loans and overdrafts, repayable within three months from the date of the advances	(185,730)	(382,364)
	14,531	18,671

36. COMMITMENTS**The Group as lessee**

At the balance sheet date, the Group had the following future minimum lease payments under operating leases in respect of rented premises as follows:

	2002 HK\$'000	2001 HK\$'000
Operating leases which expire:		
– within one year	286	1,100
– in the second to fifth year inclusive	837	244
– over five years	73	–
	<u>1,196</u>	<u>1,344</u>

Operating leases payments in respect of land and buildings represent rental payables by the Group for its office premises. Leases are negotiated for an average term of four years.

The Group as lessor

Property rental income earned during the year was HK\$1,575,000 (2001: HK\$977,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2002 HK\$'000	2001 HK\$'000
Within one year	818	1,331
In the second to fifth year inclusive	496	1,314
	<u>1,314</u>	<u>2,645</u>

36. COMMITMENTS (continued)

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Commitments contracted for but not provided in the financial statements in relation to:		
– acquisition of shares in a subsidiary from a minority shareholder	4,400	4,400
– construction of golf resort	1,390	2,846
	<u>5,790</u>	<u>7,246</u>
Commitments authorised but not contracted for:		
– construction of properties	–	1,900
	<u>–</u>	<u>1,900</u>

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

37. PLEDGE OF ASSETS

THE GROUP

At the balance sheet date, leasehold land and buildings having a net book value of approximately HK\$26,443,000 (2001: HK\$40,870,000), bank deposits of approximately HK\$195,524,000 (2001: HK\$413,282,000), certain investment properties and certain properties for sale of the Group have been pledged to banks to secure credit facilities granted to the Group.

THE COMPANY

For the year ended 31st July, 2001, a bank deposit of approximately HK\$97,542,000 was pledged to a bank to secure credit facilities granted to the Group.

38. 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\$18,274,000 (2001: HK\$225,739,000) were utilised at the balance sheet date.

39. RELATED PARTY TRANSACTIONS

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

- (i) The Group received rental of HK\$804,000 (2001: HK\$474,000) from GreaterChina and its subsidiaries (the "GreaterChina Group"). The charge is based on the areas occupied by the GreaterChina Group pursuant to the agreement entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.
- (ii) The Group received administrative service fee of approximately HK\$1,531,000 (2001: HK\$480,000) from the GreaterChina Group. The fee is charged at a fixed monthly fee pursuant to the agreement entered into between the parties. The fee was determined by directors based on estimated time spent by the staff of the Group on the affairs of the GreaterChina Group.
- (iii) The Group provided qualified Chinese herbalist doctors to handle online enquiries for the users of the GreaterChina Group's website. In respect of the services provided, the Group received consultant fee of approximately HK\$162,000 (2001: HK\$600,000) from the GreaterChina Group. 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.
- (iv) The Group received website development fee of HK\$720,000 (2001: HK\$670,000) from the GreaterChina Group 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 paid advertising fee of HK\$810,000 (2001: HK\$1,900,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.
- (vi) The Group paid information technology advisory fee of approximately HK\$345,000 (2001: HK\$329,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.
- (vii) At 31st July, 2002, an amount of approximately HK\$688,000 (2001: HK\$403,000) was due to the GreaterChina Group and an amount of HK\$3,099,000 (2001: HK\$3,308,000) was due from GZTF. These amounts are unsecured, non-interest bearing and are repayable on demand.
- (viii) At 31st July, 2002, included in trade and other creditors were amounts of HK\$1,937,000 (2001: HK\$977,000) due to a related company in which Mr. Yip Kwong, Robert and Ms. Cheng Kit Yin, Kelly have beneficial interests and approximately HK\$600,000 (2001: HK\$600,000) due to a related company in which Mr. Yip Kwong, Robert has a beneficial interest and Mr. Kam Shing is a director. These amounts are unsecured, non-interest bearing and are repayable on demand.

40. RETIREMENT BENEFITS SCHEME

Since 1st December, 2000, the Group has operated a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The contributions are charged to the income statement as incurred.

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 18% to 22% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2002

41. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st July, 2002 are as follows:

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
China Rich Construction Company Limited	Hong Kong	100%	Ordinary HK\$2	Investment holding
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
Evergreen Club Limited	Hong Kong	100%	Ordinary HK\$2	Operation of a retirement club

41. SUBSIDIARIES (continued)

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
Evergreen Travel Agency Limited	Hong Kong	100%	Ordinary HK\$500,000	Travel agent
Fitzroya Finance Company Limited	Hong Kong	100%	Ordinary HK\$1,000,000	Money lending
Marvelink Limited	British Virgin Islands	100%	US\$2	Investment holding
Mega Pacific Holdings Limited ("Mega")	Hong Kong	98%	Ordinary HK\$38,747,557	Investment holding
Shunde China Rich Properties Limited ("Shunde China Rich")	PRC	100%	(note c)	Property development
Tammerworth Development Limited	Hong Kong	100%	Ordinary HK\$1,500,000	Investment holding
Wing Fai (China) Development Limited	Hong Kong	100%	Ordinary HK\$10	Investment holding
廣州市紫霞山莊有限公司 ("紫霞山莊")	PRC	51% (note d)	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\$4,367,000	Operation of a golf resort in the PRC

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries of the Company which principally affected the results of the Group or formed a substantial portion of the net assets of the Group.

41. SUBSIDIARIES (continued)*Notes:*

- (a) Except for Benefit Holdings International Limited which is 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) 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.
- (d) 紫霞山莊 is a foreign owned equity joint venture for a period of 20 years from 26th December, 1993 and there are provisions for extension of its period under the terms of its memorandum and articles of association.
- (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. This joint venture is 100% owned by Mega.
- (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 borne by the Group. Gaoming Silver Ocean has a registered capital of US\$8,000,000. Up to 31st July, 2002, the Group has contributed an aggregate investment of HK\$34,060,000.