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2002-2003



*China Rich Holdings Limited*

中富控股有限公司

**CONSOLIDATED INCOME STATEMENT**

For the six months period ended 31st January, 2003

	Notes	Six months ended	
		31st January,	
		2003	2002
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover	4	22,380	107,266
Cost of sales		<u>(14,855)</u>	<u>(112,878)</u>
Gross profit (loss)		7,525	(5,612)
Other operating income		2,585	8,904
Administrative and other operating expenses		(24,748)	(31,034)
Loss on deemed disposal of an associate		<u>(1,729)</u>	<u>-</u>
Loss from operations	5	(16,367)	(27,742)
Finance costs		(3,243)	(10,068)
Share of results of associates		<u>(8,140)</u>	<u>460</u>
Loss before taxation		(27,750)	(37,350)
Taxation	6	<u>-</u>	<u>(125)</u>
Loss before minority interests		(27,750)	(37,475)
Minority interests		<u>(39)</u>	<u>(8)</u>
Net loss attributable to shareholders		<u><u>(27,789)</u></u>	<u><u>(37,483)</u></u>
Loss per share	7		
Basic		<u><u>(1.2) cents</u></u>	<u><u>(1.7) cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>
Interim dividend per share	8	<u><u>NIL</u></u>	<u><u>NIL</u></u>

## CONSOLIDATED BALANCE SHEET

At 31st January, 2003

	Notes	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	9	181,623	181,623
Property, plant and equipment	10	209,537	44,773
Golf resort under construction	11	–	159,540
Properties under development	12	75,557	72,706
Interests in associates	13	79,406	91,880
Trade debtors – due after one year	14	12,198	13,393
		<u>558,321</u>	<u>563,915</u>
<b>CURRENT ASSETS</b>			
Properties for sale	12	70,091	80,226
Amount due from an associate		3,099	3,099
Trade and other debtors	15	13,905	18,002
Deposits and prepayments		9,959	8,873
Other deposit	16	12,500	12,500
Bank deposits, secured for credit facilities		172,740	195,524
Bank balances and cash		4,140	4,737
		<u>286,434</u>	<u>322,961</u>
<b>CURRENT LIABILITIES</b>			
Trade and other creditors	17	4,620	4,809
Accrued charges		29,443	26,142
Amount due to an associate		778	688
Taxation payable		51,482	52,118
Obligations under finance leases – due within one year		50	70
Bank borrowings – due within one year, secured	18	175,667	198,622
		<u>262,040</u>	<u>282,449</u>
NET CURRENT ASSETS		<u>24,394</u>	<u>40,512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>582,715</u>	<u>604,427</u>

# Interim Report

2002-2003

		<b>31st January, 2003</b>	31st July, 2002
	Notes	<b>(unaudited)</b>	(audited)
		<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases			
– due after one year		–	10
Bank borrowings – due after			
one year, secured	18	<b>34,874</b>	27,828
Deferred taxation	19	<b>20,600</b>	20,600
<b>MINORITY INTERESTS</b>		<b>922</b>	883
		<b><u>526,319</u></b>	<b><u>555,106</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	<b>225,667</b>	225,667
Reserves	21	<b>300,652</b>	329,439
		<b><u>526,319</u></b>	<b><u>555,106</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2003

		Six months ended 31st January,	
	Notes	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Total equity at beginning of the period		555,106	664,460
Issue of warrants		–	40,000
Expenses incurred in connection with the issue of warrants		–	(1,155)
Exercise of share options		–	50
Increase of share premium on exercise of options		–	100
Share of an associate's unrealised loss on investments in securities	21	(2,605)	–
Exchange gains on translation of overseas subsidiaries	21	1,607	–
Net loss for the period		<u>(27,789)</u>	<u>(37,483)</u>
Total equity at end of the period		<u>526,319</u>	<u>665,972</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2003

		Six months ended 31st January,	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Net cash inflow (outflow) from operating activities		5,719	(15,344)
Net cash outflow from investing activities		(9,939)	(3,212)
Net cash inflow (outflow) from financing		<u>(5,334)</u>	<u>25,070</u>
Increase (decrease) in cash and cash equivalents		(9,554)	6,514
Cash and cash equivalents at 1st August		<u>14,531</u>	<u>18,671</u>
Cash and cash equivalents at 31st January		<u>4,977</u>	<u>25,185</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

The Company is incorporated in the 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 provision of medical and health services, sales of developed property and provision of golf resort facilities in the People's Republic of China ("the PRC").

### 2. Basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The interim consolidated financial statements for the period from 1st August, 2002 to 31st January, 2003 (the "Period") are unaudited and have been reviewed by the Audit Committee of the Company.

### 3. Principal accounting policies

The principal accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31st July, 2002.

In the current period, the Group has adopted, for the first time, the following revised and new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002. These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these new and revised SSAPs has no material effect on the financial statements for the current or prior periods except for certain comparative figures and disclosures have been restated, a change in the format of presentation of the cash flow statement and the statement of changes in equity to achieve a consistent presentation.

SSAP1 (revised)	Presentation of financial statements
SSAP11 (revised)	Foreign currency translation
SSAP15 (revised)	Cash flow statements
SSAP34	Employee benefits

#### *Presentation of financial statements*

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

### *Foreign currencies translation*

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the Period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the Period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve.

This change in accounting policy has not had any material effect on the results for the current or prior periods. The profit and loss accounts of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the financial statements.

### *Cash flow statement*

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statement”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest expenses and interest income, which were previously presented under a separate heading, are classified as financing cash flows and investing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities. Unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The change in exchange rates used for translation of the cash flows of overseas has not had any material effect on the current or prior periods.

### *Employee benefits*

In the current period, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans.

#### (i) Pension obligation

The Group operates defined contribution provident fund schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group’s contributions under the schemes are charged to the profit and loss account as incurred. The amount of the Group’s contribution is based on specified percentages of the basis salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group’s ongoing contributions otherwise payable.

(ii) Equity compensation benefits

Share options are granted to directors and employees. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, a compensation cost is recognised in the profit and loss account based on the discount. This is a new policy applied upon the adoption of SSAP 34, however, there is no effect to the financial statements as none of the options were granted at a discount on the market price.

When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. However, the adoption of SSAP 34 has not had any material impact on the financial statements in current period. The accounts for the prior periods have not been restated as the effect of this change is not material to the financial statements.

**4. Turnover and segment information**

The Group's turnover and contribution to loss from operations for the period from 1st August, 2002 to 31st January, 2003 analysed by principal activity and geographical market were as follows:

*Business segments*

**2003**

	Medical and health services HK\$'000	Property development HK\$'000	Golf club and resort services HK\$'000	Civil engineering HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
Turnover	9,217	11,205	1,958	-	22,380
SEGMENT RESULTS	<u>1,017</u>	<u>(2,383)</u>	<u>(1,756)</u>	<u>-</u>	(3,122)
Unallocated corporate expenses					(11,516)
Loss on deemed disposal of an associate					<u>(1,729)</u>
Loss from operations					(16,367)
Finance costs					(3,243)
Share of results of associates					<u>(8,140)</u>
Loss before taxation					(27,750)
Taxation					<u>-</u>
Loss before minority interests					(27,750)
Minority interests					<u>(39)</u>
Net loss for the Period					<u><u>(27,789)</u></u>



2002

	Medical and health services HK\$'000	Property development HK\$'000	Golf club and resort services HK\$'000	Civil engineering HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
Turnover	9,042	1,680	-	96,544	107,266
SEGMENT RESULTS	<u>1,061</u>	<u>(1,137)</u>	<u>-</u>	<u>848</u>	772
Unallocated corporate expenses					(28,514)
Loss from operations					(27,742)
Finance costs					(10,068)
Share of results of associates					460
Loss before taxation					(37,350)
Taxation					(125)
Loss before minority interests					(37,475)
Minority interests					(8)
Net loss for the period					<u>(37,483)</u>

*Geographical segments*

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Revenue For the six months ended 31st January, 2003		Loss from operations For the six months ended 31st January, 2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical market:				
Hong Kong	1,073	96,544	(11,249)	(27,801)
The PRC (other than Hong Kong)	21,307	10,722	(3,389)	59
	<u>22,380</u>	<u>107,266</u>	<u>(14,638)</u>	<u>(27,742)</u>
Loss on deemed disposal of an associate			(1,729)	-
Loss from operations			<u>(16,367)</u>	<u>(27,742)</u>

**5. Loss from operations**

Loss from operations has been arrived at after charging (crediting):

	For the six months ended	
	31st January,	
	2003	2002
	HK\$'000	HK\$'000
Depreciation on:		
Owned assets	2,287	3,419
Assets held under finance leases	38	45
Staff costs including directors' remuneration:		
Salaries and allowances	7,808	31,263
Retirement benefits scheme contributions	66	1,002
	7,874	32,265
Advertising and promotion expenses	30	439
Operating lease rentals in respect of land and buildings	115	81
Net foreign exchange loss	74	109
Interest income	(1,445)	(6,192)
Rental income, net	(1,638)	(616)

**6. Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profit for the period from 1st August, 2002 to 31st January, 2003.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

Details of unprovided deferred taxation during the Period are set out in note 19.

**7. Loss per share**

The calculation of the basic loss per share is based on the net loss for the Period of HK\$27,789,000 (1.8.2001 to 31.1.2002: loss of HK\$37,483,000) and 2,256,666,196 shares (1.8.2001 to 31.1.2002: 2,256,525,000 shares) issued throughout the financial period ended 31st January, 2003.

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

**8. Interim dividend**

The directors do not recommend the payment of interim dividend for the period from 1st August, 2002 to 31st January, 2003 (1.8.2001 to 31.1.2002: nil).

## 9. Investment properties

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
At beginning of the period/year	181,623	181,199
Additions	–	5,424
Deficit arising from revaluation	–	(5,000)
	<u>181,623</u>	<u>181,623</u>
At end of the period/year	<u>181,623</u>	<u>181,623</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.

The Group's investment properties with an aggregate carrying value of approximately HK\$26,491,000 (31.7.2002: HK\$31,832,000) have been pledged to secure credit facilities granted to the Group.

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

## 10. Property, plant and equipment

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST</b>					
At 1st August, 2002	66,773	6,381	2,441	1,161	76,756
Additions	5,337	42	168	397	5,944
Transfer	160,901	–	–	–	160,901
Exchange difference	298	73	27	5	403
	<u>233,309</u>	<u>6,496</u>	<u>2,636</u>	<u>1,563</u>	<u>244,004</u>
At 31st January, 2003	233,309	6,496	2,636	1,563	244,004
<b>DEPRECIATION</b>					
At 1st August, 2002	25,193	4,947	1,578	265	31,983
Provided for the Period	1,708	325	246	46	2,325
Exchange difference	89	56	10	4	159
	<u>26,990</u>	<u>5,328</u>	<u>1,834</u>	<u>315</u>	<u>34,467</u>
At 31st January, 2003	26,990	5,328	1,834	315	34,467
<b>NET BOOK VALUES</b>					
At 31st January, 2003	<u>206,319</u>	<u>1,168</u>	<u>802</u>	<u>1,248</u>	<u>209,537</u>
At 31st July, 2002	<u>41,580</u>	<u>1,434</u>	<u>863</u>	<u>896</u>	<u>44,773</u>

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

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Land in Hong Kong		
Long leases	26,545	26,946
Land outside Hong Kong		
Long leases	165,269	-
Land outside Hong Kong		
Medium-term leases	14,505	14,634
	<u>206,319</u>	<u>41,580</u>

**11. Golf resort under construction**

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Cost/Carrying value		
At beginning of the period/year	159,540	170,973
Additions	2,589	15,567
Transferred to fixed assets	(160,901)	-
Exchange difference	(1,228)	-
	<u>-</u>	<u>186,540</u>
At end of the period/year	-	(27,000)
Impairment loss	<u>-</u>	<u>159,540</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 (31.7.2002: 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.

## 12. Properties under development/properties for sale

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.

At 31st January, 2003, a total amount of HK\$233,792,000 (31.7.2002: HK\$233,792,000) was transferred from properties under development to investment properties.

Up to 31st January, 2003, properties under development included net interest capitalised of approximately HK\$3,968,000 (31.7.2002: HK\$3,968,000)

## 13. Interests in associates

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Share of net assets	<u>79,406</u>	<u>91,880</u>
Market value of listed securities	<u>58,151</u>	<u>55,826</u>

Name of associate	Place of incorporation/ registration	Place of operation	Effective percentage of shareholding		Principal activities
			Directly	Indirectly	
GreaterChina Technology Group Limited ("GreaterChina")	Cayman Islands	Hong Kong	31.67%	-	Manufacturing and trading of traditional Chinese medicine products and western medicines 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%	Consultancy service on construction projects

Financial information of GreaterChina as extracted from its unaudited interim reports are as follows:

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Non-current assets	<u>243,850</u>	<u>106,514</u>
Current assets	<u>112,286</u>	<u>367,667</u>
Current liabilities	<u>61,505</u>	<u>232,928</u>
Non-current liabilities	<u>26,179</u>	<u>-</u>
Minority interests	<u>18,368</u>	<u>-</u>
Net loss for the period/year	<u>(22,285)</u>	<u>(4,766)</u>

On 8th January, 2003, GreaterChina issued 135,616,000 ordinary shares of HK\$0.01 each as partial consideration at fair value of HK\$0.28 each in the acquisition of a 100% interest in a subsidiary whose principal assets comprised investment in a 80% equity interest in an equity joint venture registered in the PRC which is engaged in the manufacturing and distribution of western medicines and healthcare products.

Consequently, the ownership interest held in GreaterChina was diluted from 38% to 31.67%.

#### 14. Trade debtors – due after one year

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

#### 15. Trade and other debtors

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade debtors at the balance sheet date:

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Aged:		
0 to 30 days	17	390
31 to 60 days	40	-
61 to 365 days	-	-
Over 365 days	<u>13,848</u>	<u>17,612</u>
	<u>13,905</u>	<u>18,002</u>

## 16. Other deposit

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.

## 17. Trade and other creditors

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Aged:		
0 to 30 days	683	500
31 to 60 days	41	20
61 to 90 days	36	500
91 to 180 days	43	60
181 days to 365 days	77	60
Over 365 days	3,740	3,669
	<u>4,620</u>	<u>4,809</u>

Amount due to a related company amounting to HK\$3,017,000 are included in the balance. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

## 18. Bank borrowings, secured

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Bank loans and overdrafts	<u>210,541</u>	<u>226,450</u>
The maturity of the above bank borrowings is as follows:		
On demand or within one year	175,667	198,622
More than one year but not exceeding two years	20,918	12,932
More than two years but not exceeding five years	5,657	5,549
More than five years	8,299	9,347
	<u>210,541</u>	<u>226,450</u>
Less: Amount due within one year shown under current liabilities	<u>(175,667)</u>	<u>(198,622)</u>
	<u>34,874</u>	<u>27,828</u>

The bank loans and overdrafts are secured by bank deposits, securities and certain of the land and buildings of the Group.

## 19. Deferred taxation

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Balance brought forward and carried forward	<u>20,600</u>	<u>20,600</u>

At the balance sheet date, deferred taxation of HK\$20,600,000 (31.7.2002: 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 (31.7.2002: HK\$10,028,000) 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.

## 20. Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 1st August, 2002 and 31st January, 2003	<u>8,000,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st August, 2002 and 31st January, 2003	<u>2,256,666,196</u>	<u>225,667</u>

*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 1st August, 2002 to 31st January, 2003, no registered warrant holders exercised their rights to subscribe for shares in the Company.



## 21. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distri- butable reserve HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st August, 2002	399,499	11,613	-	77,033	38,845	(9,786)	(187,765)	329,439
Net loss for the Period	-	-	-	-	-	-	(27,789)	(27,789)
Exchange differences on translation of overseas subsidiaries	-	-	1,607	-	-	-	-	1,607
Share of an associate's unrealised loss on investments in securities	-	-	-	-	-	(2,605)	-	(2,605)
At 31st January, 2003	<u>399,499</u>	<u>11,613</u>	<u>1,607</u>	<u>77,033</u>	<u>38,845</u>	<u>(12,391)</u>	<u>(215,554)</u>	<u>300,652</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.

## 22. Commitments

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

	<b>31st January, 2003 (unaudited) HK\$'000</b>	<b>31st July, 2002 (audited) HK\$'000</b>
Operating leases which expire:		
- within one year	-	286
- in the second to fifth year, inclusive	96	837
- over five years	959	73
	<u>1,055</u>	<u>1,196</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 Period was HK\$1,638,000 (31.7.2002: HK\$1,575,000). 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:

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) HK\$'000
Within one year	262	818
In the second to fifth year inclusive	1,680	496
	1,942	1,314

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

	31st January, 2003 (unaudited) HK\$'000	31st July, 2002 (audited) 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	978	1,390
	5,378	5,790

**23. Pledge of assets**

At the balance sheet date, leasehold land and buildings having a net book value of approximately HK\$26,491,000 (31.7.2002: HK\$26,443,000), bank deposits of approximately HK\$172,727,000 (31.7.2002: HK\$195,524,000), certain investment properties and certain properties for sale of the Group have been pledged to banks to secure credit facilities granted to the Group.

**24. Contingent liabilities**

The Group has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK\$17,411,000 (31.7.2002: HK\$18,274,000) were utilised at the balance sheet date.

## 25. Related party transactions

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

- (i) The Group received rental of HK\$1,073,000 (1.8.2001 to 31.1.2002: HK\$630,000) from GreaterChina and its subsidiaries (the "GreaterChina"). 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\$360,000 (1.8.2001 to 31.1.2002: HK\$240,000) 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 paid advertising fee of HK\$720,000 (1.8.2001 to 31.1.2002: HK\$435,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.
- (iv) At 31st January, 2003, an amount of approximately HK\$778,000 (31.7.2002: HK\$688,000) was due to the GreaterChina Group and an amount of HK\$3,099,000 (31.7.2002: HK\$3,099,000) was due from GZTF. These amounts are unsecured, non-interest bearing and are repayable on demand.
- (v) At 31st January, 2003, included in trade and other creditors were amounts of HK\$2,417,000 (31.7.2002: HK\$1,937,000) 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 (31.7.2002: 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.

## 26. Comparative amounts

Certain comparative amounts have been reclassified to conform with current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover is mainly derived from the provision of medical and health services and the sales of properties in the PRC. During the Period, the Group's turnover was amounted to approximately HK\$22 million (1.8.2001 to 31.1.2002: HK\$107 million) representing a 80% decrease from the previous comparable period. The decreased turnover was mainly due to the loss of turnover from discontinued operations in repairs and maintenance of civil engineering establishments and buildings under construction contracts in Hong Kong which contributed HK\$97 million to the Group's turnover for the six months period

ended 31st January, 2002. Net loss attributable to shareholders was HK\$27.8 million for the Period, compared with a net loss of HK\$37.5 million a year ago. The decreased net loss for the Period was contributed by the implementation of stringent cost control policy.

During the Period, there were no significant acquisitions and disposals of any subsidiaries or other investments except for the dilution of interests in its associated company – GreaterChina Technology Group Limited (“GreaterChina”), the shares of which were listed on the Growth Enterprise Market of Stock Exchange of Hong Kong Limited. The percentage of shareholding held in GreaterChina was diluted from 38% to 31.67% resulting from GreaterChina issued 135,616,000 ordinary shares of HK\$0.01 each as partial consideration at fair value of HK\$0.28 each in the acquisition of a 100% interest in a subsidiary whose principal assets comprised investment in a 80% equity interest in an equity joint venture registered in the PRC which is engaged in the manufacturing and distribution of western medicines and healthcare products on 8th January, 2003.

Consequently, the Group holds (i) 31.67% of GreaterChina, and continues to hold (ii) 33% of GZTF Engineering Consulting Company Limited.

## FINANCIAL REVIEW

### Borrowings and charge on Group assets

The Group’s borrowings at the end of the Period mainly comprised of bank borrowings which amounted to HK\$210 million (31.7.2002: HK\$226 million), and are fully secured by the Group’s cash deposits of HK\$173 million (31.7.2002: HK\$196 million), certain of its land and buildings at carrying value of HK\$26 million (31.7.2002: HK\$26 million) and certain of its properties held for sale.

The Group, therefore, has effectively no outstanding debts or exposure to its bankers given that the Group’s charged assets were at carrying values exceeding the outstanding borrowings.

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.

### **Current and gearing ratios**

The current ratio as at 31st January 2003 was reported as 1.09 as compared to 1.14 as at 31st July 2002. The directors are of the opinion that the Group has sufficient liquid assets to maintain daily operations of the Group.

The gearing ratio, defined as the ratio of total bank borrowings and obligation under hire purchase contracts compared to capital and reserves, was 40% as compared to 41% as at 31st July 2002. As bank deposits secure most of our bank borrowings, effective gearing ratio of the Group as computed is insignificant.

Overall, the net asset value of the Group was HK\$526 million (31.7.2002: HK\$555 million) representing approximately HK\$0.23 per share (31.7.2002: HK\$0.25 per share).

### **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.

### **Capital commitments and contingent liabilities**

Other than HK\$4.4 million for the acquisition of shares in a subsidiary from a minority shareholder and HK\$0.98 million for the construction of golf resort, there was no other significant capital commitment outstanding as at the end of the Period.

There were no significant contingent liabilities outstanding as at 31st January, 2003.

### **Employees**

As at 31st January 2003, the Group had hired over 200 employees (31.7.2002: 200). Remuneration package of the staff includes monthly salaries, provident fund contributions, medical claims, education allowances and discretionary options issued based on their contributions to the Group. Details of the share option scheme were stated in the interim report for the Period.

## Capital Structure

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 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 Period, no registered warrant holders exercised their rights to subscribe for shares in the Company.

## FUTURE PLANS AND DEVELOPMENT

The Group continued a very conservative approach in the current downturn economy for the six months period ended 31st January 2003. After disposing the civil engineering business in 2002, the Group has been putting a greater business focus on the provisional health and medical services as well as Gaoming golf course business.

### Medical and Hospitalisation Services

In view of the steady increase in demand for medical and hospitalisation service in the PRC. The Group will continue to provide high quality of service to the community by escalating its efforts and resources in the future.

The performance of medical and hospitalisation services for the Period was HK\$9.2 million (1.8.2001 to 31.1.2002: HK\$9 million), which was in line with previous year's comparable period, with slight increase of 2%.

### Golf Club

The Group has long-term goals in developing the Gaoming golf course into one of the largest and well-established golf courses in the PRC. The facilities included conference room, driving range, restaurant, tennis courts, table room, fishing ponds, karaoke, and game room.

Majority of the golf course facilities has been completed and put into operation during the Period, the recorded turnover for the Period amounting to HK\$1.9 million (1.8.2001 to 31.1.2002: nil). The management is devising golf club membership scheme currently and is planning to introduce the membership scheme to the market in the near future.

Despite macro economic environment is uncertain and business environment in Hong Kong is appalling, the Directors believe that there are also opportunities for seeking good investments. In view of this, the Group will continue to evaluate its business strategies, conserve its financial strength and enhance its perseverance while searching for such investment opportunities to develop the Group by means of acquisition and strategic alliance. Should any of these opportunities arise, the management believes that the Group is able to obtain additional financial resources on favorable terms to meet funding requirements.

The Directors also believe that with their continuous efforts, new ventures will be brought into the Group to capture and cultivate the enormous China market. As a result, it will strengthen and broaden the Group's capabilities in securing profitable return to their shareholders.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

As at 31st January, 2003, the interests of the directors and the chief executives of the Company in the share capital of the Company and the associated corporation disclosed pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### (i) Shares

#### *Shares in the Company*

Name of director	Personal interest	Corporate interest
	Number of shares held	Number of shares held (Note a)
Mr. Yip Kwong, Robert	27,000,000	819,518,739
Ms. Cheng Kit Yin, Kelly	71,574,000	-

Note a: These shares are owned by Central Securities Holdings Limited, a wholly subsidiary of Everbest Holdings Group Limited which is a company wholly owned by Mr. Yip Kwong, Robert.

*Shares in GreaterChina Technology Group Limited ("GreaterChina")*

Name of director	Personal interest Number of shares held	Corporate interest Number of shares held (Note b)
Mr. Yip Kwong, Robert	1,201,500	280,673,394
Ms. Cheng Kit Yin, Kelly	44,046,020	-

Note b: 258,451,559 shares are owned by the Company, in which Mr. Yip Kwong, Robert was interested in 846,518,739 shares in the Company, representing approximately 37.5% interest in the Company as at 31st January, 2003 and 22,221,835 shares are owned by Central Securities Holdings Limited.

**(ii) Options**

*Options in the Company*

Name of director	Date of grant	Exercise price HK\$	Number of share options				
			Outstanding as at		Granted	Cancelled	Outstanding as at
			1.8.2002	31.1.2003			
Mr. Yip Kwong, Robert	5th March, 1997	0.43	5,000,000	-	-	5,000,000	
	26th January, 2000	0.30	8,000,000	-	-	8,000,000	
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000	
Ms. Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000	-	-	5,000,000	
	26th January, 2000	0.30	4,000,000	-	-	4,000,000	
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000	
Mr. Kam Shing	26th January, 2000	0.30	3,000,000	-	-	3,000,000	
Mr. Chung Shui Ming	22nd March, 2000	0.33	10,000,000	-	(10,000,000)	-	
Mr. Lo Sek Chiu, Vincent	12th February, 1996	0.53	3,000,000	-	(3,000,000)	-	
	26th January, 2000	0.30	10,000,000	-	(10,000,000)	-	
Dr. Wong King Keung, Peter	26th January, 2000	0.30	5,000,000	-	-	5,000,000	
			<u>73,000,000</u>	<u>-</u>	<u>(23,000,000)</u>	<u>50,000,000</u>	

There were no options granted to or exercised by the directors during the Period.



## Options in GreaterChina

Name of director	Date of grant	Exercise price HK\$	Number of share options			
			Outstanding as at 1.8.2002	Granted	Cancelled	Outstanding as at 31.1.2003
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	16,000,000	-	-	16,000,000
	4th June, 2002	0.234	51,808,000	-	-	51,808,000
Mr. Kam Shing	19th April, 2002	0.234	1,000,000	-	-	1,000,000
Dr. Lau Lap Ping	19th April, 2002	0.234	1,000,000	-	-	1,000,000
			<u>69,808,000</u>	<u>-</u>	<u>-</u>	<u>69,808,000</u>

### (iii) Warrants

At 31st January, 2003, the directors did not hold any warrants issued by the Company.

Other than as disclosed above, none of the directors had any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 of, or Part I of the Schedule to the SDI Ordinance), pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

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

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Company, at 31st January, 2003, neither the directors nor the chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

## SHARE OPTIONS SCHEMES

Pursuant to a special general meeting of the Company held on 30th September, 1994, the Company adopted an old share option scheme (the "Old Scheme") pursuant to which the directors were authorised to grant options to employees, including executive directors, of the Company or its subsidiaries to subscribe for shares of 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 of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of the grant of the options, subject to maximum of 10% of the issued share capital of the Company from time to time.

Options granted under the Old Scheme will entitle the holder to subscribe for shares from the date of grant up to 30th September, 2004.

As at 31st January, 2003, options to subscribe for an aggregate of 55,800,000 shares of the Company had been granted to certain directors and employees pursuant to the Old Scheme. No options were granted during the Period.

On the 10th January, 2002, the Company passed an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and directors of the Company. Under the terms of the New Scheme, the board of directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) an amount not less than the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options; (ii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 9th January, 2012. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options were granted to any directors and employees of the Company during the Period pursuant to the New Scheme.

The following table discloses movements in the Company's share options during the Period:

Name of director	Date of grant	Exercise price HK\$	Number of share options			Outstanding as at 31.1.2003
			Outstanding as at 1.8.2002	Granted	Cancelled	
Mr. Yip Kwong, Robert	5th March, 1997	0.43	5,000,000	-	-	5,000,000
	26th January, 2000	0.30	8,000,000	-	-	8,000,000
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000
Ms.Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000	-	-	5,000,000
	26th January, 2000	0.30	4,000,000	-	-	4,000,000
	22nd March, 2000	0.33	10,000,000	-	-	10,000,000
Mr. Kam Shing	26th January, 2000	0.30	3,000,000	-	-	3,000,000
Mr. Chung Shui Ming	22nd March, 2000	0.33	10,000,000	-	(10,000,000)	-
Mr. Lo Sek Chiu, Vincent	12th February, 1996	0.53	3,000,000	-	(3,000,000)	-
	26th January, 2000	0.30	10,000,000	-	(10,000,000)	-
Dr. Wong King Keung, Peter	26th January, 2000	0.30	5,000,000	-	-	5,000,000
Total			73,000,000	-	(23,000,000)	50,000,000
Employees	26th January, 2000	0.30	6,500,000	-	(700,000)	5,800,000
			<u>79,500,000</u>	<u>-</u>	<u>(23,700,000)</u>	<u>55,800,000</u>

Details of the outstanding share options are as follows:

Number of share options	Date of grant	Exercise price per share HK\$	Exercise period
10,000,000	5th March, 1997	0.43	From date of grant to 30th September, 2004
25,800,000	26th January, 2000	0.30	From date of grant to 30th September, 2004
20,000,000	22nd March, 2000	0.33	From date of grant to 30th September, 2004
<hr style="width: 100%;"/>			
<u>55,800,000</u>			

The options may be exercised at any time within the exercise period provided that the options have been vested. Generally, the options are vested in different tranches and lapse where the grantee ceases to be employed by the Group.

#### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Details of the Group's transactions with GreaterChina, in which Ms. Cheng Kit Yin, Kelly is interested by virtue of her shareholding in GreaterChina and is the chairman of GreaterChina, and Mr. Kam Shing and Dr. Lau Lap Ping are non-executive directors of GreaterChina, are set out in note 25(i) to (iv) to the financial statements.

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

#### **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more of the issued share capital of the Company as at 31st January, 2003.

## PRE-EMPTIVE RIGHTS

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

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim financial statements for the six months ended 31st January, 2003.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## CODE OF BEST PRACTICE

The Company has complied throughout the Period with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

On behalf of the Board  
**Yip Kwong, Robert**  
*Chairman*

Hong Kong, 15 April, 2003