



China Rich Holdings Limited



I n t e r i m

R e p o r t

2004-2005

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China Rich Holdings Limited

Interim Report 2004 - 2005

1

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2005

		Six months ended	
		31 January	
		2005	2004
	Note	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	4	11,334	11,154
Cost of Sales		(8,494)	(8,419)
Gross profit		2,840	2,735
Other operating income		7,755	2,287
Administrative expenses		(15,827)	(20,633)
Loss from operations	5	(5,232)	(15,611)
Share of results of an associate		(3,650)	(10,185)
Finance costs		(1,326)	(2,069)
Loss before taxation		(10,208)	(27,865)
Taxation	6	-	-
Loss before minority interests		(10,208)	(27,865)
Minority interests		12	13
Net loss for the period	8	(10,196)	(27,852)
Loss per share - basic	8	HK0.5 cents	HK1.2 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 January 2005

		31 January 2005	31 July 2004
	<i>Note</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Investment properties	9	140,631	140,500
Fixed Assets	10	42,746	44,298
Golf resort	11	151,162	151,825
Properties under development	12	50,994	50,994
Interests in an associate	13	31,954	35,603
Trade debtors - due after one year	14	4,823	4,823
		<hr/> 422,310	<hr/> 428,043
CURRENT ASSETS			
Properties for sales		26,274	27,595
Trade and other debtors	15	3,547	6,178
Deposits and prepayments		4,415	4,456
Other deposit	16	12,500	12,500
Bank deposits, secured for credit facilities		51,905	171,842
Bank balances and cash		4,484	4,085
		<hr/> 103,125	<hr/> 226,656
LESS: CURRENT LIABILITIES			
Bank overdrafts, secured		51,335	171,818
Trade and other creditors	17	30,166	11,156
Accrued charges		17,680	22,318
Amount due to an associate		1,327	994
Taxation payable		15,875	16,223
Bank borrowings - due within one year, secured	18	1,872	20,280
		<hr/> 118,255	<hr/> 242,789
NET CURRENT LIABILITIES		<hr/> (15,130)	<hr/> (16,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 407,180	<hr/> 411,910

		31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year, secured	18	29,512	13,093
Deferred taxation	19	10,200	10,200
Amounts due to director		4,736	15,676
		<u>44,448</u>	<u>38,969</u>
MINORITY INTERESTS		<u>824</u>	<u>837</u>
NET ASSETS		<u>361,908</u>	<u>372,104</u>
REPRESENTED BY			
Share capital	20	225,667	225,667
Reserves	21	136,241	146,437
SHAREHOLDERS' FUNDS		<u>361,908</u>	<u>372,104</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2005

	Six months ended	
	31 January	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total equity at beginning of the period	372,104	428,309
Net loss for the period	<u>(10,196)</u>	<u>(27,852)</u>
Total equity at end of the period	<u><u>361,908</u></u>	<u><u>400,457</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2005

	Six months ended	
	31 January	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	1,119	2,622
Net cash inflow from investing activities	3,057	540
Net cash inflow/(outflow) from financing	<u>116,706</u>	<u>(2,064)</u>
Increase in cash and cash equivalents	<u>120,882</u>	1,098
Cash and cash equivalents at 1 August	<u>(167,733)</u>	<u>(168,845)</u>
Cash and cash equivalents at 31 January	<u><u>(46,851)</u></u>	<u><u>(167,747)</u></u>

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares 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 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 condensed 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 Institute of Certified Public Accountants ("HKICPA") 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 (the "Listing Rules").

The condensed financial statements have been prepared under the historical cost convention modified by the revaluation of investment properties.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the interim financial statements for the six months ended 31 January 2005.

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 31 July 2004.

4. Turnover and segment information

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, the service income from the provision of medical and health services in the PRC, and the service income from the operation of golf resort in the PRC.

Segment information about these businesses is presented below:

Business segments

for the six months period ended 31 January 2005

Results

	Property development HK\$'000	Medical and health services HK\$'000	Golf resort HK\$'000	Consolidated HK\$'000
Segment revenue				
Turnover	<u>1,434</u>	<u>7,760</u>	<u>2,140</u>	<u>11,334</u>
Segment results	<u>5,616</u>	<u>(624)</u>	<u>(708)</u>	4,284
Unallocated corporate expenses				<u>(9,516)</u>
Loss from operations				(5,232)
Share of results of an associate				(3,650)
Finance costs				<u>(1,326)</u>
Loss before taxation				(10,208)
Taxation				<u>-</u>
Loss before minority interests				(10,208)
Minority interests				<u>12</u>
Net loss for the period				<u><u>(10,196)</u></u>

Business segments

for the six months period ended 31 January 2004

Results

	Property development HK\$'000	Medical and health services HK\$'000	Golf resort HK\$'000	Consolidated HK\$'000
Segment revenue				
Turnover	<u>2,266</u>	<u>6,980</u>	<u>1,908</u>	<u>11,154</u>
Segment results	<u>(271)</u>	<u>(634)</u>	<u>(1,207)</u>	(2,112)
Unallocated corporate expenses				<u>(13,499)</u>
Loss from operations				(15,611)
Share of results of an associate				(10,185)
Finance costs				<u>(2,069)</u>
Loss before taxation				(27,865)
Taxation				<u>-</u>
Loss before minority interests				(27,865)
Minority interests				<u>13</u>
Net loss for the period				<u><u>(27,852)</u></u>

Geographical segments

The following tables provide an analysis of the Group's turnover and loss from operations by geographical market, irrespective of the origin of the goods or services:

	Revenue		Loss from operations	
	For the six months ended 31 January		For the six months ended 31 January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical market:				
Hong Kong	-	-	(9,266)	(11,856)
PRC				
(other than Hong Kong)	11,334	11,154	4,034	(3,755)
	<u>11,334</u>	<u>11,154</u>	<u>(5,232)</u>	<u>(15,611)</u>

5. Loss from operations

	For the six months ended	
	31 January	
	2005	2004
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Auditors' remuneration	-	-
Depreciation and amortisation on:		
Owned assets	2,663	2,858
Assets held under finance leases	-	-
Operating lease rentals in respect of land and buildings	195	399
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	55	69
Salaries and other benefits	5,712	5,834
and after crediting:		
Interest income	(84)	(335)
Rental income, net	<u>(1,596)</u>	<u>(1,339)</u>

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 six months ended 31 January 2005 (six months ended 31 January 2004: Nil).

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

7. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 31 January 2005 (six months ended 31 January 2004: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the net loss for the six months ended 31 January 2005 of HK\$10,196,000 (six months ended 31 January 2004: HK\$27,852,000) and 2,256,666,196 (six months ended 31 January 2004: 2,256,666,196) ordinary shares in issue during the period.

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.

9. Investment properties

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
At the beginning of the period/year	140,500	155,417
Deficit arising from revaluation	-	(14,917)
Additions during period	131	-
	<u>140,631</u>	<u>140,500</u>
At the end of the period/year	<u>140,631</u>	<u>140,500</u>

Investment properties were revalued at their open market values at 31 July 2004 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\$19,548,000 (31 July 2004: HK\$19,548,000) 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 building HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
COST					
At 1 August 2004	57,729	6,771	3,262	1,399	69,161
Additions	-	331	249	-	580
Disposal	(750)	(309)	-	-	(1,059)
At 31 January 2005	56,979	6,793	3,511	1,399	68,682
DEPRECIATION					
At 1 August, 2004	15,337	6,406	2,708	412	24,863
Provided for the period	1,111	153	325	53	1,642
Written back on disposal	(312)	(257)	-	-	(569)
At 31 January 2005	16,136	6,302	3,033	465	25,936
NET BOOK VALUES					
At 31 January 2005	40,843	491	478	934	42,746
At 1 August 2004	42,392	365	554	987	44,298

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

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Long leases in Hong Kong	28,258	29,072
Medium-term leases in the PRC	12,585	13,320
	40,843	42,392

11. Golf resort

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Cost		
At beginning of the period/year	162,789	162,789
Additions	358	–
At end of the period/year	<u>163,147</u>	<u>162,789</u>
Depreciation and impairment		
At beginning of the period/year	10,964	7,043
Depreciation provided for the period/year	1,021	2,421
Impairment loss	–	1,500
At end of the period/year	<u>11,985</u>	<u>10,964</u>
Net book value		
At 31 January 2005/31 July 2004	<u><u>151,162</u></u>	<u><u>151,825</u></u>

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

Impairment loss of HK\$1,500,000 at 31 July 2004 was recognized by reference to the valuation report issued by Chesterton Petty Limited dated 26 November 2004, which valued the golf resort on an open market value basis.

12. Properties under development/properties for sales

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

No impairment loss (year ended 31 July 2004: HK\$13,418,000) in respect of properties under development was recognised during the period.

Up to 31 January 2005 properties under development included net interest capitalized of approximately HK\$3,968,000 (31 July 2004: HK\$3,968,000).

13. Interests in an associate

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Share of net assets	<u>31,954</u>	<u>35,603</u>
Market value of listed securities	<u>43,937</u>	<u>43,937</u>

Details of the Group's associates at 31 January 2005 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	29%	3%	32%	Manufacturing and trading of traditional Chinese medicine products and western medicines and provision of advertising portal development and information technology advisory and consultation services

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

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Non-current assets	<u>117,963</u>	<u>76,275</u>
Current assets	<u>62,316</u>	<u>115,577</u>
Current liabilities	<u>33,562</u>	<u>70,845</u>
Net loss for the period/year	<u>11,491</u>	<u>51,354</u>

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:

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Aged:		
0 to 30 days	108	209
31 to 60 days	69	–
61 to 90 days	5	144
91 to 180 days	5	106
181 to 365 days	125	112
Over 365 days	3,235	5,607
	3,547	6,178

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 14 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 14 July 2002.

17. Trade and other creditors

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Aged:		
0 to 30 days	1,042	1,047
31 to 60 days	2,530	556
61 to 90 days	1,840	373
91 to 180 days	4,467	581
181 to 365 days	10,358	138
Over 365 days	9,929	8,461
	30,166	11,156

18. Bank borrowings, secured

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Bank loans	<u>31,384</u>	<u>33,373</u>
The maturity of the above bank borrowings is as follows:		
On demand or within one year	1,872	20,280
More than one year but not exceeding two years	19,308	1,852
More than two years but not exceeding five years	6,069	5,962
More than five years	<u>4,135</u>	<u>5,279</u>
	31,384	33,373
Less: Amount due within one year shown under current liabilities	<u>(1,872)</u>	<u>(20,280)</u>
Amount due after one year	<u>29,512</u>	<u>13,093</u>

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

19. Deferred taxation

At the balance sheet date, deferred taxation of HK\$10,200,000 (31 July 2004: HK\$10,200,000) recognized in the financial statements represents tax effect of timing difference because of the surplus on revaluation of properties in the PRC upon acquisition by the Group.

A deferred tax asset of approximately HK\$20,162,000 (31 July 2004: HK\$20,162,000) has not been recognized 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
Share of HK\$0.10 each		
Authorised:		
At 1 August 2004 and 31 January 2005	<u>8,000,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1 August 2004 and 31 January 2005	<u>2,256,666,196</u>	<u>225,667</u>

21. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Investment		Total HK\$'000
					revaluation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 August 2004	399,499	11,613	1,596	77,033	(2,405)	(340,899)	146,437
Net loss for the Period	-	-	-	-	-	(10,196)	(10,196)
At 31 January 2005	<u>399,499</u>	<u>11,613</u>	<u>1,596</u>	<u>77,033</u>	<u>(2,405)</u>	<u>(351,095)</u>	<u>136,241</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 reorganization 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:

	31 January 2005 (Unaudited) HK\$'000	31 July 2004 (Audited) HK\$'000
Operating leases which expire:		
– within one year	22	225
– in the second to fifth year inclusive	–	187
	<u>22</u>	<u>412</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.

23. Pledge of assets

At the balance sheet date leasehold land and buildings having a net book value of approximately HK\$27,000,000 (31 July 2004: HK\$27,000,000), bank deposits of approximately HK\$51,905,000 (31 July 2004: HK\$171,842,000), 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 and assets

- (a) The liquidators of Wing Fai Construction Company Limited (“Wing Fai”) and Wai Shun Construction Company Limited (“Wai Shun”) refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the “Agreement”) dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group’s sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited on 22 April 2002. As a result, the liquidators had taken up legal action against the Company and against several of its subsidiaries.

In the opinion of the Company’s legal advisor, the Group has a good defence on all the claims which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. It is therefore unlikely that there would be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

- (b) The liquidator of Wing Fai has taken legal action against the Group and against three directors of the Group for alleged financial assistance. As at the date of approval of these financial statements, Wing Fai has yet to identify the payments and actions attributable to the Group and to three of its directors under which the claim is made, following a recent decision by the High Court, Wing Fai has now decided to discontinue its claim against one of the directors. In the opinion of the Company's legal advisor, in any event, the Group's liability should not exceed HK\$2,000,000 plus interest and costs.
- (c) Wing Fai has recently issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai maintain that this letter constitutes a contract by which the Company became obliged to pay the debts of Wing Fai for 12 months thereafter.

The Company's legal advisors are still at the formative stage of investigating the claim and in the process of instructing legal counsel to advise on the matter. However, their preliminary view is that the Company has a good defence which is likely to be resolved in its favour.

It is therefore unlikely that there would be any material contingent liability except that the legal costs incurred by the Company may not be recoverable given the insolvent status of Wing Fai.

In the opinion of the directors, the Group has valid grounds to defend the action and as such, no provision has been made in the financial statements for the Group's exposure to the above actions.

- (d) In respect of the sum of HK\$40 million due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Chim"). In respect of the payment of the purchase price for the shares of the Wing Fai, Zhukuan Wing Fai Construction Company Limited and Wai Shun Construction Company Limited in the sum of HK\$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this was also personally guaranteed by Mr. Chim.

Wing Fai defaulted in repayment of HK\$40 million due to Benefit and is now in liquidation. Sino Glister defaulted as to HK\$3.1 million of the HK\$5.1 million purchase price for the shares of the Wing Fai Subsidiaries.

Benefit commenced High Court proceedings against Mr. Chim and Sino Glister on 30 May 2004 and has obtained a Judgment against Mr. Chim and Sino Glister in the sum of HK\$43 million plus interest and costs. It is unknown to what extent if any the sums adjudicated in favour of Benefit will be recoverable from either Sino Glister or Mr. Chim and the sum of HK\$43 million is therefore treated as a contingent receivable of Benefit.

The Company

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK\$13,996,000 (31 July 2004: HK\$15,028,000) were utilised at the balance sheet date.

25. Material related party transactions

During the period, the Group entered into the following material related party transactions:

- (i) The Group received rental of HK\$nil (six months ended 31 January 2004: HK\$495,000) 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\$nil (six months ended 31 January 2004: HK\$548,000) 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 received website development fee of HK\$nil (six months ended 31 January 2004: HK\$240,000) from the GreaterChina Group pursuant to the agreement entered into between the parties dated 3 January 2000. The fee was determined at prices agreed between the parties.
- (iv) The Group paid information technology advisory fee of HK\$26,000 (six months ended 31 January 2004: HK\$125,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.

26. Post balance sheet event

The Company announced on 4 April 2005 that it proposed to implement capital reorganisation ("Capital Reorganisation") with the objective to reduce the par value of the shares in the Company from HK\$0.10 each to HK\$0.01 each ("Reorganised Shares") and to eliminate accumulated losses of the Company. And in the Company's announcement dated 15 April 2005, the Company also proposed that, subject to the Capital Reorganisation becoming effective, every five Reorganised Shares of HK\$0.01 each be consolidated into one share of HK\$0.05 ("Share Consolidation"). Details of the Capital Reorganisation and Share Consolidation are also disclosed in the Company's circular dated 18 April 2005.

The Company also proposed to offer by way of rights a total of 1,128,333,098 rights shares ("Rights Shares") on the basis of One Rights Share for every two existing shares in issue immediately after the Capital Reorganisation. The Company had entered into an underwriting agreement with Yu Ming Investment Management Limited ("Yu Ming"), pursuant to which Yu Ming had agreed to underwrite 669,286,729 Rights Shares on the terms and subject to the conditions as stated in the announcement dated 4 April 2005.

27. Comparative amounts

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

28. Approval of interim report

The interim report was approved by the Board on 20 April 2005.

MANAGEMENT DISCUSSION AND ANALYSIS**Business Review and Segment Information**

The Group recorded a turnover of approximately HK\$11.3 million for the six months ended 31 January 2005, a slight increase of 1.6% as compared to a turnover of HK\$11.2 million in the corresponding period last year. The slight improvement was mainly attributable to the increase of revenue from provision of medical and health services and operation of a golf resort in the PRC. The stringent cost control had also further reduced the administrative expenses by 23.3% to HK\$15.8 million in the current six months period (six months ended 31 January 2004: HK\$20.6 million). Besides, the share of loss of an associate was also reduced by 64.2% to HK\$3.7 million (six months ended 31 January 2004: HK\$10.2 million). As a result, the net loss for the six months ended 31 January 2005 was decreased by 63.4% to HK\$10.2 million as compared to the net loss of HK\$27.9 million for the six months ended 31 January 2004.

During the period under review, the Group continued to adopt a prudent approach in business developments in Hong Kong but more focused on the provision of medical and health services and golf club recreational services in the PRC. 100% of turnover for the period was generated from the business segments in mainland China (six months ended 31 January 2004: 100%).

With the Group's successful business diversification into residential developments, health care and recreational services in the PRC, the major revenue of HK\$7.8 million (six months ended 31 January 2004: HK\$7.0 million) for the period was derived from the provision of medical and health services by Guangdong Concord Medical Centre, a private state-of-the-art medical center in Guangdong Province, which amounted to an approximately 68.5% of the Group turnover (six months ended 31 January 2004: 62.6%). The Directors are of an opinion that this segment will remain as the core business of the Group in the coming years.

During the period under review, there was no significant acquisitions and disposals of any subsidiaries.

Liquidity, Financial Resources & Gearing

The operation of the Group was mainly financed by internal resources generated and banking facilities such as bank loans and overdrafts. As at 31 January 2005, the total secured bank borrowings amounted to approximately HK\$82.7 million, a decrease of approximately HK\$122.5 million as compared with the amount of HK\$205.2 million as at 31 July 2004. 2.3% of the secured bank borrowings will be repayable within one year. Interest expenses were levied on the banks' best lending rate and in line with the interest rate of the Group's deposit.

Bank deposit of HK\$51.9 million (31 July 2004: HK\$171.8 million), leasehold land and buildings, certain investment properties and certain completed properties for sale amounted to a net book value of approximately HK\$46.5 million (31 July 2004: HK\$46.5 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 0.87 (31 July 2004: 0.93). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 22.9% (31 July 2004: 55.1%). Shareholders' equity decreased by 2.7% to HK\$361.9 million (31 July 2004: 372.1 million).

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. The exposure in exchange risk was minimal since the exchange rate against Hong Kong Dollar and Renminbi was relatively secured.

Employees

As at the balance sheet date, the Group hired over 200 employees in Hong Kong and China (31 July 2004: over 200). Remuneration package of the staff includes monthly salary and medical claims. As to our investment on human resources, education subsidies would be granted to the staff, with a view to reinforce the competence of all levels of our employees.

Future Plan

The Group grasps every opportunity to sharpen its competitive edge and to strive to further expand its strategic business developments with proactive approach. Seeking for new potential investments would continue to be one of the key objectives of the Group in 2005. The Directors believe that the Group will be able to breakthrough the challenges in the years ahead and will advance to a remarkable growth in both the turnover and profit.

Contingent Liabilities

There are no material changes in contingent liabilities since the last annual report date.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

At 31 January 2005, the interests of the directors in the share capital of the Company and the associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

i) Shares***Shares in the Company***

Name of director	Personal interest	Corporate interest
	Number of shares held	Number of shares held <i>(Note a)</i>
Mr. Yip Kwong, Robert	27,000,000	819,518,739

Note a: These shares are owned by Central Securities Holding Limited, a wholly-owned 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	Corporate interest
	Number of shares held	Number of shares held <i>(Note b)</i>
Mr. Yip Kwong, Robert	1,201,500	280,673,394

Note b: 285,451,559 shares are owned by the Company, 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 31 January 2005 and 22,221,835 shares are owned by Central Securities Holding Limited.

ii) Options

Options in the Company

Name of director	Date of grant	Exercise price	Number of share options		Number of share options outstanding as at 31 January 2005
			outstanding as at 1 August 2004	Number of share options expired	
Mr. Yip Kwong, Robert	05 March 1997	0.43	5,000,000	(5,000,000)	-
	26 January 2000	0.30	8,000,000	(8,000,000)	-
	22 March 2000	0.33	10,000,000	(10,000,000)	-
Mr. Kam Shing	26 January 2000	0.30	3,000,000	(3,000,000)	-
Dr. Wong King Keung, Peter	26 January 2000	0.30	5,000,000	(5,000,000)	-

There were no options granted to or exercised by the directors during the period. The options granted were expired on 30 September 2004.

Options in GreaterChina

Name of director	Date of grant	Exercise price	Number of share options		Number of share options outstanding as at 31 January 2005
			outstanding as at 1 August 2004	Number of share options cancelled	
Mr. Kam Shing	19 April 2002	0.234	1,000,000	(1,000,000)	-
Dr. Lau Lap Ping	19 April 2002	0.234	1,000,000	-	1,000,000

Save as disclosed above, at no time during the period was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of 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 during the period.

Save as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 January 2005, 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 SFO.

SHARE OPTION SCHEMES

Pursuant to a special general meeting of the Company held on 30 September 1994, the Company adopted an old share option scheme (the “Old Scheme”) pursuant to which the directors were authorized 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 20% 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 30 September 2004. All the options granted under the Old Scheme were expired on 30 September 2004.

On 10 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 9 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 ended 31 January 2005 pursuant to the New Scheme.

The following table disclosed movements in the Company's share option during the period:

Name of director	Date of grant	Exercise price HK\$	Number of	Number of	Number of
			share options outstanding as at 1 August 2004	share options expired	share options outstanding as at 31 January 2005
Mr Yip Kwong, Robert	05 March 1997	0.43	5,000,000	(5,000,000)	-
	26 January 2000	0.30	8,000,000	(8,000,000)	-
	22 March 2000	0.33	10,000,000	(10,000,000)	-
Mr. Kam Shing	26 January 2000	0.30	3,000,000	(3,000,000)	-
Dr. Wong King Keung, Peter	26 January 2000	0.30	5,000,000	(5,000,000)	-
Total			31,000,000	(31,000,000)	-
Employees	26 January 2000	0.30	19,800,000	(19,800,000)	-
			<u>50,800,000</u>	<u>(50,800,000)</u>	<u>-</u>

The options granted were expired on 30 September 2004.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the Group's transactions with GreaterChina, in which Dr Lau Lap Ping are non-executive directors of GreaterChina, are set out in note 25 to the financial statements.

Save as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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

Save as the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having an interest of 5% or more of the issued share capital of the Company as at 31 January 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2005.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the Interim Report of the Company for the six months ended 31 January 2005, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules applicable during the Period. The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The members of the audit committee have reviewed the unaudited financial statements of the Group for the six months ended 31 January 2005 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules during the relevant accounting period and all directors have complied with the required standard of dealings set out therein.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises of three executive Directors, namely, Mr. Yip Kwong, Robert, Mr. Dai Zhong Cheng and Mr. Kam Shing and three independent non-executive Directors, namely, Dr. Lau Lap Ping, Dr. Wong King Keung, Peter and Mr. Siu Edmund.

By Order of the Board
Yip Kwong, Robert
Chairman

Hong Kong, 20 April 2005