China Rich Holdings Limited

(Stock Code: 1191)

Interim Report 2005-2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2006

	Notes	Six months ended 31 January 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000
Turnover	*4*	**14,518**	11,334
Cost of Sales		**(7,894)**	(8,494)
Gross profit		**6,624**	2,840
Other operating income		**5,458**	7,755
Administrative expenses		**(14,637)**	(15,827)
Loss from operations	*5*	**(2,555)**	(5,232)
Share of results of associates		**(2,941)**	(3,650)
Finance costs		**(1,026)**	(1,326)
Loss before taxation		**(6,522)**	(10,208)
Taxation	*6*	**–**	–
Loss for the period		**(6,522)**	(10,208)
Loss attributable to:			
Equity holders of the Company		**(6,574)**	(10,196)
Minority interests		**52**	(12)
	8	**(6,522)**	(10,208)
Loss per share – basic and diluted	*8*	**HK1.0 cents**	HK2.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 January 2006

	Notes	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited and restated) HK$'000
NON-CURRENT ASSETS			
Investment properties	*9*	**130,858**	130,656
Fixed Assets	*9*	**25,169**	25,140
Golf resort	*9*	**142,896**	143,635
Prepaid lease payments	*9*	**55,288**	55,702
Interests in an associate	*10*	**26,441**	29,382
Trade debtors – due after one year	*11*	**4,823**	4,823
		385,475	389,338
CURRENT ASSETS			
Properties for sales		**22,414**	24,587
Trade and other debtors	*12*	**5,857**	2,704
Deposits and prepayments		**5,561**	5,509
Other deposit	*13*	**12,500**	12,500
Bank deposits, secured for credit facilities		**22,006**	54,991
Bank balances and cash		**5,671**	8,370
		74,009	108,661
CURRENT LIABILITIES			
Bank overdrafts, secured		**1,659**	20,222
Bank overdrafts		**–**	147
Bank borrowings – due within one year, secured	*15*	**15,318**	18,844
Trade and other creditors	*14*	**21,698**	30,450
Accrued charges		**13,931**	14,861
Provision for claims		**1,500**	2,000
Amount due to an associate		**1,354**	185
Taxation payable		**15,495**	15,448
		70,955	102,157
NET CURRENT ASSETS		**3,054**	6,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**388,529**	395,842

	Notes	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited and restated) HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings			
– due after one year, secured	*15*	**12,523**	11,261
Interest bearing borrowings			
– due after one year		**4,247**	6,300
Amount due to a director		**6,188**	6,188
		22,958	23,749
NET ASSETS		**365,571**	372,093
CAPITAL AND RESERVES			
Share capital	*17*	**33,850**	33,850
Reserves		**330,762**	337,336
Equity attributable to equity holders of the Company		**364,612**	371,186
Minority interests		**959**	907
Total Equity		**365,571**	372,093

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Distri-butable reserve HK$'000	Contributed surplus HK$'000	Investment revlauation reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Minority Interests HK$'000	Total HK$'000
(Audited)										
At 31 July 2004 and at 1 August 2004	225,667	399,499	11,613	1,596	77,033	–	(2,405)	(340,899)	837	372,941
Net loss for the period	–	–	–	–	–	–	–	(10,196)	(12)	(10,208)
At 31 January 2005 and at 1 Feburary 2005	225,667	399,499	11,613	1,596	77,033	–	(2,405)	(351,095)	825	362,733
Capital reduction *(Note b)*	(203,100)	–	–	–	–	–	–	203,100	–	–
Cancellation of premium accounts *(Note c)*	–	(399,499)	–	–	–	143,218	–	256,281	–	–
Rights issue	11,283	–	–	–	–	–	–	–	–	11,283
Premium arising from rights issue, net of expenses *(Note d)*	–	31,879	–	–	–	–	–	–	–	31,879
Exchange differences arising from translation of overseas operations, net of minority interests share	–	–	–	4,306	–	–	–	–	–	4,306
Net loss for the period	–	–	–	–	–	–	–	(38,190)	82	(38,108)
At 31 July 2005 and at 1 August 2005	33,850	31,879	11,613	5,902	77,033	143,218	(2,405)	70,096	907	372,093
(Unaudited)										
Net loss for the period	–	–	–	–	–	–	–	(6,574)	52	(6,522)
At 31 January 2006	33,850	31,879	11,613	5,902	77,033	143,218	(2,405)	63,522	959	365,571

Notes:

(a) The distributable 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.

(b) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the Existing Shares of HK$0.10 each in the capital of the Company in issue reduced from HK$0.10 to HK$0.01 by canceling HK$0.09 of the capital paid up on each of such Existing Shares. The entire amount of approximately HK$203,010,000 was applied to set off part of the accumulated losses of the Company.

(c) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the entire amount standing to credit of the share premium account of the Company as at 31 July 2004, represented by an amount of approximately HK$399,499,000 was cancelled. The entire amount as a result was applied as to approximately HK$256,281,000 to eliminate the balance of the accumulated losses of the Company and approximately HK$143,218,000 to the Company's contributed surplus account.

(d) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the Company issued 1,128,333,098 ordinary shares of HK$0.01 each Rights Share at an issue price of HK$0.04 per rights share in the basis of one rights share for every two Existing shares.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2006

	Six months ended 31 January	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**(13,243)**	1,119
Net cash generated from/(used in) investing activities	**34,597**	3,057
Net cash generated from/(used in) financing activities	**(5,343)**	116,706
Increase in cash and cash equivalents	**16,011**	120,882
Cash and cash equivalents at the beginning of the period	**(11,999)**	(167,733)
Cash and cash equivalents at the end of the period	**4,012**	(46,851)

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Company was incorporated in the 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 the British Virgin Islands. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 33/F, 118 Connaught Road West, Hong Kong.

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 compliance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of annual financial statements of the Group's annual financial statements for the year ended 31 July 2005 except as described in note 3 below.

3. Change in Accounting Policies

In current period, the Group adopted the new and revised HKFRSs which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirement.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 28	Investment in associates
HKAS 32	Financial instruments: disclosures and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: recognition and measurement
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – special purpose entities
HKAS-Int 15	Operating leases – incentives
HKAS-Int 21	Income taxes – recovery of revalued non-depreciated assets
HKFRS 2	Share-based payments
HKFRS 3	Business combination

The adoption of the above HKFRSs has no material impact on the accounting policies and the results and financial position of the Group, except for the following:

1. HKAS 1 – Presentation of Financial Statements

The adoption of HKAS 1 has resulted in the presentational change in the Group's financial statements.

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance of HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. The changes in presentation have been applied retrospectively.

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year/period were also separately presented in the income statement as a deduction before arriving at the Group's profit or loss attributable to shareholders (the equity holders of the Company).

With effect from 1 January 2005, in order to comply with HKASs 1 and 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives restated.

2. *HKAS 17 – Leases*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of interest in leasehold land from property, plant and equipment to prepaid lease payments under operating leases and retrospective application is required. The up-front prepayments made for the interest in leasehold land are expensed in the income statement on a straight-line bases over the period of the lease or where there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciations. In prior years, interest in leasehold land was classified under property, plant and equipment at cost and amortised over the terms of the leases except those classified as properties under development which was stated at lower of cost and estimated net realisable value.

The adoption of revised HKAS 17 resulted in:

	31 January 2006 HK$'000	31 July 2005 HK$'000
Increase in prepaid lease payments	**55,288**	55,702
Decrease in Fixed Assets	**(15,187)**	(15,508)
Decrease in properties under development	**(40,101)**	(40,194)

3. *HKASs 32 and 39 Financial instruments: disclosures and presentation; recognition and measurement*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. There are no material adjustments arising from the adoption of new policies for securities held for trading purpose, debt securities being held to maturity and unquoted investment not carried at fair value.

4. HKAS 21 – The effects of changes in foreign exchange rates

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates using at the transaction dates. With effect from 1 January 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and is retranslated at exchange rates ruling at the balance sheet date, together with the retranslation of the net assets of the foreign operation. In accordance with the transitional provision in the HKAS 21, the new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 January 2005. As the Group has not acquired any new foreign operations since that date, the change in policy has had no material impact on the financial statements for the six months ended 31 January 2006.

4. Turnover and segment information

Turnover represents the aggregate of sales revenue from the sales of properties, the service income from the provision of medical and health services, 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 ended 31 January 2006

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	2,278	9,436	2,804	14,518
Segment results	3,107	2,619	(454)	5,272
Unallocated corporate expenses				(7,827)
Loss from operations				(2,555)
Share of results of associates				(2,941)
Finance costs				(1,026)
Loss before taxation				(6,522)
Taxation				–
Loss for the period				(6,522)

Business segments

for the six months ended 31 January 2005

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	1,434	7,760	2,140	11,334
Segment results	5,616	(624)	(708)	4,284
Unallocated corporate expenses				(9,516)
Loss from operations				(5,232)
Share of results of associates				(3,650)
Finance costs				(1,326)
Loss before taxation				(10,208)
Taxation				–
Loss for the period				(10,208)

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 Six months ended 31 January		**(Loss)/Profit from operations Six months ended 31 January**	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
By geographical market:				
Hong Kong	**–**	–	**(7,165)**	(9,266)
The PRC (other than Hong Kong)	**14,518**	11,334	**4,610**	4,034
	14,518	11,334	**(2,555)**	(5,232)

5. Loss from operations

	Six months ended 31 January 2006 HK$'000	2005 HK$'000
Loss from operations has been arrived at after charging/(crediting):		
Depreciation and amortisation on owned assets	**2,303**	2,663
Operating lease rentals in respect of land and buildings	**183**	195
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	**56**	55
Salaries and other benefits	**5,338**	5,712
and after crediting:		
Interest income	**(476)**	(84)
Rental income, net	**(1,179)**	(1,596)

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 2006 (six months ended 31 January 2005: Nil).

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

7. Interim dividend

The directors do not recommend the payment of interim dividend for the period ended 31 January 2006 (six months ended 31 January 2005: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the period ended 31 January 2006 of HK$6,574,000 (six months ended 31 January 2005: HK$10,196,000) and 676,999,859 (six months ended 31 January 2005 (restated): 397,173,250) ordinary shares in issue during the period after adjusting the effects of rights issue and share consolidation. The basic loss per share for the period ended 31 January 2005 has been adjusted accordingly.

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.

9. Investment properties, Fixed assets, Golf resort and Prepaid lease payments

	HK$'000
Net Book Value at 1 August 2005 (Audited)	**355,133**
Addition during the period	**1,381**
Depreciation for the period	**(1,889)**
Amortisation for the period	**(414)**
Net Book Value at 31 January 2006 (Unaudited)	**354,211**

10. Interests in an associate

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Share of net assets	**26,441**	29,382
Market value of listed secruities	**43,937**	43,937

Details of the Group's associates at 31 January 2006 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Proportion of voting power held	Principal activities
GreaterChina Technology Group Limited ("GreaterChina")	Cayman Islands	Hong Kong	29%	3%	32%	Manufacturing and trading of traditional Chinese medicine products and provision of advertising, portal development and information technology advisory and consultation services

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

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Non-current assets	**113,852**	119,748
Current assets	**42,584**	46,547
Current liabilities	**24,042**	26,564
Net loss for the period/year after minority interest	**9,260**	19,586

11. 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.

12. 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 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Aged:		
0 to 30 days	**582**	369
31 to 60 days	**857**	367
61 to 90 days	**161**	–
91 to 180 days	**2,829**	9
181 to 365 days	**104**	101
Over 365 days	**1,324**	1,858
	5,857	2,704

13. 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 Construction Company Limited ("Wing Fai") or any subsequently appointed liquidators of Wing Fai, for any judgment 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.

14. Trade and other creditors

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Trade and other creditors	**9,094**	14,011
Amount due to an ex-director	**12,604**	16,439
	21,698	30,450

The amount due to an ex-director is unsecured, interest free and repayable on demand.

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

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Aged:		
0 to 30 days	**847**	1,044
31 to 60 days	**247**	808
61 to 90 days	**216**	17
91 to 180 days	**3**	27
181 to 365 days	**–**	71
Over 365 days	**7,781**	12,044
	9,094	14,011

15. Bank borrowings, secured

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Bank loans	**27,841**	30,105
The maturity of the above bank borrowings is as follows:		
On demand or within one year	**15,318**	18,844
More than one year but not exceeding two years	**4,039**	1,885
More than two years but not exceeding five years	**6,336**	6,170
More than five years	**2,148**	3,206
	27,841	30,105
Less: Amount due within one year shown under current liabilities	**(15,318)**	(18,844)
Amount due after one year	**12,523**	11,261

16. Deferred taxation

	31 January 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Balance brought forward	–	10,200
Transfer to income statement	–	(10,200)
Balance carried forward	–	–

At 31 July 2005, deferred taxation of HK$10,200,000 previously recognised due to tax effect of temporary differences arising from the surplus on revaluation of properties in the PRC upon acquisition by the Group was reversed.

Estimated tax losses arising in Hong Kong of approximately HK$61,936,000 (31 July 2005: HK$55,159,000) are available to offset future profits. Deferred tax assets have not been recognized due to the unpredictability of future profit streams.

17. Share capital

	Number of shares	Amount HK$'000
Share of HK$0.05 each		
Authorised:		
At 1 August 2005 and 31 January 2006	16,000,000,000	800,000
Issued and fully paid:		
At 1 August 2005 and 31 January 2006	676,999,859	33,850

18. 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 2006 (Unaudited) HK$'000	31 July 2005 (Audited) HK$'000
Operating leases which expire:		
– within one year	**183**	187
– in the second to fifth year inclusive	–	–
	183	187

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.

19. Pledge of assets

At the balance sheet date, leasehold land and buildings having a carrying value of approximately HK$26,644,000 (31 July 2005: HK$26,644,000), bank deposits of approximately HK$22,006,000 (31 July 2005: HK$54,991,000), certain investment properties and certain properties for sale of the Group have been pledged to banks to secure credit facilities granted to the Group.

20. Contingent liabilities and assets

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of the 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 (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators had taken up legal action against the Company and several of its subsidiaries.

In the opinion of the Company's legal advisors, 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. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

(b) The liquidators of Wing Fai have taken legal action against the Group and three directors (one is by now ex-director) for alleged financial assistance. Wing Fai then decided to discontinue its claim against one of the directors.

In the opinion of the Company's legal advisors, a provision for HK$2,000,000 plus costs to be assessed (not less than HK$1,500,000) be made.

A provision of HK$1,500,000 for claims has been made in the Group's financial statements for the Group's exposure to the above action. In the opinion of the directors, the provision is not excessive and is adequate to cover the Group's exposure in the above action.

(c) Wing Fai has 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 alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 January 2006 and the date of approval of these financial statements.

In the opinion of the directors, the Group has valid grounds to defence the above action and as such, no provision is made in the financial statements of the Group for its exposure to the above action.

(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 purchase price for shares of Wing Fai Subsidiaries in the sum of HK$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this sum 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 $3.1 million of the HK$5.1 million purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Chim. Mr. Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 January 2006 and the date of approval of these financial statements, no further action has taken place.

In the opinion of the legal advisors of the Company, the action against Mr. Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Chim or Sino Glister. As such, no asset is recognised in the Group's financial statements.

The Company

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK$11,261,000 (31 July 2005: HK$11,261,000) were utilised at the balance sheet date.

21. Material related party transactions

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

(i) The Group paid information technology advisory fee of HK$25,000 (six months ended 31 January 2005: HK$26,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.

(ii) The Group received rental income of approximately HK$330,000 (six months ended 31 January 2005: HK$768,000) and management fee income of approximately HK$338,000 (six months ended 31 January 2005: HK$426,000) from a related company in which Mr Yip Kwong, Robert, has beneficial interests.

(iii) At 31 January 2006, an amount of approximately HK$1,354,000 (31 July 2005: HK$185,000) was due to related company GreaterChina Group. Amount due to GreaterChina Group is unsecured, non-interest bearing and repayable on demand.

(iv) At 31 January 2006, included in trade and other creditors were amounts of approximately HK$77,000 (31 July 2005: HK$997,000) due to a related company in which Mr. Yip Kwong, Robert, has beneficial interests and Nil (31 July 2005: HK$250,000) due to a related company in which Mr Yip Kwong, Robert has a beneficial interest. These amounts are unsecured, non-interest bearings and and are repayable on demand.

(v) At 31 January 2006, included in trade and other debtors were amounts of approximately HK$247,000 (31 July 2005: Nil) due from a related company in which Mr. Yip Kwong, Robert has a beneficial interest.

22. Comparative amounts

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

23. Approval of interim report

The interim report was approved by the Board on 29 March 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Segment Information

The Group recorded a turnover of approximately HK$14.5 million for the six months ended 31 January 2006, an increase of 28.1% as compared to a turnover of HK$11.3 million in the corresponding period last year. The improvement was mainly attributable to the increase of revenue from property development, provision of medical and health services and operation of a golf resort in the PRC. The administrative expenses had decreased by 7.5% to HK$14.6 million (six months ended 31 January 2005: HK$15.8 million), as a result of stringent cost control policy. Besides, the share of loss of an associate was also reduced by 19.4% to HK$2.9 million as compared to that of HK$3.7 million for the six months ended 31 January 2005. As a results, the performance of the Group was improved and the loss attributable to equity holders of the Company for the six months ended 31 January 2006 was decreased by 35.5% to HK$6.6 million as compared to the loss attributable to equity holders of the Company of HK$10.2 million for the six months ended 31 January 2005.

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 2005: 100%).

With the Group's successful business diversification into residential developments, health care and recreational services in the PRC, the major revenue of HK$9.4 million (six months ended 31 January 2005: HK$7.8 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 65.0% of the Group turnover (six months ended 31 January 2005: 68.5%). The Directors are of an opinion that this segment will remain as the core business of the Group in the coming years. In respect of other business segments, the revenue from property development increased by 58.9% to HK$2.3 million, and that from operation of a golf resort increased by 31.0% to HK$2.8 million, as compared to revenues of HK$1.4 million and HK$2.1 million respectively in the corresponding period last year.

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 2006, the total secured bank borrowings amounted to approximately HK$29.5 million, a decrease of approximately HK$20.8 million as compared with the amount of HK$50.3 million as at 31 July 2005. 51.9% 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$22.0 million (31 July 2005: HK$55.0 million), leasehold land and buildings, certain investment properties and certain completed properties for sale amounted to a net book value of approximately HK$49.1 million (31 July 2005: HK$49.1 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 1.04 (31 July 2005: 1.06). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 8.1% (31 July 2005: 13.6%). Equity attributable to equity holders of the Company decreased by 1.8% to HK$364.6 million (31 July 2005: 371.2 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 both in Hong Kong and China (31 July 2005: over 200). Remuneration package of the staff includes monthly salary, medical claims and share options. 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. Share options would be granted to respective staff with outstanding performance and contributions to the Group.

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 2006. 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' INTERESTS IN SHARES AND OPTIONS

At 31 January 2006, 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 Number of shares held	Corporate interest Number of shares held *(Note a)*
Mr. Yip Kwong, Robert	8,100,000	245,855,621

Note a: These shares are owned by Central Securities Holdings 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 Number of shares held	Corporate interest Number of shares held *(Note b)*
Mr. Yip Kwong, Robert	1,201,500	280,673,394

Note b: 258,451,559 shares are owned by the Company, which Mr. Yip Kwong, Robert was interested in 253,955,621 shares in the Company, representing approximately 37.51% interest in the Company as at 31 January 2006 and 22,221,835 shares are owned by Central Securities Holdings Limited.

(ii) Options

Options in the Company

There were no options outstanding or granted to the directors during the period.

Options in GreaterChina

Name of director	Date of grant	Exercise price	Number of share options outstanding as at 1 August 2005	Number of share options outstanding as at 31 January 2006
Dr. Lau Lap Ping	19 April 2002	0.234	1,000,000	1,000,000

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

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 2006, 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.

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 form 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 outstanding or granted to any directors and employees of the Company during the period ended 31 January 2006 pursuant to the New Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the Group's transactions with GreaterChina, in which Dr Lau Lap Ping is a non-executive director of GreaterChina, are set out in note 21 to the financial statements.

Details of the Group's transactions with CR Airways Limited, in which Mr. Yip Kwong has a beneficial interest, are set out in note 21 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

As at 31 January 2006, the following persons or corporations have relevant interests in the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

LONG POSITIONS IN SHARES OF THE COMPANY

Ordinary shares of HK$0.05 each of the Company

Name of shareholder	Capacity	Number of Issued ordinary Shares held	Percentage of the issued share capital in the Company
Yip Kwong, Robert	Beneficial owner	253,955,621	37.51%
Central Securities Holdings Limited *(Note c)*	Interest of a controlled corporation	245,855,621	36.32%
Everbest Holdings Group Limited *(Note d)*	Interest of a controlled corporation	245,855,621	36.32%
Lee Wa Lun, Warren	Beneficial owner	125,176,862	18.49%

Note c: Central Securities Holdings Limited ("Central Securities") is a wholly-owned subsidiary of Everbest Holdings Group Limited ("Everbest')

Note d: Everbest is a company wholly owned by Mr. Yip Kwong, Robert. This parcel of shares refers to the same parcel of shares held by Central Securities which Everbest is deemed be interested.

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 2006.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules applicable during the first six months ended 31 January 2006, except for the following deviations:

Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the chairman and managing director is the same person, Mr Yip Kwong, Robert who has extensive experience in business strategies and management.

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject for re-election. However, all Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting at least once every three years in accordance with the Bye-laws of the Company.

Code Provision B1.4, C3.4, stipulates that the remuneration committee and the audit committee should make available their terms of reference, explaining their roles and the authority delegated to it by the board; which could be met by making them available on requesting and by including the information on the company's website. However, the Company is now updating and including the information on the website.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

REMUNERATION COMMITTEE

According to the Code Corporate Governance Practices, the Company established its remuneration committee ("Remuneration Committee"). The existing Remuneration Committee comprises of an independent non-executive director, Mr Edmund Siu (Chairman of the Remuneration Committee), and an executive director, Kam Shing.

The written terms of reference of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

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 control system. The audit committee comprises the three independent non-executive directors of the Company. The members of the audit committee have reviewed the financial statements of the Group for the six months period ended 31 January 2006 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.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises of three executive Directors, namely, Mr. Yip Kwong, 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, 29 March 2006