



2006-07

Interim Report



*China Rich Holdings Limited*

(Stock Code: 1191)

## 1

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 31 January 2007

	Notes	Six months ended	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	16,065	14,518
Cost of sales		<u>(9,189)</u>	<u>(7,894)</u>
Gross profit		6,876	6,624
Other revenue		1,613	5,458
Administrative expenses		(12,103)	(14,637)
Impairment loss in respect of golf resort		(9,453)	-
Gain on sales of fixed asset		9,358	-
Gain on disposal of subsidiaries		<u>955</u>	<u>-</u>
Profit/(Loss) from operations	4	(2,754)	(2,555)
Share of results of an associate		-	(2,941)
Loss on deemed disposal of share		(15,189)	-
Finance costs		<u>(779)</u>	<u>(1,026)</u>
Loss before taxation		(18,722)	(6,522)
Taxation	5	<u>-</u>	<u>-</u>
Net loss for the period		<u><b>(18,722)</b></u>	<u><b>(6,522)</b></u>
Loss attributable to:			
Equity holders of the Company		(18,773)	(6,574)
Minority interests		<u>51</u>	<u>52</u>
	7	<u><b>(18,722)</b></u>	<u><b>(6,522)</b></u>
Loss per share – basic and diluted	7	<u><b>HK2.8 cents</b></u>	<u><b>HK1.0 cents</b></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 31 January 2007

	<i>Note</i>	<b>31 January 2007 (Unaudited) HK\$'000</b>	<b>31 July 2006 (Audited) HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	8	130,000	130,000
Interest in leasehold land	8	7,834	15,683
Property, plant and equipment	8	6,108	11,965
Golf resort	9	126,600	134,400
Properties under development	8	34,400	34,400
Available for sale investment	10	13,181	-
Interest in associate		-	25,925
		<hr/> <b>318,123</b>	<hr/> <b>352,373</b>
<b>Current assets</b>			
Properties for sales		18,402	19,722
Trade and other debtors	11	5,802	2,886
Deposits and prepayments		6,097	3,268
Other deposit	12	12,500	12,500
Bank deposits, secured for credit facilities		2,982	2,045
Bank balances and cash		18,867	16,435
Non-current assets classified as held for sales		-	11,011
		<hr/> <b>64,650</b>	<hr/> <b>67,867</b>
<b>Current liabilities</b>			
Bank overdrafts, secured		-	705
Bank borrowings - due within one year secured	14	8,080	14,350
Interest bearing borrowings - due within one year		-	2,182
Trade and other creditors	13	25,205	19,341
Accrued charges		8,508	14,745
Provision for claims		3,800	3,800
Amount due to an associate		-	864
Amount due to a director		3,962	3,760
Taxation payable		451	306
Liabilities directly associated with non-current assets classified as held for sale		-	3,655
		<hr/> <b>50,006</b>	<hr/> <b>63,708</b>
<b>Net current assets</b>		<hr/> <b>14,644</b>	<hr/> <b>4,159</b>

## 3

		<b>31 January 2007 (Unaudited) HK\$'000</b>	<b>31 July 2006 (Audited) HK\$'000</b>
<b>Total assets less current liabilities</b>		<b>332,767</b>	356,532
<b>Non-current liabilities</b>			
Bank borrowings			
- due after one year, secured	<i>14</i>	-	9,462
		-	9,462
<b>Net assets</b>		<b><u>332,767</u></b>	<b><u>347,070</u></b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	<i>16</i>	<b>33,850</b>	33,850
Reserves		<b><u>297,875</u></b>	<u>312,229</u>
Equity attributable to shareholders of the Company		<b>331,725</b>	346,079
Minority interests		<b><u>1,042</u></b>	<u>991</u>
<b>Total Equity</b>		<b><u>332,767</u></b>	<b><u>347,070</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2007

	Attributable to Equity Holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Subtotal HK\$'000	Minority Interest HK\$'000	Total HK\$'000
(Audited)											
At 31 July 2005, as stated and at 1 August 2005	33,850	31,879	11,613	5,902	77,033	143,218	(2,405)	70,022	371,112	907	372,019
(Unaudited)											
Net loss for the period	-	-	-	-	-	-	-	(6,574)	(6,574)	52	(6,522)
At 31 January 2006, as restated	<u>33,850</u>	<u>31,879</u>	<u>11,613</u>	<u>5,902</u>	<u>77,033</u>	<u>143,218</u>	<u>(2,405)</u>	<u>63,448</u>	<u>364,538</u>	<u>959</u>	<u>365,497</u>
(Audited)											
At 31 July 2006 and at 1 August 2006	33,850	31,879	11,613	6,474	77,033	143,218	-	42,012	346,079	991	347,070
Surplus arising from revaluating of available for sale investment	-	-	-	-	-	-	2,445	-	2,445	-	2,445
Exchange Difference arising from translation of oversea operation	-	-	-	1,974	-	-	-	-	1,974	-	1,974
(Unaudited)											
Net loss for the period	-	-	-	-	-	-	-	(18,773)	(18,773)	51	(18,722)
At 31 January 2007	<u>33,850</u>	<u>31,879</u>	<u>11,613</u>	<u>8,448</u>	<u>77,033</u>	<u>143,218</u>	<u>2,445</u>	<u>23,239</u>	<u>331,725</u>	<u>1,042</u>	<u>332,767</u>

### Notes:

- 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.
- Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.
- The accompanying notes form an integral part of these financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 31 January 2007

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow (outflow) from operating activities	<b>(9,220)</b>	(13,243)
Net cash inflow (outflow) from investing activities	<b>29,805</b>	34,597
Net cash inflow (outflow) from financing	<b>(17,448)</b>	(5,343)
Increase in cash and cash equivalents	<b>3,137</b>	16,011
Cash and cash equivalents at 1 August	<b>15,730</b>	(11,999)
Cash and cash equivalents at 31 January	<b>18,867</b>	4,012

## **NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. General**

The Company is 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 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 and accounting policies**

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".

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial statement for the year ended 31 July 2006, except that the Group has changed certain of its accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("new HKFRSs", which also include the relevant new HKASs and Interpretations) issued by the HKICPA effective for accounting periods commencing on or after 1 January 2006.

## 7

In the current year, the Group has applied, for the first time, a number of new standards amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new HKFRSs has no material impact on the accounting policies and the results and financial position of the Group.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements



### 3. 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 period ended 31 January 2007*

#### **Results**

	Property development HK\$'000	Medical and health services HK\$'000	Golf resort HK\$'000	Consolidated HK\$'000
Segment revenue – turnover	1,783	9,928	4,354	16,065
Segment results	(256)	2,583	(9,774)	(7,447)
Gain on sales of fixed assets				9,358
Gain on disposal of subsidiaries				955
Unallocated corporate expenses				(5,620)
Loss from operations				(2,754)
Share of results of an associate				-
Loss on deemed disposal of share				(15,189)
Finance costs				(779)
Loss before taxation				(18,722)
Taxation				-
Net loss for the period				(18,722)

for the six months period ended 31 January 2006

## Results

	Property development HK\$'000	Medical and health services HK\$'000	Golf resort HK\$'000	Consolidated HK\$'000
Segment revenue – turnover	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 an associate				(2,941)
Finance costs				(1,026)
Loss before taxation				(6,522)
Taxation				-
Net loss for the period				(6,522)

## 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		Loss from operations	
	Six months ended		Six months ended	
	31 January		31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical market:				
Hong Kong	-	-	3,737	4,610
The PRC (other than Hong Kong)	16,065	14,518	(6,491)	(7,165)
	16,065	14,518		
Loss from operations			(2,754)	(2,555)

#### 4. Loss from operations

	Six months ended	
	31 January	
	2007	2006
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging/(crediting)		
Depreciation and amortisation on:		
Owned assets	1,941	2,303
Operating lease rentals in respect of land and buildings	343	183
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	86	56
Salaries and other benefits	5,229	5,338
and after crediting:		
Interest income	(171)	(476)
Rental income, net	(946)	(1,123)
	<u>          </u>	<u>          </u>

#### 5. 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 2007 (2006: Nil).

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

#### 6. Interim dividend

The directors do not recommend the payment of interim dividend for the period ended 31 January 2007 (2006: Nil).

#### 7. Loss per share

The calculation of the basic loss per share is based on the net loss for the period ended 31 January 2007 of HK\$18.7 million (2006: HK\$6.6 million) and 676,999,859 (2006: 676,999,859) shares.

## 8. Investment properties, Interest in leasehold land, Property, plant and equipment, Properties under development

The Group's assets were fair valued on 31 January 2007 by an independent valuer, Knight Frank Petty Limited, on an open market value basis, with indication that their fair value were not changed significantly from their carrying amount at 31 July 2006.

During the period, the Group had disposed properties with an aggregate cost of HK\$ 24,041,000.

## 9. Golf Resort

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

An impairment loss of HK\$9,453,000 (31 July 2006: HK\$ 9,019,000) at 31 January 2007 was recognized by the Group with reference to the valuation report issued by an independent valuer, Knight Frank Petty Limited at 31 December 2006 at the time of proposed to sell the Golf resort.

The directors consider that the fair value of the Golf resort at 31 January 2007 does not change significantly from their carrying amount at 31 December 2006.

## 10. Available-for-sales investments

	31 January 2007 (Unaudited) HK\$'000	31 July 2006 (Audited) HK\$'000
Listed equity securities	<u>13,181</u>	<u>-</u>

All available-for-sales investments are stated at fair value.

## 11. 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 period ended 31 January 2007:

	<b>31 January 2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 July 2006 <b>(Audited)</b> <b>HK\$'000</b>
Aged:		
0 to 60 days	<b>184</b>	1,549
61 to 90 days	<b>50</b>	44
over 90 days	<b>5,568</b>	1,293
	<b>5,802</b>	<b>2,886</b>

## 12. 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 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.

## 13. Trade and other creditors

The following is an aged analysis of trade creditors at the period ended 31 January 2007:

	<b>31 January 2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 July 2006 <b>(Audited)</b> <b>HK\$'000</b>
Aged:		
0 to 60 days	<b>5,070</b>	1,029
61 to 90 days	<b>74</b>	10
over 90 days	<b>9,344</b>	5,449
	<b>14,488</b>	<b>6,488</b>
Amount due to an ex-director	<b>9,853</b>	12,853
Amount due to an ex-associate	<b>864</b>	-
	<b>25,205</b>	<b>19,341</b>

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**14. Bank borrowings, secured**

	<b>31 January 2007 (Unaudited) HK\$'000</b>	<b>31 July 2006 (Audited) HK\$'000</b>
Bank loans	<b><u>8,080</u></b>	<b><u>23,812</u></b>
The maturity of the above bank borrowings is as follows:		
On demand or within one year	<b>8,080</b>	14,350
More than one year but not exceeding two year	-	1,932
More than two years but not exceeding five year	-	6,529
More than five years	-	1,001
	<b><u>8,080</u></b>	<b><u>23,812</u></b>
Less: Amount due within one year shown under current liabilities	<b><u>(8,080)</u></b>	<b><u>(14,350)</u></b>
Amount due after one year	<b><u>-</u></b>	<b><u>9,462</u></b>

**15. Deferred taxation**

No provision for deferred tax liabilities has been made as the Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (31 July 2006: Nil).

Estimated tax losses of approximately HK\$61,775,000 (31 July 2006: HK\$61,775,000) are available to offset future profits. Deferred tax assets have not been recognized due to the unpredictability of future profit streams.

**16. Share capital**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Share of HK\$0.05 each		
Authorised:		
At 1 August 2006 and 31 January 2007	<b><u>16,000,000,000</u></b>	<b><u>800,000</u></b>
Issued and fully paid:		
At 1 August 2006 and 31 January 2007	<b><u>676,999,859</u></b>	<b><u>33,850</u></b>

## 17. 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 2007 (Unaudited) HK\$'000	31 July 2006 (Audited) HK\$'000
Operating leases which expire:		
- within one year	<u>360</u>	<u>166</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 two years.

Capital commitment:

At the balance sheet date, the Group or the Company did not have any significant commitments (31 July 2006: Nil).

## 18. Pledge of assets

As at 31 January 2007, the Group's bank loans were secured by certain properties, with an aggregate carrying value of HK\$21.47 million and time deposits HK\$2.08 million.

## 19. Contingent liabilities

- (a) The liquidators of 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 (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. 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 defend the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

- (b) In 2002, the liquidators of Wing Fai had 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. The action was settled before the commencement of trial by agreement between the parties in August 2006. The Group agreed to pay HK\$3,800,000 inclusive of costs to the liquidators of Wing Fai.

A provision of HK\$3,800,000 for claims has been made in the financial statements of the Group for the Group's exposure to the above action.

- (c) Wing Fai had 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 2007.

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

## **20. Events after the Balance Sheet Date**

As at the SGM dated 29 March 2007, the Shareholder of the Company had passed the resolution to the disposal of equity interest in Evergreen Holdings Limited. After the completion of the disposal, the Group would cease to operate golf resort.

As at the announcement dated 29 March 2007, the Company entered a conditional agreement, acquiring 40% interest in Goldfield International Investment Group Limited, together with the intended subsidiary of Guangzhou Yueshou engaged in environmental protection business in respect of desulphurization to control the emission of sulphur dioxide during electricity generation.



**21. Comparative amounts**

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

**22. Approval of interim report**

The interim report was approved by the Board on 3 April 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Segment Information

The Group recorded a turnover of approximately HK\$16.1 million for the six months ended 31 January 2007, a slight increase of 11% as compared to a turnover of HK\$14.5 million in the corresponding period last year. The 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 administrative expenses had decreased by 17% to HK\$12.1 million (six months ended 31 January 2006: HK\$14.6 million).

During the period under review, the Group's principal activities of the subsidiaries are engaged in the property development, operation of a golf resort and the provision of medical and health services. The Group had disposed or diluted several non-core business, (i) the Group's ownership interest held in GreaterChina Technology Group Limited was diluted from 32% to 12%, as the Group did not accept the open offer at an issue price of HK\$0.015 per offer share on the basis of three offer shares for every two existing shares; (ii) the Group's had disposed the entire share capital of Marvelink Limited, a wholly owned subsidiary of the Group (holdings 51% share capital of 紫霞山莊); (iii) the Group's had disposed the properties, units 5,6,7,8 and 9 on 33 Floor at 118 Connaught Road West, Hong Kong.

100% of turnover for the period was generated from the business segments in mainland China (six months ended 31 January 2006: 100%)

The major revenue of HK\$9.9 million (six months ended 31 January 2006: HK\$9.4 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 61.8% of the Group turnover (six months ended 31 January 2006: 65.0%). In respect of other business segments, the revenue from property development decreased by 21.7% to HK\$1.8 million, and that from operation of a golf resort increased by 55.3% to HK\$4.4 million, as compared to revenues of HK\$2.3 million and HK\$2.8 million respectively in the corresponding period last year.

## **Liquidity, Financial Resources & Gearing**

Funding for the Group's operations during the period mainly come from internally generated cash flows. Any shortfall was financed by bank loans. As at 31 January 2007, the total secured bank borrowings amounted to approximately HK\$8.08 million, a decrease of approximately HK\$16.4 million as compared with the amount of HK\$24.50 million as at 31 July 2006. Interest expenses were levied on the banks' best lending rate and in line with the interest rate of the Group's deposit.

Bank time deposit of HK\$2.98 million (31 July 2006: HK\$2.0 million), leasehold land and buildings, certain investment properties and certain completed properties for sale amounted to a net book value of approximately HK\$21.47 million (31 July 2006: HK\$47.4 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 1.29 (31 July 2006: 1.07). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 0.55 (31 July 2006: 5.89). Shareholders' equity decreased by 4.1% to HK\$332.8 million (31 July 2006: 347.1 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 150 employees both in Hong Kong and China (31 July 2006: 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**

Looking forward, the Group will be still focusing on and engaging in property development, and the Group will review its business scope and the Directors will seek suitable opportunities, such as environment protection business, energy industry and other new developing business.

### Contingent Liabilities

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

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

At 31 January 2007, the interests of the Directors and chief executive of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") , which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10) of the Listing Rules, were as follows:

#### Long Positions in Shares of the Company

Name of director	Personal interest Number of Shares held	Corporate interest Number of Shares held	Total interest as % of the issued Share capital
		<i>(Note a)</i>	
Mr. Yip Kwong, Robert	8,100,000	245,855,621	31.27%

*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.

Save as disclosed above, as at 31 January 2007, none of the Directors or chief executive of the Company or their respective associates had or taken or deemed to have any interests and short positions in the Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 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 was granted to any directors and employees of the Company during the period ended 31 January 2007 pursuant to the New Scheme.

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## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There is 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 2007, so far is known to the Directors and chief executive of the Company, the following persons, had interests in Shares or underlying share of the Company, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

### Long Positions in Shares of the Company

Name of Shareholder	Capacity	Number of Issued Shares held	Percentage of the issued share capital
Yip Kwong, Robert	Beneficial owner	253,955,621	31.27%
Central Securities Holdings Limited ( <i>Note b</i> )	Interest of a controlled corporation	245,855,621	30.28%
Everbest Holdings Group Limited ( <i>Note c</i> )	Interest of a controlled corporation	245,855,621	30.28%

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

*Note c:* 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 to be interested.

## **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 2007, except for the following deviations:

Code Provision A2.1 stipulates that the role of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. However, the Company does not maintain the office of CEO. The usual leadership and day-to-day management duties of CEO are vested in the Chairman of the Company, namely, 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 at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subject to vote of shareholders.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTOR**

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 31 January 2007.

## **AUDIT COMMITTEE**

The Audit Committee, was established in accordance with responsibility 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, is chaired by Dr. Wong King Keung, Peter; Dr. Lau Lap Ping, and Mr. Edmund Siu are members. The members of the audit committee had reviewed the financial statements of the Group for the six months period ended 31 January 2007 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.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was set up with responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is chaired by an independent Non-executive Director, Mr. Edmund Siu and also comprises and Executive Director, Mr. Kam Shing as one of its members.

## **PURCHASE, SALES OR REDEMPTION OF LISTING SECURITIES**

During the accounting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.



**BOARD OF DIRECTORS**

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

By Order of the Board  
**Yip Kwong, Robert**  
*Chairman*

Hong Kong, 3 April 2007