



*China Rich Holdings Limited*

**中富控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**Stock code: 1191**

## **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 JULY 2004**

The Board of Directors (the “Board”) of China Rich Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 July 2004 together with comparative figures for the year ended 31 July 2003 as follows:

### **CONSOLIDATED INCOME STATEMENT**

*for the year ended 31 July 2004*

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	<b>2003</b> <b>HK\$'000</b>
Turnover	4	<b>23,411</b>	21,739
Cost of Sales		<b>(17,041)</b>	(20,561)
Gross profit		<b>6,370</b>	1,178
Other operating income		<b>15,583</b>	11,272
Gain on disposal of subsidiaries		<b>2,161</b>	–
Gain realised on expiry of warrants		–	38,845
Administrative expenses		<b>(39,230)</b>	(36,839)
Other operating expenses		<b>(1,136)</b>	(3,611)
Allowances for bad and doubtful debts		<b>(96)</b>	(4,084)
Deficit arising from revaluation of investment properties		<b>(14,917)</b>	(26,206)
Impairment loss in respect of properties for sales		–	(38,537)
Impairment loss in respect of golf resort		<b>(1,500)</b>	(5,000)
Impairment loss in respect of properties under development		<b>(13,418)</b>	(12,000)
Impairment loss in respect of fixed assets		–	(3,515)
Loss from operations	5	<b>(46,183)</b>	(78,497)
Loss on deemed disposal of an associate		–	(1,742)

Loss on disposal of an associate		–	(3,706)
Share of results of associates		(16,311)	(42,132)
Finance costs		(3,697)	(5,936)
		<hr/>	<hr/>
Loss before taxation		(66,191)	(132,013)
Taxation	6	–	45,024
		<hr/>	<hr/>
Loss before minority interests		(66,191)	(86,989)
Minority interests		–	46
		<hr/>	<hr/>
Net loss for the year	8	<u>(66,191)</u>	<u>(86,943)</u>
Loss per share – basic and diluted	8	<u><b>HK2.9 cents</b></u>	<u>HK 3.9 cents</u>

## NOTES TO FINANCIAL STATEMENT

### 1. General

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the property development, operation of a golf resort and the provision of medical and health services in the People’s Republic of China (the “PRC”).

### 2. Basis of presentation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties.

### 3. Principal accounting policies

In the current year, the Group adopted the following revised Statement of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants, which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised): Income taxes

This SSAP prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP, which have had a significant effect on the financial statements, are summarized as follows:

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability

method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (revised) has no material impact on the Group's financial statements in prior years and comparative figures have not been restated.

#### 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

##### 2004

##### Results

	Property development <i>HK\$'000</i>	Medical and health services <i>HK\$'000</i>	Golf resort <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>4,747</u>	<u>14,715</u>	<u>3,949</u>	<u>23,411</u>
Segment results	<u>(30,502)</u>	<u>(417)</u>	<u>(3,727)</u>	<u>(34,646)</u>
Unallocated corporate expenses				<u>(11,537)</u>
Loss from operations				(46,183)
Share of results of associates				(16,311)
Finance costs				<u>(3,697)</u>
Loss before taxation				(66,191)
Taxation credit				<u>-</u>
Loss before minority interests				(66,191)
Minority interests				<u>-</u>
Net loss for the year				<u>(66,191)</u>

## Business segments

2003

### Results

	<b>Property development</b> <i>HK\$'000</i>	<b>Medical and health services</b> <i>HK\$'000</i>	<b>Golf resort</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue	<u>3,996</u>	<u>13,689</u>	<u>4,054</u>	<u>21,739</u>
Segment results	<u>(88,167)</u>	<u>659</u>	<u>(7,266)</u>	(94,774)
Unallocated corporate expenses				(22,568)
Gain realised on expiry of warrants				<u>38,845</u>
Loss from operations				(78,497)
Loss on deemed disposal of an associate				(1,742)
Loss on disposal of an associate				(3,706)
Share of results of associates				(42,132)
Finance costs				<u>(5,936)</u>
Loss before taxation				(132,013)
Taxation credit				<u>45,024</u>
Loss before minority interests				(86,989)
Minority interests				<u>46</u>
Net loss for the year				<u>(86,943)</u>

## Geographical segments

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

	Revenue		Loss from operations	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical market:				
Hong Kong	–	–	(34,646)	(15,983)
PRC	23,411	21,739	(11,537)	(101,359)
	<u>23,411</u>	<u>21,739</u>	<u>(46,183)</u>	<u>(117,342)</u>
Gain realised on expiry of warrants			–	38,845
Loss from operations			<u>(46,183)</u>	<u>(78,497)</u>

## 5. Loss from Operations

	2004	2003
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	500	1,064
Depreciation and amortisation on:		
Owned assets	6,069	6,107
Assets held under finance leases	–	90
Operating lease rentals in respect of land and buildings	265	320
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	256	315
Salaries and other benefits	12,267	15,522
and after crediting:		
Net exchange gain	(3)	(37)
Interest income	(402)	(2,716)
Gain on disposal of fixed assets	(140)	–
Gain on disposal of subsidiaries	<u>(2,161)</u>	<u>–</u>

## 6. Taxation (charge) credit

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Profits tax for the year arising in the PRC	–	(376)
Overprovision of profits tax in prior years		
Hong Kong	–	35,000
	<hr/>	<hr/>
	–	34,624
Deferred taxation:		
Reversal for the year	–	10,400
	<hr/>	<hr/>
	–	45,024
	<hr/>	<hr/>

No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation loss for the year (2003: Nil).

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

## 7. Dividend

The directors do not recommend payment of a final dividend for the year ended 31 July 2004 (2003: Nil).

## 8. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of HK\$66,191,000 (2003: HK\$86,943,000) and the number of 2,256,666,196 (2003: 2,256,666,196) shares in issue during the year.

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

## SUMMARY OF QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE IN RESPECT OF AN ASSOCIATE

Included in the Group's interests in associates as at 31 July 2004 is the Group's share of net assets of GreaterChina Technology Group Limited ("GreaterChina") of HK\$35,603,000. The auditors of GreaterChina issued a qualified opinion on the financial statements of GreaterChina for the year ended 31 July 2004 details of which are explained in the Company's annual report. The financial statements of GreaterChina for the year ended 31 July 2004 were not audited by the Company's auditors. The Company's auditors have been unable either to obtain sufficient reliable information or to carry out any alternative auditing procedures to satisfy themselves as to the value of the Group's share of net assets of GreaterChina included in the consolidated balance sheet as at 31 July 2004. The

Company's auditors have also been unable either to obtain sufficient reliable information, or to carry out alternative auditing procedures to satisfy themselves as to the carrying value of the Company's interest in GreaterChina of HK\$8,840,000 as at 31 July 2004.

Any adjustments that might have been found necessary in respect of the above scope limitations would have a consequential impact on the assets of the Group as at 31 July 2004 and the net loss attributable to the shareholders for the year then ended.

## **CHAIRMAN'S STATEMENT**

In financial year 2004, prolonged economic hardships remained and we continued to face the many challenges of the upset market environment. Nevertheless, our staff had kept on devoting efforts to strengthen the business foundation. We constantly refined the plans and strategies on the Group's existing core business to keep up with the changing market needs, and also formulated new development plans for its non-core business to enhance the Group's income streams. Under such an economic uncertainty, we will ensure our good stand for the future by streamlining operational structure, implementing effective cost control measures, striving for business growth while maintaining the financial and operational stability. We believe that, our previous work, established foundation and continuous effort in exploring new business opportunities will deliver us fruitful results in the coming financial years.

Finally, to take this opportunity, I would like to extend my sincere thanks to our staff for the hard working and the support of our shareholders and business partners.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and prospects**

The Group recorded a turnover of approximately HK\$23.4 million for the financial year ended 31 July 2004, a slight increase of 7.7% as compared to the turnover of HK\$21.7 million in previous year. The slight improvement was mainly attributable to the increase of revenue from sales of properties and provision of medical and health services. As the Group had already written down the value of its assets in financial year 2003, there were much less impairment losses in respect of properties, fixed assets and golf resort in financial year 2004. Besides, the share of loss of an associate was also reduced by 61.3% to HK\$16.3 million (2003: HK\$42.1 million). As a results, the net loss for the year ended 31 July 2004 was decreased by 23.9% to HK\$66.2 million as compared to the net loss of HK\$86.9 million in the previous year.

Under the economic downturn in Hong Kong during the year, the Group adopted 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. All of turnover for the year was generated from the business segments in mainland China (2003: 100%).

With the Group's successful business diversification into residential developments, health care and recreational services in the PRC, the major revenue of HK\$14.7 million (2003: HK\$13.7 million) for the year 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 62.9% of the Group turnover (2003: 63.0%). The Directors are of an opinion that this segment will remain as the core business of the Group in the coming years.

Save as the disposal of Evergreen Travel Agency Limited for a consideration of HK\$50,000 and deregistration of China Rich Technology Company Limited, both of which were wholly-owned subsidiaries of the Company, there was no significant acquisitions and disposals of any subsidiaries during the year.

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

The operation of the Group was mainly financed by internal resources generated and banking facilities such as bank loans, finance leases and overdrafts. As at 31 July 2004, the total secured bank borrowings amounted to approximately HK\$205.2 million, a slight decrease of approximately HK\$3.9 million as compared with the financial year ended 2003. 9.9% (2003: 4.7%) 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\$171.8 million (2003: HK\$172.4 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 (2003: HK\$ 38.5 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 0.93 (2003: 1.04). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 55.1% (2003: 49.0%). Shareholders' equity decreased by 13.1% to HK\$372.1 million (2003: 428.3 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 (2003: 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**

In view of the depressed global economic environment, 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 2004. 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.

## **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 year.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31 July 2004 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## **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 financial statements of the Group for the year ended 31 July 2004 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.

## **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE**

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises of three executive Directors, namely, Mr. Yip Kwong, Ms. Cheng Kit Yin, Kelly 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 November 2004

\* *For identification purpose only*

Please also refer to the published version of this announcement in China Daily.