

## BUSINESS REVIEW

The Group's turnover for the year ended 31st March 2003 was HK\$20,739,000 (2002: HK\$111,347,000), representing a 81% drop compared with the previous year. The decline was primarily attributable to the disposal or discontinuance of certain non-performing businesses, including construction, telemarketing services and certain Asian Pacific businesses such as those in Australia and Taiwan. Although healthcare transaction operations experienced a drop in revenue during the year under review, the distribution of medical equipment continued to generate steady income for the Group.

Despite the drop in the Group's turnover, there was a decrease in the Group's loss attributable to shareholders to HK\$8,022,000 from HK\$282,617,000 of the previous year. Also, the Group's net cash outflow used in operating activities fell to HK\$16,994,000 from HK\$103,454,000 of the previous year. This fully indicates that effectiveness of the Group's cost saving and performance enhancement measures to reduce operating losses and improve its financial situation, thus providing a strong and solid platform for more effective business deployment in the future.

## FINANCIAL REVIEW

### Liquidity and financial resources

On 4th October 2002, the Group successfully brought in Wealth Generator as a strategic controlling shareholder and issued 5 billion new shares to Wealth Generator to raise approximately HK\$50 million for the Group, making it a major source of funds during the year.

The Group used approximately HK\$40 million of the cash proceeds for the repayment of debts to its former ultimate holding company, Quality Healthcare Asia Limited ("QHA"), whilst the balance of HK\$10 million had been set aside as the Company's working capital. To alleviate the Group's short-term capital burden, the Group entered into an agreement with QHA, pursuant to which the Company issued a two-year Convertible Note ("Note") with a face value of HK\$7 million to QHA on 4 October 2002 to settle the remaining outstanding balance owing to QHA. According to the terms of the agreement, QHA has the right, on any business day following the 12 months after the effective date of the issue of the Note but before the maturity date, to convert the whole or part of the principal amount of the Note into shares of the Company of HK\$0.01 each at HK\$0.05 per share.

As at 31st March 2003, the Group had bank loan and overdrafts amounted to HK\$3,158,000 (2002: HK\$3,819,000) fully repayable within two years.

As at 31st March 2003, the Group's cash and bank balances were HK\$15,690,000 and after deducting the total borrowings approximately HK\$10,158,000 (including the Note) as at the end of the financial year, net cash and bank balances were HK\$5,532,000 (net borrowings in 2002: approximately HK\$26,100,000) with a gearing ratio, defined as net borrowings to equity, of zero (2002: a negative gearing ratio). As at 31st March 2003, the Group's liquidity ratio was 2.26 times (2002: 1.04 times). This indicates that the equity participation of Wealth Generator has improved and strengthened the Group's financial condition. With substantial cash resources at the end of the financial year, the Group can effectively deploy such resources on prospective business development initiatives.



## Banking facilities and asset pledges

As at 31st March 2003, the Group had unutilised banking facilities of HK\$2,545,000. In March 2003, the Group re-arranged its portfolio of banking facilities with a bank and turned part of its original bank overdrafts into a term loan of lower interest rates, with the view of improving the cost effectiveness of its financing activities.

As at 31st March 2003, the Group had pledged a property for sale and a leasehold land and building with aggregate carrying amounts of HK\$900,000 and HK\$5,464,000 respectively to secure certain bank credit facilities.

## Currency and financial risk

The Group's revenue and expenditure are primarily denominated in Hong Kong dollars for the year under review.

All borrowings and debts are denominated in Hong Kong dollars with interests calculated on a floating rate basis.

More than 99% of cash and bank deposits are denominated in Hong Kong dollars. Any cash surplus is placed into saving accounts and as short-term bank deposits for interest income.

Apart from properties for sale in the PRC, the Group's foreign currency assets are insignificant. The Group's foreign exchange exposure is minimal and there is no need to use financial instruments for arbitrage purpose.

## Contingent liabilities

As at 31st March 2003, the Company had provided a HK\$20 million guarantee to a bank for securing banking facilities for a subsidiary.

## Capital commitment

As at 31st March 2003, the Company had no capital commitments.

## MANAGEMENT AND EMPLOYEES

As at 31st March 2003, there were 24 employees in the Group. In addition to remuneration, the Group also provides staff benefits such as medical and mandatory provident fund. The Group also implements a discretionary result-linked bonus scheme for staff as an incentive in accordance with the performance of the Group and individual employees.