

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: HK\$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.