

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group recorded a turnover of approximately HK\$25.0 million for the financial year ended 31 July 2005 (2004: HK\$23.4 million), a slight increase of 6.8% as compared to the previous year. The slight improvement was mainly attributable to the increase of revenue from provision of medical and health services. The net loss for the year was decreased by 26.9% to HK\$48.4 million as compared to the net loss of HK\$66.2 million, representing loss per share of HK\$0.11 (2004: HK\$0.17).

During the year, the Group 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 (2004:100%).

With the Group's successful business diversification into residential developments, health care and recreational services in the PRC, the major revenue of HK\$17.3 million (2004: HK\$14.7 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 69.3% of the Group turnover (2004: 62.9%). The provision of medical and health services in the PRC recorded a profit before taxation of HK\$ 3.5 million (2004: loss of HK\$0.4 million). The Directors are of an opinion that this segment will remain as the core business of the Group in the coming years.

During the year under review, there was no significant acquisitions and disposals of any subsidiaries.

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 2005, the total bank borrowings amounted to approximately HK\$50.5 million, a significant decrease of approximately HK\$155.0 million as compared with approximately HK\$205.2 million at the financial year ended 2004, as a result of cancellation HK\$150.0 million of secured bank borrowings of the Group. 37.3% 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\$55.0 million (2004: HK\$171.8 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 (2004: HK\$46.5 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 1.06 (2004: 0.89). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 13.6% (2004: 55.1%). Shareholders' equity decreased by 0.2% to HK\$371.2 million (2004: 372.1 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 200 employees both in Hong Kong and China (2004: 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

With the continuously improving economy in HK, 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 2005. 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.