

# Management Discussion and Analysis

China Rich Holdings Limited Annual Report 2006

## BUSINESS REVIEW AND SEGMENT INFORMATION

The Group recorded a turnover of approximately HK\$27.0 million for the financial year ended 31 July 2006, a slight increase of 8.0% as compared to a turnover of HK\$25.0 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 11.3% to HK\$33.0 million (2005: HK\$37.3 million), as a result of the stringent cost control and the increase of revenue. The net loss on equity holders in the year was reduced by 42.2% to HK\$28.0 million as compared to the net loss of HK\$48.4 million for the financial year ended 31 July 2005.

During the year under review, the Group continued to adopt 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. 100% of turnover for the year was generated from the business segments in mainland China (2005: 100%).

With the Group's successful business diversification into residential developments, health care and recreational services in the PRC, the major revenue of HK\$16.9 million (2005: HK\$17.3 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 62.5% of the Group turnover (2005: 69.3%). In respect of other business segments, the revenue from property development increased by 39.6% to HK\$4.4 million, and that from operation of a golf resort increased by 26.7% to HK\$5.7 million, as compared to revenues of HK\$3.2 million and HK\$4.5 million respectively in the last 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 2006, the total secured bank borrowings amounted to approximately HK\$24.5 million, a decrease of approximately HK\$25.8 million as compared with the amount of HK\$50.3 as at 31 July 2005. 58.5% 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\$2.0 million (31 July 2005: HK\$55.0 million), leasehold land and buildings, certain investment properties and certain completed properties for sale amounted to a net book value of approximately HK\$47.4 million (31 July 2005: HK\$49.1 million) have been pledged to the banks to secure the banking facilities. As at the balance sheet date, the current ratio was 1.07 (31 July 2005: 1.06). In respect to the gearing ratio, defined as a ratio of total bank borrowings to net asset was 7.1% (31 July 2005: 13.6%). Shareholders' equity decreased by 0.07% to HK\$347.1 million (31 July 2005: 372.0 million (restated)).

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## **LIQUIDITY, FINANCIAL RESOURCES & GEARING** *(Continued)*

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 stable.

## **EMPLOYEES**

As at the balance sheet date, the Group hired over 200 employees both in Hong Kong and China (2005: 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**

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 2006. 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.