RESULTS AND BUSINESS REVIEW

The Group is principally engaged in the distribution of medical equipment, medicinal and winery products.

It was a real challenge to the Group in 2003 as the retail market in Hong Kong was jumpy. The economy has resumed strong growth momentum after the SARS was under control, and thus gave a powerful lift to the retail market. Seeing that more people are health conscious, the Group took the advantage to introduce the medicinal products series in the market and got good results.

The Group's turnover for the year was approximately HK$18 million (2003: HK$21 million) represented a decrease of about 12%. The decline was principally attributable to lower medical equipment products sales, the respective turnover decreased by about 28%, and the revenue reduction was partially offset by the introduction of medicinal and winery products sales to the market since the second half of the year.

The Group's gross profit for the year was approximately HK$6 million (2003: HK$6 million) represented a higher margin contribution from the medicinal and winery products sales although the annual turnover of the Group has dropped.

The Group's operating loss amounted to approximately HK$7 million (2003: HK$6 million). The decline was mainly due to the impairment loss of certain properties of the Group of approximately HK$3 million (2003: HK$0.5 million).

In conclusion, the Group's performance could maintain in a satisfactory level even in such an adverse environment. We believe that the Group's performance will be able to benefit from the growth of the overall economic environment. We shall continue to improve products quality and distribution network, and develop a flexible approach in aligning the cost structure with revenue.

FINANCIAL REVIEW

Financial resources and liquidity

As at 31st March 2004, the Group's cash and bank balances were approximately HK$9,259,000 and after deducting the total borrowings (including the convertible note) of approximately HK$8,175,000 as at the end of the financial year, net cash reserve was approximately HK$1,084,000 (2003: HK$5,532,000). Accordingly, the gearing ratios, defined as net borrowings to equity, as at 31st March 2004 and 31st March 2003 were both zero. As at 31st March 2004, the Group's current assets and current liabilities were approximately HK$25,005,000 and approximately HK$18,242,000 respectively with current ratio at about 1.37 times (2003: 2.26 times). The cash resources in hand can be effectively deployed on its operating activities.

FINANCIAL REVIEW (continued)

Financial resources and liquidity (continued)

As at the balance sheet date, the Group's bank loans of approximately HK$1,088,000 was repayable within one year. The convertible note with a face value of HK$7 million will mature on the second anniversary from its date of issue of 4th October 2002.

Bank facilities and pledge of assets

As at 31st March 2004, the Group utilized bank facilities of approximately HK$1.2 million. The Group pledged a property for sale and a leasehold land and building with an aggregate carrying amount of approximately HK$6,221,000 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.

All borrowings and debts are denominated in Hong Kong dollars. Interest on bank borrowings is calculated on a floating rate basis while the convertible note is subject to interest at Hong Kong dollar prime lending rate plus 3% per annum.

All cash and bank deposits are denominated in Hong Kong dollars. Any surplus cash 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 hedging purpose.

Capital commitment and investment

On 22nd July 2003, the Group entered into a sino-foreign equity joint venture agreement (the "JV Agreement") with 江西國藥有限責任公司 (Jiangxi Guo Yao Pharmaceutical Limited Liability Company) ("Guo Yao") in relation to establishing a sino-foreign equity joint venture (the "Joint Venture"). However, as a requisite medicine manufacturing license for the Joint Venture could not be obtained from the PRC authority pursuant to the provisions of the JV Agreement, both parties agreed not to execute the JV agreement. The Group had therefore pursued other investment opportunities and on 5th November 2003 entered into an agreement relating to acquisition and equity injection (the "Agreement") with Guo Yao, Oboe Full Company Limited ("Oboe Full") and Jiangxi Jin Shui Kang Pharmaceutical Co., Ltd. ("JJP") in relation to the

FINANCIAL REVIEW (continued)

Financial resources and liquidity (continued)

proposed investment in JJP. Pursuant to the Agreement, the Group will acquire approximately 58.3% interest in JJP at a consideration of RMB7 million, and inject RMB3.5 million into JJP in cash at the same time. Upon completion, the Group will own approximately 67.7% interest in JJP. However, on 15th March 2004, for the best interest of the Group, the Group, Oboe Full, Guo Yao and JJP entered into a termination agreement to terminate the Agreement that entered into amongst the same parties in relation to the investment in JJP by the Group. The Board considers that the termination has no material adverse impact on the business and financial position of the Group. Therefore, no capital commitment for the JV Agreement or the Agreement is further required.

As at 31st March 2004, the Group had no capital commitments.

Contingent liabilities

As at 31st March 2004, the Company has provided a HK$20 million guarantee to a bank for securing banking facilities for a subsidiary.

MANAGEMENT AND EMPLOYEES

As at 31st March 2004, there were approximately 20 employees in the Group. In addition to salaries, the Group also provides staff benefits such as medical insurance and mandatory provident fund. The Group also implements a discretionary performance-linked bonus scheme for staff to grant year end bonus or share options to them as an incentive in accordance with the performance of the Group and individual employees.

The Company has adopted share option schemes for the purpose of motivating the directors and employees of the Group and to allow them to participate in the growth of the Company. A share option scheme (the "Old Share Option Scheme") was adopted on 24th September 1998 and was terminated on 26th August 2003. Immediately prior to the termination of the Old Share Option Scheme, there were no outstanding share options. On 26th August 2003, in order to comply with the new requirements of Chapter 17 of the Listing Rules, a new share option scheme of the Company (the "New Share Option Scheme") was approved by the Company's shareholders. During the year, no option was granted by the Company to any eligible employees and directors pursuant to the New Share Option Scheme.