

NOTES TO CONDENSED INTERIM ACCOUNTS

(1) Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

These interim accounts should be read in conjunction with the annual financial statements for the year ended 31 March 2004. The accounting policies and methods of computation used in the preparation of these unaudited interim accounts are consistent with those used in the audited annual accounts for the year ended 31 March 2004.

(2) Turnover, revenue and segment information

- (a) The Group is engaged in the distribution of medical equipment and medicinal and winery products. Revenues recognized during the period are as follows:

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sales of medical equipment	5,408	7,604
Sales of medicinal and winery products	1,994	1,330
	<hr/>	<hr/>
	7,402	8,934
Other revenues	1,359	1,281
	<hr/>	<hr/>
Total revenues	8,761	10,215
	<hr/> <hr/>	<hr/> <hr/>

(b) Segment information – Business segments

Analysis of the Group's unaudited results by major business segment is as follows:

	Unaudited			Total <i>HK\$'000</i>
	Six months ended 30 September 2004			
	Medical equipment <i>HK\$'000</i>	Medicinal and winery products <i>HK\$'000</i>	Corporate revenues/ (expenses) <i>HK\$'000</i>	
Turnover	5,408	1,994	–	7,402
Other revenues	1,357	–	2	1,359
Total revenues	6,765	1,994	2	8,761
Segment results	77	(737)	(1,227)	(1,887)
Finance costs				(342)
Loss before taxation				(2,229)
Taxation				–
Loss attributable to shareholders				(2,229)

	Unaudited			Total <i>HK\$'000</i>
	Six months ended 30 September 2003			
	Medical equipment <i>HK\$'000</i>	Medicinal and winery products <i>HK\$'000</i>	Corporate revenues/ (expenses) <i>HK\$'000</i>	
Turnover	7,604	1,330	–	8,934
Other revenues	1,262	–	19	1,281
Total revenues	8,866	1,330	19	10,215
Segment results	508	(1,029)	(1,286)	(1,807)
Finance costs				(355)
Loss before taxation				(2,162)
Taxation				–
Loss attributable to shareholders				(2,162)

(c) Segment information – Geographical segments

The Group's operations are located in Hong Kong and overseas regions which include Japan, Korea, USA and Macau in trading operations.

There are no sales or other transactions between the geographical segments.

	Unaudited Six months ended 30 September 2004			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	5,943	(981)	21,288	9
Oversea regions	1,459	321	–	–
	<u>7,402</u>	<u>(660)</u>	<u>21,288</u>	<u>9</u>
Unallocated assets			8,573	
Total assets			<u>29,861</u>	

	Unaudited Six months ended 30 September 2003			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	8,934	(521)	23,311	50
Oversea region	–	–	–	–
	<u>8,934</u>	<u>(521)</u>	<u>23,311</u>	<u>50</u>
Unallocated assets			8,573	
Total assets			<u>31,884</u>	

(3) Operating loss

Operating loss is stated after charging the following:

	Unaudited Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation	217	292
Staff costs (including Directors' remuneration)		
Salaries, wages, allowances and bonuses	3,017	3,074
Pension costs – defined contribution plan	<u>109</u>	<u>118</u>

(4) Finance costs

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on:		
Bank loans and overdrafts wholly repayable		
within five years	58	74
Convertible note	281	281
Others	3	–
	<u>342</u>	<u>355</u>

(5) Taxation

No provision for profits tax has been made in the accounts as the Group did not have any estimated assessable profit for the period (2003: Nil).

(6) Dividend

The Directors do not recommend the payment of interim dividend for the period (2003: Nil).

(7) Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the period of HK\$2,229,000 (2003: HK\$2,162,000) and the weighted average of 5,442,325,172 (2003: 5,442,325,172) ordinary shares in issue during the period.

Diluted loss per share for both periods are not presented as the conversion of convertible note is anti-dilutive.

(8) Debtors, prepayments and deposits

The Group allows an average general credit period of 30 to 90 days to its customers, except for certain well-established customers where the terms are extended beyond 90 days.

An ageing analysis of the Group's trade debtors as at 30 September 2004, net of provisions, is as follows:

	Unaudited	Audited
	30 September	31 March
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors:		
Current – 90 days	1,745	2,125
91 – 180 days	33	40
181 – 365 days	11	468
	<u>1,789</u>	2,633
Prepayment, deposits and other debtors	1,690	1,654
	<u>3,479</u>	<u>4,287</u>

(9) Creditors, accrued liabilities and deposits received

An ageing analysis of the Group's trade creditors as at 30 September 2004 is as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Trade creditors:		
Current – 90 days	1,278	876
91 – 180 days	252	54
181 – 365 days	43	69
Over 365 days	331	187
	<u>1,904</u>	<u>1,186</u>
Accrued liabilities, deposits received and other creditors	8,724	8,950
	<u>10,628</u>	<u>10,136</u>

(10) Amount due to a related company

Balance is unsecured, interest-free and has the similar credit term as other trade creditors.

The related company is controlled by a director of the Company.

(11) Secured bank loans

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Secured banks loans wholly repayable within five years	604	1,175
Less: current portion	(517)	(1,088)
	<u>87</u>	<u>87</u>

As at 30 September 2004, the Group's secured bank loans and overdrafts were repayable as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Within one year	517	1,088
In the second year	87	87
	<u>604</u>	<u>1,175</u>

Note:

As at 30 September 2004, the Group's banking facilities were secured by the following:

- A leasehold land and building with net book value of approximately HK\$4,478,000.

(12) Convertible note

The convertible note bears interest at Hong Kong dollar prime lending rate plus 3% per annum and will mature and be renewable on 4 October 2004. The convertible note is convertible on any business day following the 12 months after the date of issue, 4 October 2002 and is redeemable at the maturity date.

Subsequently, a new convertible note (the "Note") of HK\$8,150,000 was issued to the third party. The Note bears interest at the rate of the prime rate (as quoted by the Hong Kong and Shanghai Banking Corporation Limited from time to time) plus 3% per annum and is due on the date falling two calendar years after the date of issue, 4 October, 2004, of the Note. The proceeds of the issue of the Note will be applied solely to repay the principal amount and the accrued interest of the old Convertible Note and the related expenses for the issue of the Note.

(13) Share capital

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
<i>Authorized:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
5,442,325,172 ordinary shares of HK\$0.01 each	<u>54,423</u>	<u>54,423</u>

(14) Contingent liabilities

As at 30 September 2004, the banking facilities granted to a subsidiary of the Company which were secured by a corporate guarantee of HK\$6,000,000 given by the Company were utilized to the extent of approximately HK\$615,000 (31 March 2004: HK\$1,200,000).

(15) Operating lease arrangements*(a) As lessor*

The Group leases out certain of its leasehold land and buildings and properties for sale under operating lease arrangements, with lease terms ranging from one to three years.

As at 30 September 2004, the Group had future minimum lease receivables under non-cancelable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Within one year	232	396
In the second to fifth years, inclusive	<u>—</u>	<u>245</u>
	<u>232</u>	<u>641</u>

(b) *As lessee*

As at 30 September 2004, the Group had commitments in respect of land and buildings under non-cancelable operating leases to make minimum lease payments as set out below:

	Unaudited 30 September 2004 <i>HK\$'000</i>	Audited 31 March 2004 <i>HK\$'000</i>
Within one year	261	288
In the second to fifth years, inclusive	254	60
	515	348

(16) Related party transactions

During the period, purchase amounting to HK\$1,052,000 from a related company were conducted at similar price and terms charged by the related company to other similar distributors in the PRC. The related company is controlled by a director of the Company.

(17) Subsequent events

- (a) On 31 August 2004, Wealth Generator Limited entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with CV Capital Partners Limited ("CV Capital"), Yen Shiao Hua Sheridan, Li Kin Keung Dennis, Cheong Chow Yin and Asia Capitol Technology Partners Limited, each a then independent third party, pursuant to which, Wealth Generator Limited agreed to sell and CV Capital, Yen Shiao Hua Sheridan, Li Kin Keung Dennis, Cheong Chow Yin and Asia Capitol Technology Partners Limited agreed to purchase a total of 3,809,627,884 shares of HK\$0.01 each ("Shares") in the issued share capital of the Company (as to 2,775,586,884 Shares, 217,693,000 Shares, 280,824,000 Shares, 257,966,000 Shares and 277,558,000 Shares respectively) for a total consideration of HK\$50 million (equivalent to approximately HK\$0.0131 per Share). The sale Shares represent approximately 70% of the entire issued share capital of the Company. Completion of the Sale and Purchase Agreement took place on 17 September 2004 and CV Capital became the Company's new controlling shareholder. Further details of the Sale and Purchase Agreement are set out in the joint announcements of the Company and CV Capital dated 3 September 2004 and 17 September 2004.
- (b) Immediately following the completion of the Sale and Purchase Agreement, CV Capital became interested in approximately 51% of the issued share capital of the Company and was therefore obliged under the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "Takeovers Code") to make a mandatory unconditional cash offer to acquire all the issued Shares other than those already owned or agreed to be acquired by CV Capital and its concert parties (as defined in the Takeovers Code) (the "Offer"). At the close of the Offer, CV Capital had received valid acceptances in respect of 123,734 Shares of the Company under the Offer. Following the close of the Offer and taking into account the acceptances of the Offer, CV Capital and its associates were interested in a total of 3,809,751,618 Shares, representing approximately 70.0023% of the issued share capital of the Company, of which 2,775,710,618 Shares were beneficially owned by CV Capital, representing approximately 51.0023% of the issued share capital of the Company. The public Shareholders held approximately 29.9977% of the entire issued share capital of the Company. Further details of the Offer are set out in a composite document of CV Capital and the Company dated 18 October 2004 and in a joint announcement of the Company and CV Capital dated 8 November 2004.

- (c) On 4 October 2004, the Company entered into the Subscription Agreement with Brave Knight Investments Limited (the “Subscriber”), which is wholly and beneficially owned by Ms. Yao Chen Yu Ming in relation to the subscription by the Subscriber of a convertible note (the “Note”) with an aggregate principal amount of HK\$8,150,000. The Note bears interest at the rate of the prime rate (as quoted by the Hong Kong and Shanghai Banking Corporation Limited from time to time) plus 3% per annum and is due on the date falling two calendar years after the date of issue of the Note. The Note is convertible into Shares at the conversion price of HK\$0.05 per Share. The proceeds of the issue of the Note was applied to repay the principal amount and the accrued interest of the HK\$7,000,000 convertible note (the “QHIL Convertible Note”) issued by the Company to Quality Healthcare Investment Limited on 4 October 2002 and the related expenses for the issue of the Note. Further details of the Subscription Agreement and the Note are set out in the announcement of the Company dated 6 October 2004.
- (d) On 18 November 2004, the Directors proposed that every 10 Shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one consolidated Share of HK\$0.10 each (“Consolidated Shares”) in the issued and unissued share capital of the Company. It was also proposed that the Consolidated Shares be traded in board lots of 10,000. The consolidation of Shares and change of board lot size were approved by shareholders at the special general meeting of the Company held on 20 December 2004. The authorized share capital of the Company as at the date of this interim report is HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.10, of which 544,232,517 Consolidated Shares have been issued, fully paid or credited as fully paid. Further details of the consolidation of Shares are set out in the circular of the Company dated 1 December 2004 and the announcements dated 18 November 2004 and 21 December 2004.
- (e) On 15 December 2004, the Company issued a circular to shareholders convening a special general meeting of the Company on 31 December 2004 at which resolutions will be proposed to refresh the general mandate granted to the Directors at the annual general meeting of the Company held on 20 August 2004 to allot and issue Shares up to 20% of the issued share capital of the Company. Subject to the passing of the necessary resolutions, the Company would be allowed under the refreshed general mandate to allot, issue and otherwise deal with up to 108,846,503 Consolidated Shares, being 20% of the 544,232,517 Consolidated Shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

The Group’s unaudited consolidated turnover for the six months ended 30 September 2004 was HK\$7,402,000, representing an approximately 17% decrease from HK\$8,934,000 for corresponding period in the previous year. Loss attributable to shareholders for the period ended 30 September 2004 amounted to HK\$2,229,000, an increase of approximately 3% from HK\$2,162,000 for corresponding six months period in the previous year.

Business review

Turnover of the distribution of medical equipment business of the Group recorded an approximately 29% decrease from the corresponding period in the previous year. The decrease was mainly due to the keen competition in respect of the medical equipment business from the Group’s competitors, including well-known international manufacturers which produce medical equipment that are often sold at competitive prices.