

RESULTS AND BUSINESS REVIEW

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

The Group's consolidated turnover for the year was approximately HK\$17 million (2004: HK\$18 million), represented a decrease of about 6%. The decline was principally attributable to lower medical equipment products and medicinal products sales, the respective turnovers decreased by about 7% and 65%. The decrease was mainly due to 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.

However, the turnover of the sale of winery products business of the Group had increased by 96% from the corresponding period in the previous year. The increase was mainly due to the successful launch of the Spirits to the market.

The Group's gross profit for the year was approximately HK\$6 million (2004: HK\$6 million) represented a higher margin contribution from the winery products sales although the annual turnover of the Group has dropped.

The Group's operating loss amounted to approximately HK\$6 million (2004: HK\$7 million) represented a decrease of approximately 14% for corresponding year period in the previous year, which was mainly due to the reversal of impairment loss of fixed assets.

In conclusion, the Group's performance could maintain in a satisfactory level even in such a competitive environment. We believe that the Group's performance will be able to benefit from the growth of the overall economic environment. We shall review the Group's financial position and operations so as to formulate the long-term business plans and strategy, which may include, by building on the medical expertise, distribution networks and customer base currently possessed by the Group, further development of the medical business of the Group by the establishment of internet related medical business. We believe that the Company will be able to obtain sufficient finance from bank or the ultimate shareholder for developing the future business plan.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial resources and liquidity

As at 31st March 2005, the Group's cash and bank balances were approximately HK\$8,194,000 and after deducting the total borrowings of approximately HK\$8,237,000 (including the convertible note) as at the end of the financial year, net borrowing was HK\$43,000 (2004: net cash reserve HK\$1,084,000). Accordingly, the gearing ratios, defined as net borrowings to equity, as at 31st March 2005 was 1% (2004: Nil). As at 31st March 2005, the Group's current assets and current liabilities were HK\$19,284,000 and HK\$14,709,000 respectively with liquidity ratio at 1.31 times (2004: 1.37 times).

Bank facilities and pledge of assets

As at 31st March 2005, the Group had utilised bank facilities of HK\$87,000 (2004: HK\$1,175,000). The Group had pledged a leasehold land and building with aggregate carrying amount of HK\$5,178,000 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. More than 99% of cash and bank deposits are denominated in Hong Kong dollars. Any cash surplus 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

As at 31st March 2005, the Company had no capital commitment.

Contingent liabilities

As at 31st March 2005, the Company has provided a HK\$6 million (2004: HK\$20 million) guarantee to a bank for securing banking facilities for a subsidiary.

MANAGEMENT AND EMPLOYEES

As at 31st March 2005, there were approximately 26 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.

During the year ended 31st March 2005, 21,769,300 options and 10,884,650 options were granted under the Scheme to Mr. Yen Shiao Hua, Sheridan, who is an executive director, and Mr. Lam Wai Hung, Freddie, who is the chief operation officer of the Company, respectively. Upon the grant of the options to Mr. Yen and Mr. Lam, the total number of shares issued and to be issued upon exercise of the options granted to each of Mr. Yen and Mr. Lam in any 12-month period shall exceed 1% of the shares in issue.