1 CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company while its principal subsidiaries are engaged in the sale of medical equipment, medicinal and winery products.

On 31st August 2004, Wealth Generator Limited, the former ultimate holding company, entered into a sale and purchase agreement (the “S&P 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 (collectively the “Purchasers”), each a then independent third party, pursuant to which, Wealth Generator Limited agreed to sell and the Purchasers agreed to purchase a total of 3,809,627,884 shares of HK$0.01 each (the “Sale Share”) in the issued share capital of the Company for a total consideration of HK$50 million. The Sale Shares represent approximately 70% of the entire issued share capital of the Company. The S&P Agreement was completed on 17th September 2004 and CV Capital became the Company’s new controlling shareholder.

Immediately following the completion of the S&P 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 of the Company other than those already owned or agreed to be acquired by CV Capital and its concert party (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% of the issued share capital of the Company, of which 2,775,710,618 shares were beneficially owned by CV Capital, representing approximately 51% of the issued share capital of the Company. The public shareholders held approximately 30% of the entire issued share capital of the Company.

Pursuant to the shareholders’ approval at the special general meeting of the Company held on 20th December 2004, every 10 ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company have been consolidated into one consolidated share of HK$0.10 each of the Company. Accordingly, the number of shares interested by those parties mentioned in the above paragraph were reduced to 1/10.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

(i) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to analyse and quantify the effect of these new HKFRSs on its results of operations and financial position.

(ii) The Group depends on finance from the convertible note, the ultimate holding company and banks to fund its operations. The directors of the Company have reviewed the Group's cash flow projections for the year ending 31st March 2006. Based on the Group's cash flow projections and available banking facilities, the Board of directors of the Company believes that the Group has sufficient financial resources to repay its liabilities as and when they fall due and to continue its operations as a going concern. Consequently, the accounts have been prepared on a going concern basis.

(b) Group accounting

(i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of their voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Leasehold land and buildings are depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	33.33% – 50%
Furniture, fixtures and office equipment	15% – 20%
Computer equipment	33.33%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to the prevailing market prices less any further costs expected to be incurred in the process of disposal, on an individual property basis.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalent comprise cash on hand and deposits held at all with banks.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of maintenance service is recognised on a straight-line basis over the life of the maintenance contract.

Revenue from the provision of repair services is recognised when the services are rendered.

Rental income is recognised on a time proportion basis over the lease terms.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition *(Continued)*

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest rate applicable.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

The Group is principally engaged in the business of sale of medical equipment and sale of medicinal and winery products in Hong Kong and other Asian countries.

In accordance with the Group's internal financial reporting the Group has determined that business segments should be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash and exclude properties for sale. Segment liabilities comprise operating liabilities and exclude a mortgage bank loan and the convertible note. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3 TURNOVER AND REVENUES

The Group is principally engaged in the sales of medical equipment, medicinal and winery products. Revenues recognised during the year are as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Sales of medical equipment	**13,957**	14,985
Sales of medicinal and winery products	**3,271**	3,269
	17,228	18,254
Other revenues		
Net repair and maintenance income	**1,777**	1,860
Others	**631**	589
	2,408	2,449
Total revenues	**19,636**	20,703

4 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

For management purposes, the Group is currently organised into two business segments – medicinal and winery products, and medical equipment.

4 SEGMENTAL INFORMATION *(Continued)*

(a) Primary reporting format – Business segments *(Continued)*

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

	Medicinal & winery products		Medical equipment		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**3,271**	3,269	**13,957**	14,985	**17,228**	18,254
Other revenues	**–**	–	**2,408**	2,449	**2,408**	2,449
	3,271	3,269	**16,365**	17,434	**19,636**	20,703
Segment results	**(1,387)**	(2,024)	**460**	(2,848)	**(1,847)**	(4,872)
Unallocated corporate expenses					**(4,421)**	(2,573)
Operating loss					**(6,268)**	(7,445)
Finance costs					**(689)**	(706)
Loss before taxation					**(6,957)**	(8,151)
Taxation					**–**	–
Loss attributable to shareholders					**(6,957)**	(8,151)
Segment assets	**1,906**	2,933	**23,128**	20,378	**25,034**	23,311
Unallocated corporate assets					**4,423**	8,573
Total assets					**29,457**	31,884
Segment liabilities	**5,608**	1,356	**9,101**	9,905	**14,709**	11,261
Unallocated corporate liabilities					**8,150**	7,068
Total liabilities					**22,859**	18,329
Capital expenditure	**274**	7	**204**	43	**478**	50
Depreciation	**90**	59	**380**	570	**470**	629
Loss on disposal of fixed assets	**–**	–	**–**	10	**–**	(10)
Write down of properties for sale	**–**	–	**4,150**	–	**4,150**	–
Impairment loss of fixed assets	**–**	–	**–**	3,286	**–**	3,286
Reversal of impairment loss of fixed assets	**–**	–	**3,286**	–	**3,286**	–

4 SEGMENTAL INFORMATION *(Continued)*

(b) Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong and other Asian countries which include Taiwan and Korea.

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

	Turnover 2005 HK$'000	**Segment results 2005 HK$'000**	**Total assets 2005 HK$'000**	**Capital expenditure 2005 HK$'000**
Hong Kong	**14,669**	**(540)**	**25,034**	**478**
Other Asian countries	**2,559**	**(1,307)**	**–**	**–**
	17,228	**(1,847)**	**25,034**	**478**
Unallocated assets			**4,423**	
Total assets			**29,457**	

	Turnover 2004 HK$'000	Segment results 2004 HK$'000	Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	16,900	(5,167)	23,311	50
Other Asian countries	1,354	295	–	–
	18,254	(4,872)	23,311	50
Unallocated assets			8,573	
Total assets			31,884	

5 OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	2005 HK$'000	2004 HK$'000
Charging:		
Cost of goods sold	**10,747**	11,940
Depreciation	**470**	629
Operating leases in respect of land and buildings	**359**	628
Staff costs (including directors' remuneration)		
Salaries, wages, allowances and bonus	**7,275**	6,175
Pension costs – defined contribution plan (Note)	**218**	233
Auditors' remuneration	**460**	229
Exchange losses, net	**4**	11
Write down of properties for sale	**4,150**	–
Loss on disposal of fixed assets	**–**	10
Impairment loss of fixed assets	**–**	3,286
Crediting:		
Interest income	**14**	45
Rental income	**481**	561
Reversal of impairment loss of fixed assets	**3,286**	–

Note: At 31st March 2005, the Group had no forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2004: Nil).

6 FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
Bank loan and overdrafts wholly repayable within five years	**68**	144
Interest on convertible note	**621**	562
	689	706

7 TAXATION

No provision for profits tax has been made in the accounts as the Group did not have any assessable profit for the year (2004: Nil).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong, the home country of the Group, as follows:

	2005 HK$'000	2004 HK$'000
Loss before taxation	**(6,957)**	(8,151)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**(1,217)**	(1,426)
Income not subject to taxation	**(203)**	(93)
Expenses not deductible for taxation purposes	**1,020**	568
Increase in unrecognised tax losses	**400**	951
Taxation	**–**	–

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the year ended 31st March 2005 is dealt with in the accounts of the Company to the extent of HK$8,566,000 (2004: HK$3,134,000).

9 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the year of HK$6,957,000 (2004: HK$8,151,000) and the weighted average of 544,232,517 (2004: 544,232,517, as restated) ordinary shares in issue during the year. The number of shares applied in the above calculation has been adjusted as if the consolidation of shares as set out in note 19 had taken place as at 1st April 2003.

Diluted loss per share for the year ended 31st March 2005 and 2004 is not presented as the conversion of the convertible note is anti-dilutive.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fees		
Executive directors	**–**	–
Independent non-executive directors	**294**	230
	294	230
Other emoluments:		
Salaries, allowances and benefits in kind	**730**	504
Retirement benefits scheme contributions	**4**	4
	1,028	738

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
Emolument band		
Nil – HK$1,000,000	**11**	7

No director waived or agreed to waive any emoluments during the years ended 31st March 2005 and 2004.

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2004: one) directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining three (2004: four) individuals during the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**795**	1,865
Retirement benefits scheme contributions	**8**	47
	803	1,912

The emoluments of the remaining three (2004: four) highest paid individuals fell below HK$1,000,000.

11 FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost					
At 1st April 2004	10,802	207	526	910	12,445
Additions	–	253	80	145	478
At 31st March 2005	10,802	460	606	1,055	12,923
Accumulated depreciation and impairment losses					
At 1st April 2004	4,251	165	281	869	5,566
Charge for the year	257	68	43	102	470
Reversal of impairment loss	(3,286)	–	–	–	(3,286)
At 31st March 2005	1,222	233	324	971	2,750
Net book value					
At 31st March 2005	9,580	227	282	84	10,173
At 31st March 2004	6,551	42	245	41	6,879

11 FIXED ASSETS *(Continued)*

Company

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
Cost			
At 1st April 2004	–	–	–
Additions	253	20	273
At 31st March 2005	253	20	273
Accumulated depreciation			
At 1st April 2004	–	–	–
Charge for the year	39	–	39
At 31st March 2005	39	–	39
Net book value			
At 31st March 2005	214	20	234
At 31st March 2004	–	–	–

Notes:

(a) The Group's leasehold land and buildings are held on leases of between 10 and 50 years in Hong Kong.

(b) At 31st March 2005, one of the Group's leasehold land and buildings with net book value of HK$5,178,000 (2004: HK$4,550,000) was mortgaged to a bank to secure banking facilities granted to the Group (Note 22).

12 SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**2,371,904**	2,371,904
Amounts due from subsidiaries (Note)	**3,868**	3,384
	2,375,772	2,375,288
Provision for impairment losses	**(2,354,406)**	(2,350,538)
	21,366	24,750

Note: The amounts due from subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Particulars of issued share capital	Percentage of equity attributable to the Company 2005	Percentage of equity attributable to the Company 2004	Principal activities
Ultronics Enterprise Limited	Hong Kong	11 ordinary shares of HK$0.50 each and 8,627,759 deferred shares of HK$0.5 each	**100**	100	Sale of medical equipment and supplies
Wanji (Hong Kong) Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Sale of medicinal and winery products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

13 PROPERTIES FOR SALE

The properties for sale are situated in the People's Republic of China. Certain of the Group's properties for sale with an aggregate carrying amounts of HK$2,590,000 at 31st March 2005 (2004: HK$4,270,000) are leased to third parties under operating leases.

One of the Group's properties for sale with carrying amount of HK$900,000 as at 31st March 2004 was mortgaged to a bank as security for a bank loan. The bank loan was repaid and the mortgage was released during the current year (Note 22).

14 INVENTORIES

Inventories of HK$100,000 (2004: HK$261,000) were stated at net realisable value as at 31st March 2005.

15 DEBTORS, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net of provisions	1,325	2,633	–	–
Prepayments, deposits and other debtors	1,814	1,654	539	471
	3,139	4,287	539	471

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.

15 DEBTORS, PREPAYMENTS AND DEPOSITS *(Continued)*

An ageing analysis of the Group's trade debtors at 31st March 2005, net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current – 90 days	**1,173**	2,125
91 – 180 days	**149**	40
181 – 365 days	**3**	468
	1,325	2,633

16 CREDITORS, ACCRUED LIABILITIES AND DEPOSITS RECEIVED

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**1,058**	1,186	**–**	–
Accrued liabilities, deposits received and other creditors	**11,004**	8,950	**1,966**	1,125
	12,062	10,136	**1,966**	1,125

An ageing analysis of the Group's trade creditors as at 31st March 2005 is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current – 90 days	**873**	876
91 – 180 days	**12**	54
181 – 365 days	**17**	69
Over 365 days	**156**	187
	1,058	1,186

17 AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY AND RELATED COMPANIES

The balances were unsecured, interest-free and had no fixed terms of repayment.

18 ADVANCES FROM THE ULTIMATE HOLDING COMPANY

The balances are unsecured, interest-free and have no fixed terms of repayment.

19 SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1st April 2003 and 31st March 2004	10,000,000,000	100,000
Share consolidation (Note)	(9,000,000,000)	–
Ordinary shares of HK$0.1 each at 31st March 2005	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1st April 2003 and 31st March 2004	5,442,325,172	54,423
Share consolidation (Note)	(4,898,092,655)	–
Ordinary shares of HK$0.1 each at 31st March 2005	544,232,517	54,423

Note: Pursuant to the shareholders' approval at the special general meeting of the Company held on 20th December 2004, every 10 ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company have been consolidated into one consolidated share of HK$0.10 each of the Company.

20 RESERVES

Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2003	31,824	(65,124)	(33,300)
Write-back of share issue expenses	80	–	80
Loss for the year	–	(3,134)	(3,134)
At 31st March 2004	31,904	(68,258)	(36,354)
Loss for the year	–	(8,566)	(8,566)
At 31st March 2005	31,904	(76,824)	(44,920)

21 SHARE OPTIONS

At the annual general meeting of the Company held on 26th August 2003, a share option scheme (the "New Scheme") was approved by the shareholders to replace the old share option scheme adopted on 24th September 1998. Under the New Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director) or employee of the Company or any of its subsidiaries or associated companies to take up options to subscribe for share of HK$0.01 each (which was adjusted to HK$0.1 per share following the consolidation of the Company's share on 20th December 2004 as described in note 19) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The New Scheme options are exercisable in stages in accordance with the terms of the New Scheme within ten years after the date of grant.

21 SHARE OPTIONS *(Continued)*

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2005	2004
At beginning of year	**–**	–
Granted (Note (a))	**32,653,950**	–
At end of year (Note (b))	**32,653,950**	–

Notes:

(a) At the special general meeting of the Company on 8th March 2005, share options were granted to a director and an employee of the Company at the subscription price of HK$0.196 per share and expiring on 7th March 2015. Consideration of HK$2.0 was received in respect of the share options granted during the year.

(b) The terms of the share options outstanding at 31st March 2005 are as follows:

Expiry date	Exercise price	**2005 Number of options**	**2005 Vested percentages**
Director			
7th March 2015	HK$0.196	**21,769,300**	**4.0%**
Other employee			
7th March 2015	HK$0.196	**10,884,650**	**2.0%**
		32,653,950	

No share option was exercised, cancelled or lapsed during the year (2004: Nil).

22 BANK LOANS

	Group	
	2005	2004
	HK$'000	HK$'000
Secured bank loans wholly repayable within five years	**87**	1,175
Current portion included under current liabilities	**(87)**	(1,088)
	–	87

The Group's secured bank loans were repayable as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**87**	1,088
In the second year	**–**	87
	87	1,175

23 CONVERTIBLE NOTE

On 4th October 2004, the Company entered into a Subscription Agreement (the "Agreement") with Brave Knight Investments Limited (the "Subscriber" or "Noteholder"), which is wholly and beneficially owned by Ms. Yao Chen Yu Ming, a third party, in relation to the subscription by the Subscriber of a convertible note issued by the Company (the "Note") with an aggregate principal amount of HK$8,150,000. 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 issued by the Company to Quality Healthcare Investment Limited on 4th October 2002 and the related expenses for the issue of the Note.

23 CONVERTIBLE NOTE *(Continued)*

The Note bears interest at the rate of the prime rate (as quoted by the Hong Kong and Shanghai Banking Corporation Limited) plus 3% per annum. The principal of the Note and interest accrued thereon are due for repayment on 21st October 2006 (the "Maturity Date"). The Noteholder has the right to convert the whole or part of the principal amount of the Note into shares of the Company on the Maturity Date at a conversion price of HK$0.05 per share (which was adjusted to HK$0.5 per share following the consolidation of the Company's share on 20th December 2004 as described in note 19). Upon receiving a conversion notice from the Noteholder, the Company will be entitled to redeem the Note or such part thereof as covered by the conversion notice at an amount equal to 105% of the principal amount as stated in the conversion notice.

As stipulated in the Agreement, the Agreement shall be binding on and ensure for the benefit of the successors of each of the parties to the Agreement and shall not be assignable. The directors therefore believe that the outcome of the memorandum of understanding as described in note 29 will not trigger a demand from the Noteholder for early repayment of the Note.

24 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group and Company have unrecognised tax losses of HK$249,511,000 (2004: HK$243,045,000) and HK$11,245,000 (2004: HK$7,055,000) respectively to carry forward against future taxable income. The tax losses have no expiry date.

24 DEFERRED TAXATION *(Continued)*

At 31st March 2005 and 2004, the Company did not recognise any deferred tax liabilities and deferred tax assets. The movement in the deferred tax assets and liabilities of the Group prior to offsetting of balances within the same taxation jurisdiction during the year is as follows:

Deferred tax liabilities	**Group**	
	Accelerated tax depreciation	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**–**	107
Charged/(credited) to profit and loss account	**173**	(107)
At end of year	**173**	–

Deferred tax assets	**Group**	
	Tax losses	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**–**	107
Credited/(charged) to profit and loss account	**173**	(107)
At end of year	**173**	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amount, determined after appropriate offsetting, is shown in the balance sheet:

	Group	
	2005	2004
	HK$'000	HK$'000
Deferred tax assets	**173**	–
Deferred tax liabilities	**(173)**	–
Amount shown in the balance sheet	**–**	–

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to cash used in operations

	2005 HK$'000	2004 HK$'000
Operating loss	**(6,268)**	(7,445)
Interest income	**(14)**	(45)
Depreciation	**470**	629
Loss on disposal of fixed assets	**–**	10
Impairment loss of fixed assets	**–**	3,286
Reversal of impairment loss of fixed assets	**(3,286)**	–
Write down of properties for sale	**4,150**	–
Operating loss before working capital changes	**(4,948)**	(3,565)
(Increase)/decrease in inventories	**(996)**	984
Decrease/(increase) in debtors, prepayments and deposits	**1,148**	(441)
Increase/(decrease) in creditors, accrued liabilities and deposits received	**1,926**	(764)
Decrease/(increase) in amounts due from related companies	**354**	(354)
Decrease in amount due to the ultimate holding company	**(18)**	(5)
Cash used in operations	**(2,534)**	(4,145)

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium) HK$'000	Convertible note HK$'000	Bank loans and overdrafts HK$'000	Advances from the ultimate holding company HK$'000
Balance at 1st April 2003	86,247	7,000	3,158	–
Cash inflow/(outflow) from financing activities, net	80	–	(1,983)	–
Balance at 31st March 2004	86,327	7,000	1,175	–
Cash inflow/(outflow) from financing activities, net	–	1,150	(1,088)	2,560
Balance at 31st March 2005	86,327	8,150	87	2,560

26 CONTINGENT LIABILITIES

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**6,000**	20,000

At 31st March 2005, the banking facilities granted to a subsidiary which were secured by a corporate guarantee given by the Company were utilised to the extent of approximately HK$87,000 (2004: HK$1,175,000).

27 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold land and buildings (note 11) and properties for sale (note 13) under operating lease arrangements, with lease terms ranging from one to three years. At 31st March 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Not later than one year	**432**	396
Later than one year and not later than five years	**216**	245
	648	641

(b) As lessee

At 31st March 2005, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**726**	288	**407**	–
Later than one year and not later than five years	**419**	60	**310**	–
	1,145	348	**717**	–

28 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these accounts, the Group had the following material transactions with related parties during the year:

	Group	
	2005	2004
	HK$'000	HK$'000
Purchase of medicinal and winery products from related companies (Note)	**1,945**	2,378

Note: The transactions were conducted at prices and terms as set out in the distributorship agreements entered between the Group and Shenzhen Wanji Medicine Products Co. Ltd. and Shangdong Confucius Family Group Co., Ltd., the related companies of Wealth Generator Limited, the Company's ultimate holding company prior to the completion of S&P Agreement on 17th September 2004 as described in note 1.

29 SUBSEQUENT EVENTS

On 27th June 2005, the directors of the Company announced that they had been informed by CV Capital Partners Limited, Asia Capitol Technology Partners Limited and Mr. Yen Shiao Hua Sherdian, each has equity interest of approximately 51%, 5.1% and 4% respectively in the Company (collectively known as "Major Shareholders") and Mr. Luk Chung Po, the guarantor of this transaction and an executive director of the Company, entered into a memorandum of understanding with Billion Pacific Venturers Limited which is wholly and beneficially owned by Mr. Kwok Wing-Leung, an independent third party, setting out the intention and understanding of the parties in respect of a possible acquisition by Billion Pacific Venturers Limited of the shares of the Company owned by the Major Shareholders.

As at the date of approval of these accounts, no agreement has been entered into in respect of the above transaction.

30 ULTIMATE HOLDING COMPANY

The directors regarded Wealth Generator Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company as at 31st March 2004. Immediately following the completion of the S&P Agreement on 17th September 2004 as described in note 1, CV Capital Partners Limited, a company incorporated in British Virgin Islands, became the ultimate holding company.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 25th July 2005.