NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

In preparing the condensed financial statements, the directors of the Company have given careful consideration to the liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at 30th September 2005. At the balance sheet date, the Group has consolidated net current liabilities of approximately HK$2,714,000. Subsequent to the balance sheet date, the Group raised fund of approximately HK$11,000,000 through placements of the Company's shares for working capital purposes, details of which are set out in note 13. The directors considered that this placement has provided sufficient cash to finance the Group's working capital requirements and accordingly the condensed financial statements are prepared on a going concern basis.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost basis except for the financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March 2005, except as described below.

Investment Property

In the current period, the Group has reclassified the properties held for sale and one of the leasehold land and buildings as investment properties due to change of use as described in note 8. The Group has applied the following accounting policy for the investment properties.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured at cost, including any directly attributable expenditure, less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

If an owner-occupied property becomes an investment property, the Group shall transfer the property at its carrying value on the date of change in use and shall apply HKAS 16 "Property, plant and equipment" both prior to and after the change in use.

If a property held for sale becomes an investment property, the Group shall transfer the property at its carrying value at the date of change in use.

Adoption of Other New Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the financial statements.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

(1) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects on the Group resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

HKAS 32 requires an issuer of a financial instrument to classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. The principal impact of HKAS 32 on the Group is in relation to the convertible note.

On adoption of HKAS 32, the convertible note issued by the Group is required to be separated into its liability and equity components on its initial recognition and to account for these components separately. The fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option which is recognised and included in equity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Previously, the convertible note was classified as liabilities on the balance sheet. The adoption of this accounting standard has no significant impact on the Group as the equity portion was determined by the directors to be insignificant. Accordingly, the comparative figures as at 31st March 2005 have not been restated.

(2) Share-based Payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April 2005. In relation to share options granted before 1st April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st April 2005 in accordance with the relevant transitional provisions. Because there were no unvested share options at 1st April 2005, comparative figures have not been restated.

No share options were granted after 1st April 2005.

(3) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The change to the accounting policy has no significant impact to the Group as the allocation between the land and buildings elements cannot be made reliably.

3. Segment Information

Business segments

The Group is principally engaged in the business of sale of medical equipment and sale of medicinal and winery products in Hong Kong. In accordance with the Group's internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format. There are no sales or other transactions between the business segments. Analysis of the Group's unaudited results by major business segments is as follows:

	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	**2**	1,994	**10,985**	5,408	**10,987**	7,402
Other revenue	**-**	-	**1,562**	1,089	**1,562**	1,089
	2	1,994	**12,547**	6,497	**12,549**	8,491
Segment results	**(874)**	(737)	**878**	(33)	**4**	(770)
Unallocated corporate income					**215**	270
Unallocated corporate expenses					**(3,090)**	(1,387)
Finance costs					**(369)**	(342)
Loss attributable to shareholders					**(3,240)**	(2,229)

4. Finance Costs

	For the six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans wholly repayable within five years	**–**	58
Convertible note	**369**	281
Others	**–**	3
	369	342

5. Loss Attributable to Ordinary Shareholders of the Company

	For the six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Loss attributable to ordinary shareholders of the Company has been arrived at after charging:		
Directors' remuneration	**821**	270
Depreciation and amortisation	**293**	217
and after crediting:		
Bank interest income	**28**	9

6. Taxation

No provision for Hong Kong Profits Tax has been made by the Group as the Group had no assessable profits for the current period.

Deferred tax asset in respect of tax losses has not been recognised due to the unpredictability of future profit streams.

The Group had no other significant unprovided deferred tax for the period or at the balance sheet date.

7. Loss per share

The calculation of basic loss per share attributable to the ordinary shareholders of the Company is based on the loss for the period attributable to ordinary shareholders of the Company of HK$3,240,000 (2004: HK$2,229,000) and on 544,232,517 (2004: 544,232,517 taken into account the share consolidation in December 2004) ordinary shares in issue during the period.

No diluted loss per share is presented as there were no dilutive potential ordinary shares as at the balance sheet date and the conversion of the convertible note is anti-dilutive.

8. Movements in Investment Properties, Property, Plant and Equipment and Properties held for Sale

During the period, properties held for sale and leasehold land and buildings with respective carrying amounts of HK$4,423,000 and HK$4,342,000 were reclassified as investment properties due to change in use. The leasehold land and buildings and properties held for sale were reclassified at their carrying amounts at the date of change in use.

The investment properties are situated in Hong Kong and elsewhere in the People's Republic of China and are held for rental purpose under operating leases.

9. Debtors, Prepayments and Deposits

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers, except for certain well-established customers where the terms are extended beyond 90 days. The aging analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	30th September 2005	31st March 2005
	HK$'000	*HK$'000*
Trade debtors:		
0 to 90 days	**2,073**	1,173
91 to 180 days	**364**	149
181 – 365 days	**–**	3
Over 365 days	**468**	–
	2,905	1,325
Prepayment, deposits and other debtors	**915**	1,814
	3,820	3,139

10. Creditors, Accrued Liabilities and Deposits Received

The aging analysis of the Group's trade creditors is as follows:

	30th September 2005 HK$'000	31st March 2005 HK$'000
Trade creditors:		
0 to 90 days	**1,289**	873
91 to 180 days	**–**	12
181 to 365 days	**12**	17
Over 365 days	**170**	156
	1,471	1,058
Accrued liabilities, deposits received and other creditors	**9,583**	10,684
	11,054	11,742

11. Amount due to a Former Ultimate Holding Company

The balance represents an advance granted by a former ultimate holding company of the Company.

The balance is unsecured, interest-free and repayable on demand.

During current period, the ultimate holding company of the Company disposed of its entire interest in the Company and therefore is redesignated as a former ultimate holding company.

12. Convertible Note

In October 2004, the Company issued a convertible note (the "Note") with an aggregate principal amount of HK$8,150,000. The Note bears interest at 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 shares on 20th December 2004). 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.

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires the Note to be separated into its liability and equity components (see note 2 for details). The adoption of HKAS 32 has no material impact to the Group as the equity portion of the Note was determined by the directors to be insignificant. The comparative figures as at 31st March 2005 have not been restated.

13. Share Capital

In September 2005, the Company entered into a share placing agreement to procure subscribers to subscribe for 108,840,000 new shares at a price of HK$0.105 per share, representing a discount of approximately 8.7% to the closing price of the share of HK$0.115 quoted on the Stock Exchange on 28th September 2005 (the date of share placing agreement). The proceeds were used as the Group's general working capital. The transaction was completed and the placing shares were issued in October 2005. These new shares were issued under the general mandate granted to the directors at the Company's special general meeting held on 31st December 2004. These new shares ranked pari passu with existing shares in all respects.

14. Pledge of Assets

As at 30th September 2005, one of the Group's leasehold land and buildings with net book value of HK$5,107,000 (31st March 2005: HK$5,178,000) was pledged to secure the banking facilities granted to the Group.

15. Share Options

A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 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' share on 20th December 2004) 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 Scheme options are exercisable within ten years after date of grant.

Movement in the number of share options outstanding during the period is as follows:

	Number of options at an exercise price of HK$0.196
Granted and fully vested in March 2005 and at 1st April 2005	32,653,950
Lapsed during the period	(32,653,950)
At 30th September 2005	–

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payments" to account for its share options in the current period. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. The Group has applied HKFRS 2 in accordance with the relevant transitional provisions and no adjustment had been made.

During the period ended 30th September 2005, the share options lapsed upon the resignation of the option holders.

16. Dividend

The directors do not recommend the payment of interim dividend for the period (2004: nil).

17. Post Balance Sheet Event

In October 2005, the Company completed the placing of new shares and 108,840,000 new shares were issued as described in note 13.