

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

The Group's unaudited consolidated turnover for the six months ended 30th September 2005 was HK\$10,987,000, representing a 48% increase from HK\$7,402,000 for corresponding period in the previous year. Loss attributable to shareholders for the period ended 30th September 2005 amounted to HK\$3,240,000, an increase of 45% from HK\$2,229,000 for corresponding six months period in the previous year.

Business review

Turnover of the distribution of medical equipment business of the Group recorded a 103% increase from the corresponding period in the previous year. The increase was mainly due to the soaring demand for medical equipment from the private medical practitioners.

However, the turnover of the distribution of medicinal and winery products business of the Group had decreased by more than 99% from the corresponding period in the previous year. The substantial decrease was mainly due to the severe competition in Chinese winery products in Hong Kong and reduction of demand from overseas.

In conclusion, despite increasing competition, the Group's performance was maintained in a satisfactory level. We believe that the Group's performance will be able to benefit from the growth of the overall economic environment. We shall continue to diversify our product mix, improve products quality and distribution network and develop a flexible approach in aligning the cost structure with revenue.

Prospects

After the change of new controlling shareholder, a detailed review of the financial position and operations of the Group will be conducted so as to formulate the long-term business plans and strategy of the Group, which may include, by building and focusing on the medical expertise, distribution networks and customer base currently possessed by the Group, further development of the medical business of the Group. The Company will also explore other business opportunities which are in line with or will provide synergy to the principal business activities of the Group and consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Financial review

Liquidity and financial resources

As at 30th September 2005, the Group's cash and bank balances were HK\$7,597,000 and after deducting the total borrowings of HK\$14,996,000 as at the end of the financial period, net borrowing was HK\$7,399,000 (31st March 2005: HK\$2,923,000). Accordingly, the gearing ratio, defined as net borrowings to equity, as at 30th September 2005 was 220% (31st March 2005: 44%). As at 30th September 2005, the Group's current assets and current liabilities were HK\$15,038,000 and HK\$17,212,000 respectively with liquidity ratio at 0.87 times (31st March 2005: 1.34 times).

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. The directors considered that this placement has provided sufficient cash to finance the Group's working capital.

Banking facilities and pledge of assets

As at 30th September 2005, the Group had pledged a leasehold land and building with aggregate carrying amount of HK\$5,107,000 to secure certain banking facilities. The banking facilities had not been utilized as at 30th September 2005.

Currency and financial risk

The Group's revenue and expenditure are primarily denominated in Hong Kong dollars for the period under review. All borrowings and debts are denominated in Hong Kong dollars. Interests for convertible note and banking facilities are calculated on a floating rate basis. All 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 investment properties 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

As at 30th September 2005, the Company had no capital commitment.

Management and employees

As at 30th September 2005, there were 19 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 share option scheme (the "Scheme") was approved by the shareholders on 26 August 2003 to grant share options to eligible employees and Directors to subscribe for newly issued shares of the Company in accordance with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rule") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period ended 30th September 2005, no option was granted by the Company to any eligible employees or Directors pursuant to the Scheme.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2005, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of shares	Approximate percentage shareholdings
Kwok Wing Leung Andy	Interest of a controlled corporation (<i>Note</i>)	386,533,775	71.02

Note: These shares are held by Billion Pacific Ventures Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Kwok Wing Leung Andy.