Management Discussion and Analysis

Operational Review

This year just ended saw the sale of medical equipment continued to be the Group's key source of income with an increase in turnover of approximately 39% when measured against FY2004/05. The year was also noteworthy for the discontinuation and disposal of the trading arms for the Group's medicinal ginseng products and Confucius Family spirits ranges.

On the management front, major developments during the year included the restructuring of the Board in September 2005, and the Group's rebranding from WPH to Nubrands in April 2006.

Segmental Analysis

Medical Equipment

During the year under review, sales of medical equipment amounted to approximately HK$19.4 million. This figure represents a sizeable increase of 39.1% on the equivalent turnover of approximately HK$14 million the segment recorded in FY2004/05.

Medicinal and Winery Products

The disposal of the Group's medicinal and winery products interests saw sales from these areas experience a fall of approximately 99% from approximately HK$3.3 million to approximately HK$2,000 during the year just ended.

The primary reason for the discontinuation of these businesses is the significant intensification of competition in both industries. As the medicinal and winery markets continue to consolidate, the Board anticipates that it will become more difficult for the Group to compete with the dominant players in each sector.

Acquisitions and Disposals

During the year under review, the Group made one major acquisition in the form of Procare, a health and beauty products company, which was acquired for approximately HK$10.5 million in March 2006.

The Group also divested itself of its Chinese medicinal and winery interests, which were sold in March 2006. As mentioned earlier in this Report, the core reason for these disposals was poor sales performance in markets whose competitiveness is increasing steadily with every passing year. The disposals will, however, enable the freeing up of valuable resources the Group can use to fuel its expansion activities during the coming year.

Financial Review

Results Analysis

For the year ended 31st March 2006, the Group generated a consolidated turnover of approximately HK$19.4 million. This figure represents a healthy rise of 12.8% over the approximate HK$17.2 million figure recorded in the previous financial year. The encouraging increase was mainly attributable to a substantial growth in the demand for, and sale of, medical equipment amongst private healthcare providers in Hong Kong.

During the financial year ended 31st March 2006, the Group recorded a gross profit for the continuing operations of approximately HK$6.1 million. This figure represents an increase of 20.8% when compared to the approximate HK$5 million recorded during the previous financial year. However, gross profit margin for the year under review decreased by approximately 4.7% from 35.9% to 31.2% as recorded in the previous year. The primary reason for this decline was the reconfiguration of the Group's product portfolio. Much of the top-end medical equipment the Group sells to the private sector is very expensive and time-consuming to produce. Since such equipment is sometimes offered at a discount, the costs involved in its sale are appreciably higher as a result.

On a more positive note, the year just ended saw a significant reduction in the Group's loss per share figure, which fell from 1.28 HK cents in FY2004/05 to 1.13 HK cents.

Financial Resources and Liquidity

FY2005/06 was marked by an encouraging improvement in the Group's financial position. As at 31st March 2006, the Group held cash and bank balances amounting to approximately HK$11.8 million. This figure represents an increase of approximately 44% on the equivalent figure of approximately HK$8.2 million recorded as at the end of the previous financial year.

With its available cash balances, banking facilities and outstanding convertible note, the Group has sufficient financial resources to fund its operational requirements for the coming year.

As at 31st March 2006, the gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to shareholders of the Company, stood at approximately 5%.

In April 2006, the Company completed a share placement in which 43,530,000 new shares were issued. A consideration (net of expenses) of approximately HK$8,258,000 was received in relation to the issue of the new shares.

Charges on Assets

As at 31st March 2006, leasehold land and building and bank deposits with respective carrying values of approximately HK$4,959,000 (2005: HK$5,164,000) and HK$2,606,000 (2005: nil) were pledged with banks in order to secure the Group's banking facilities.

Foreign Exchange Risk Management

The Group continues to adopt a prudent approach to foreign exchange exposure management. Most of the Group's cash balances are deposited in Hong Kong Dollars with major banks in Hong Kong. The majority of the Group's borrowings, revenues and payments are also denominated in Hong Kong Dollars. Therefore, the Board considers that the Group's risk exposure to foreign exchange rate fluctuations is minimal. The Groups did not engage in the use of derivative products during the year under review. The Board will continue to closely monitor the Group's foreign exchange risk exposure, and will hedge against potential risk by applying derivative financial instruments when and where necessary.

Capital Commitment

As at 31st March 2006, the Group had no capital commitments.

Contingent Liabilities

As at 31st March 2006, the Group had no significant contingent liabilities.

Human Resources

As at 31st March 2006, the Group employed a workforce comprising approximately 30 employees. All of whom are paid industry competitive salaries which the Group augments with a comprehensive range of staff benefits such as medical insurance and mandatory provident fund contributions.

During the year under review, the Group continued its policy of offering discretionary performance-linked bonuses or share options as an incentive for employees deemed to have made an outstanding contribution to its success.

Prospects and Outlook

With its new leadership in place, the Group has embarked upon a visionary three-year plan during which it intends to establish itself as a leader in China's lucrative health and beauty market. The March 2006 acquisition of Procare is the first step in this process.

One of the Group's key strategies in re-energising its business as it moves forward will be the acquisition of a series of smaller health and beauty companies which will enable it to synergise its capabilities in this market. The Board believes that the successful integration of such acquisitions under the Nubrands umbrella will leave the Group perfectly placed to leverage its new subsidiaries' ready-made distribution networks and niche marketing capabilities. With an office in Hong Kong, successful brands and proven marketing track record, Procare can be seen as an ideal template for the Group's future acquisitions strategy.

While occurring too late in the year under review to have any significant impact on this year's results, the Group's acquisition of Procare is sure to be reflected in future balance sheets. Offering a successful brand portfolio backed by well-established marketing capabilities, Procare will be a major asset as the Group begins the first stage of its expansion with a China-wide product roll out in September 2006. The coming years will see the Group carefully consider other acquisitions which are deemed to be an equally "perfect fit" in order to ensure its expansion goals are met.