NuBrands Group
滙寶集團

Annual Report 2006/07

Stock Code: 835

We define Health & Beauty


LaVie
ANTI-ÂGE
LaVie
ANTI-ÂGE
LaVie

Contents

CORPORATE INFORMATION

CORRESPONDENCE ADDRESS AND PRINCIPAL PLACE OF BUSINESS

Room 2002-03
20/F., Fairmont House
8 Cotton Tree Drive, Central
Hong Kong
Tel: (852) 2152 0098
Fax: (852) 2152 0810

REGISTERED OFFICE

Clarendon House
2 Church House
Hamilton HM11
Bermuda

HEAD OFFICE

Room 2002-03
20/F., Fairmont House
8 Cotton Tree Drive, Central
Hong Kong

COMPANY SECRETARY

Chow Kim Hang

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

REMUNERATION COMMITTEE

Ho Man Kin, Tony
Li Kar Fai, Peter
Yeung Ting Lap, Derek Emory

AUDIT COMMITTEE

Li Kar Fai, Peter
Ho Man Kin, Tony
Yeung Ting Lap, Derek Emory

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited

LEGAL ADVISERS

Tsun & Partners
Suites 1002-03, Aon China Building
29 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

http://www.nubrandsgroup.com

SHARE LISTING

Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 835

BUILDING A NU ERA

On behalf of my fellow directors and senior management team, I am pleased to present the Annual Report of Nubrands Group Holdings Limited ("the Group") for the financial year ended 31st March 2007.

Since the rebranding of Nubrands in April 2006, the Group has focused on revolutionalizing the Asian skincare industry by introducing innovative products and services through its extensive distribution network and channels in Greater China. This financial year has been an exhilarating year of growth for us, mainly attributed to the successful integration of Procare (Holdings) Company Limited ("Procare") into the Group and the introduction of several internationally renowned skincare brands in the PRC.

In April 2006, we successfully integrated Procare, a leading skincare and personal care Original Design Manufacturing ("ODM") company in Hong Kong, into the Group, which officially marked the beginning of our new business focus on the Asian skincare industry. During the year under review, the Group has secured numerous distribution rights and launched several innovative skincare brands in Hong Kong and the PRC, as part of our overall strategy in positioning the Group to be at the forefront of leading brand management and distribution companies in Greater China.

BUSINESS REVIEW OF FY2006/2007

Throughout the financial year under review, the first year of the "Three-Year Plan" to achieve an annual turnover of HK$300 million by financial year ending 2008/2009, the Group predominantly emphasized on carrying internal structural reforms, while accelerating the expansion of its core business in healthcare and beauty in Hong Kong and the PRC.

In December 2006, we successfully secured the regional exclusive distribution rights of: **Lumene**, the largest skincare and cosmetic brand in Northern Europe; **Byly**, a leading personal care brand from Spain; as well as the PRC distribution rights of **Institut Arnaud Paris**, a leading skin and body care brand from France targeting the beauty salon market. To distribute these brands, we leverage on the Group's loyal and health-conscious customers and established distribution network of pharmacies, beauty specialty stores and wholesalers across Hong Kong and Greater China. Our brand management business has gone off to a very positive start and we are poised to further extend its reach into other regions in the PRC through our existing distribution network as well as future strategic partnership with local distributors.

With China's impressive economical development, the Group is dedicated to maintain a deep understanding of local consumer preferences, habits and lifestyles in the evolving healthcare and beauty market in the PRC, while providing and developing products targeted to meet those needs. For this reason, we have taken great care to ensure that the roll-out of **LaVie** premium line, an extension of our private label skincare line tailor-made to the PRC market, in January 2007 will be a huge success in Southern China. With the new and revamped packaging and celebrity endorsement featuring Ms. Cecilia Yip as its brand ambassador in Greater China, **LaVie** is targeted at mature, independent Chinese Women aged 30 and over who value product quality over mere branding. In addition, we will continue to expand the product range of **LaVie** to meet the needs of customers with different skin complexities. To date we have already signed distribution agreements covering over 150 beauty specialty stores and department stores in key cities across Guangdong Province to distribute the **LaVie** brand. Plans are in place to gradually increase the distribution coverage to more than 1,000 beauty outlets by the end of 2008. We will continue to implement effective marketing and promotional strategies to support our growth in this regard.

LETTER TO SHAREHOLDERS

FINANCIAL REVIEW OF FY2006/2007

For the year under review, both consolidated turnover and gross profit margin achieved significant growth. Consolidated turnover increased 115% to HK$41.8 million, and gross profit margin improved from 31% to 36% year on year. The noteworthy increase in turnover and gross profit margin was mainly attributable to the additional revenue generated by our new ODM production and brand management divisions.

The Group's ODM division is currently a supplier of skincare, personal care and tissue products to the Dairy Farm Group of Companies, which include Mannings health and beauty stores in Hong Kong and the PRC, Wellcome supermarkets in Hong Kong, and the Guardian chain of personal care stores in Singapore. The ODM division also manufactures products for a number of domestic and overseas skincare and personal care brands. With gradual increase in spending in the healthcare and beauty market and growing demand for outsourcing, the Group foresees solid growth in its "One-Stop-Shop" ODM healthcare and beauty business. The anticipated income generated by our activities in this area will continue to be an important source of future profitability and a major revenue stream for our expansion.

The Group's revenues through its subsidiary company's sale of medical equipment in Hong Kong continues to deliver strong performance, posting a turnover of HK$25.6 million and a 32% increase from previous year. The Board has implemented a number of cost control measures in this area which have already started to bear fruit. However, the Board continues to hold a cautious view in expanding the medical equipment business outside Hong Kong due to keen competition from overseas and Mainland Chinese manufacturers.

While accurately reflecting the performance of the Group during FY2006/07, the Board believes that the lower than expected figures contained in this Report fall some way short of the Group's true potential. The Board remains confident in our first Three-Year Plan to achieve an annual turnover of HK$300 million by financial year ending 2008/2009. The Group will achieve this aim by aggressively devoting management resources to our established domestic skincare range and lucrative Chinese healthcare and beauty businesses. My fellow directors and I have resolved to do everything possible to ensure that this potential is realized during the coming years.

NEW BUSINESS AVENUES

While China will remain the Group's core focus during the coming years, the Board will actively investigate new distribution potentials in other uncovered provinces as well as overseas markets. To this end, the Group had entered into a Sales and Purchase Agreement in February 2007 to acquire a 51% equity interest in a Sino-foreign joint venture which is principally engaged in the development, production, and sales of skincare and personal care products under the name "孫思邈" (Sun Si Miao), a traditional Chinese medicine ("TCM") based skincare and personal care brand. The production process is professionally managed by the renowned Beijing Tong Ren Tang Group. Currently, Sun Si Miao is being distributed in over 1,200 points of sales including pharmacies, specialty stores and department stores throughout China. The Board believes this acquisition will strongly enhance the distribution network coverage of the Group and allow the Group to eventually tap into the growing global TCM skincare and personal care market.

In addition, we are also assessing enquiries from potential distributors in Southeast Asia, North America and Eastern Europe. The Group will endeavor to fully realize all potential leads that the Board deems to be sufficiently feasible and profitable.

The strengthening of our domestic and Greater China product portfolio with the addition of renowned foreign brands is another central element of our long-term expansion strategy. The Group's proven track record in the area of brand management and distribution will prove to be a major asset in this area. Complement our existing portfolio of foreign brands such as **Lumene**, **Institut Arnaud Paris** and **Byly**, which are now being distributed through our sub-distributors to over 180 points of sales including department stores and beauty speciality stores in Hong Kong as well as in major cities in China's Northern and Northwest provinces, such as Beijing, Chengdu, Shenyang, and Dalian, negotiations are underway with several independent international skincare and beauty brands who have expressed a genuine interest in our distribution or manufacturing capabilities in Hong Kong and Greater China. I hope to provide you with further details of our successes in this area in next year's Annual Report.

AN ONGOING COMMITMENT TO GOOD CORPORATE GOVERNANCE

At Nubrands, we fully understand that a good reputation is priceless, and which once tarnished is forever compromised in the minds of consumers. For this reason, the Group continues to adhere to the highest standards of transparency, independence and accountability in ensuring that its corporate obligations and responsibilities are fully discharged at all times.

In taking charge of the Group, I and my fellow directors vouched to uphold a belief in "quality at source" of the very highest level at every stage of the production process. To this end, the Group is currently sourcing its raw material from world-class suppliers in Europe and Asia, and working with Good Manufacturing Practices ("GMP") accredited factories in the PRC, Switzerland and Malaysia, and will continue to negotiate and assess potential suppliers both in the PRC and overseas. If successful, these negotiations will result in long-term strategic relationships that are sure to significantly strengthen our production capabilities and allow us to stay ahead to become the world renowned Asian Beauty Innovator and Leader. In addition, the Group pledges to fulfill the duties of a responsible corporate citizen to win the love and respect of its existing and potential customers and society.

FACING THE FUTURE WITH CONFIDENCE

In closing, I would like to express my deepest gratitude to my fellow Board members for their continued commitment, contribution and support. I would also like to thank our customers, business partners and investors for their continuing support. Last but not least, nothing will be made possible without a competent team so I would like to extend my appreciation to our management team and employees for their dedication and hard work during the past year.

While the business expansion is already well underway, the Board will continue to closely monitor the progress of the Group's development and amend its tactics as and when necessary. As the Chairman of the Group, I relish the opportunity to discharge my obligations to our shareholders by delivering on my passionate belief in transforming ideas into realities, and potential into profits.

KWOK Wing Leung, Andy
Chairman

Hong Kong, 20th July 2007

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Through the acquisition of Procare (Holdings) Company Limited ("Procare") in March 2006, the Group had successfully diversified its business by entering into the health and beauty products market in FY2006/07. In addition to Procare's existing distribution network, we have actively expanded our business into the China market with our roll-out of the revamped "LaVie" brand in Southern China in January 2007.

The Group had also expanded and strengthened its product portfolio during the year with the addition of renowned foreign brands such as "Lumene" and "Byly" with a view to achieve its long-term expansion plan.

With the positive contribution from the health and beauty products market segment, the year just ended saw a strong increase in turnover from HK$19.4 million to HK$41.8 million.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2007, the Group generated a consolidated turnover of approximately HK$41.8 million, representing a significant rise of 115% over the approximate HK$19.4 million recorded in the previous financial year. The encouraging increase was mainly attributable to the contribution from the newly acquired Procare and a substantial growth in the demand for, and sale of, medical equipment, in particular the intravascular ultrasound and functional measurement products that aid in the diagnosis and treatment of vascular and structural heart disease.

During the financial year ended 31st March 2007, the Group recorded a gross profit from continuing operations of approximately HK$14.9 million. This represents an increase of 145% when compared to the approximate HK$6.1 million recorded during the previous financial year. The gross profit margin also improved from 31.2% as recorded in the previous year to 35.5% for the year under review. This is the result of the higher gross profit margin generated by the health and beauty products segment.

Higher loss per share was recorded this year as compared to the previous year. This was partly attributable to our increased investment in advertising and promotion activities including TV advertisement, appointment of a celebrity as the spokesperson of "LaVie" and other marketing activities. Such marketing campaigns, which were implemented in response to the Group's strategy to explore and penetrate China's health and beauty market, had considerably enhanced the Group's brand image and recognition. The Group had also heavily invested in the workforce to support the anticipated growth and future development of the Group. Share options were granted to directors, employees and consultants during the year to attract and retain talented people who assisted the Group in successfully implementing its business strategies and ensuring its sustained long-term success.

Segmental Analysis

Health and Beauty Products

During the year under review, sales of health and beauty products amounted to approximately HK$16.2 million and accounted for 39% of turnover in FY2006/07. This reflected the Group's successful diversification into the health and beauty segment with the acquisition of Procare in March 2006 and the additions of renowned foreign brands into our product portfolio during the year. The year saw a segmental loss of approximately HK$3.1 million. This was mainly due to additional spending on advertising and marketing activities that had enhanced brand image and recognition which was vital to our long-term success.

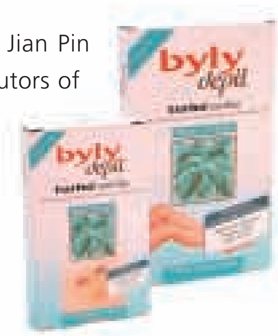
Medical Equipment

During the year under review, sales of medical equipment amounted to approximately HK$25.6 million. This figure represents a sizeable increase of 32% on the equivalent turnover of approximately HK$19.4 million the segment recorded in FY2005/06. The solid increase was driven by the increase in sales of intravascular ultrasound and functional measurement products that aid in the diagnosis and treatment of vascular and structural heart disease.

New Business Venture

During the year under review, the Group has entered into a sale and purchase agreement to acquire an aggregate 51% issued share capital of Speed Growth Trading (H.K.) Company Limited ("Speed Growth") and the shareholder's loan for a total consideration of approximately HK$15.31 million. The sole business and investment of Speed Growth is a 99% equity interest in Beijing Mengsisi Health Product Co., Ltd. ("Mengsisi") which is principally engaged in the development, production and sales of skin care and personal care products under the brand name of "孫思邈" (Sun Si Miao) in the People's Repulbic of China ("PRC"). Sun Si Miao was a famous person in the Tang Dynasty of ancient China for his knowledge and expertise in Chinese medicine.

In view of the renowned 北京同仁堂營養保健品廠 (Beijing Tong Ren Tang Ying Yang Bao Jian Pin Chang) being one of the partners in Mengsisi and the extensive distribution network of distributors of Mengsisi in the PRC, the acquisition would expand the client base of the Group and strengthen the Group's market presence in the beauty and health care businesses in the PRC.



Financial Resources and Liquidity

FY2006/07 was marked by an encouraging improvement in the Group's financial position. As at 31st March 2007, the Group held cash and bank balances amounting to approximately HK$21,403,000, representing an increase of approximately 81% over the equivalent figure of approximately HK$11,818,000 recorded as at the end of the previous financial year, while total borrowings were HK$2,408,000 (2006: HK$12,832,000). The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to shareholders of the Company, was therefore not presented as the Group had a net cash position as at 31st March 2007 (2006: 5%).

In June 2007, the Company completed a share placement through which 30,380,000 new shares were issued at the subscription price of HK$0.335 per share and had raised approximately HK$10.1 million.

With its available cash balances and banking facilities, the Group has sufficient financial resources to fund its operational requirements.

Charges on Assets

As at 31st March 2007, prepaid lease payments, building and bank deposits with respective carrying values of approximately HK$2,884,000 (2006: HK$2,955,000), HK$1,945,000 (2006: HK$2,004,000) and HK$2,652,000 (2006: HK$2,606,000) were pledged with banks in order to secure the Group's banking facilities.

Foreign Exchange Risk Management

The Group continued 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 were also denominated in Hong Kong Dollars. Therefore, the Board considered 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

Details of capital commitment of the Group as at 31st March 2007 are set out in note 32.

Contingent Liabilities

As at 31st March 2007, the Group had no significant contingent liabilities.

HUMAN RESOURCES

As at 31st March 2007, the Group employed a workforce comprising approximately 82 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

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 acquisition and successful integration of Speed Growth under the Nubrands umbrella will leave the Group perfectly placed to leverage Mengsisi's ready-made distribution network and strengthen the Group's presence in the China's health and beauty market.

The strengthening of our product portfolio with the addition of renowned brands and the launch of new product lines has always been an important element of our long-term expansion strategy. The Group will continue to expand our health and beauty brand management business and broaden our product range with core focus in the China market so as to benefit from the encouraging economic growth of the China market and the higher purchasing power of the Chinese consumers.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31st March 2007, applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK") save and except certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry with all directors, confirms that all directors have complied with the Model Code throughout the financial year ended 31st March 2007.

Directors and Directors' Independence

The Board of directors (the "Board") comprises:

Executive directors

Mr. KWOK Wing Leung, Andy	
Mr. TSE Michael Nam	(appointed on 21st June 2006)

Non-executive directors

Mr. YEUNG Ting Lap, Derek Emory	
Mr. LUK Chung Po	(retired on 18th September 2006)

Independent non-executive directors

Ms. CHIU Kam Hing, Kathy	(appointed on 21st June 2006)
Mr. HO Man Kin, Tony	
Mr. LI Kar Fai, Peter	
Mr. MA She Shing, Albert	(retired on 18th September 2006)

The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

During the financial year ended 31st March 2007, 18 Board meetings, 2 Audit Committee meetings and 1 Remuneration Committee meeting were held respectively. Attendance by directors at Board and Committee meetings is shown below:

Attendance Record for the Board and Board Committee Meetings During the Year	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
	Number of Attendance/Number of Meeting (Note)		
Executive directors			
Mr. KWOK Wing Leung, Andy	17/18	n/a	n/a
Mr. TSE Michael Nam	9/13	n/a	n/a
Non-executive directors			
Mr. YEUNG Ting Lap, Derek Emory	16/18	1/1	0/1
Mr. LUK Chung Po	0/10	n/a	n/a
Independent non-executive directors			
Ms. CHIU Kam Hing, Kathy	13/13	n/a	n/a
Mr. HO Man Kin, Tony	18/18	2/2	1/1
Mr. LI Kar Fai, Peter	11/18	2/2	1/1
Mr. MA She Shing, Albert	6/10	n/a	n/a

Note: The number of meetings during which each of the directors was eligible to attend is based on the date on which each of these directors was appointed by the Company.

Role and Function

While daily operation and administration are delegated to the management, the Board is responsible for the types of decision relating to the following aspects:

– Formulation of operational and strategic direction of the Group;

– Monitoring the financial performance of the Group;

– Overseeing the performance of the management;

– Ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

– Setting the Company's values and standards.

The Board held meetings from time to time whenever necessary. Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following Board meeting. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

The attendance record of individual Board meetings during the year is set out in the table on this page.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Separate Roles of Chairman and Chief Executive Officer

The Company does not have a separate chairman and chief executive officer and Mr. Kwok Wing Leung, Andy currently holds both positions. This constitutes a deviation from code provision A.2.1 of the Code. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. The structure includes:

– Having the Audit Committee comprising a majority of independent non-executive directors;

– Having the Remuneration Committee comprising a majority of independent non-executive directors;

– Ensuring that independent non-executive directors have free and direct access to both Company's external auditors and independent professional advice where considered necessary.

The Board believes that these measures will ensure that our independent non-executive directors continue to effectively supervise the Group's management and to provide vigorous control of key issues relating to strategy, risk and integrity. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the separation of the positions of chairman and chief executive officer, are necessary.

Appointment and Re-election of Directors

The non-executive directors are appointed for a specific term and subject to re-election. With the special resolution passed in 2006 Annual General Meeting, the bye-laws of the Company were amended in order to comply with the code provision A.4.2. As such, no director has a term of appointment longer than three years.

Directors' Responsibility for Financial Statements

The directors acknowledge their responsibility in overseeing the preparation of the financial statements that give a true and fair view of the state of affairs of the Group. Having made appropriate enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future, and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements. With the assistance of the finance department, the directors ensures that the financial statements of the Group are being prepared, and published in a timely manner, in accordance with the applicable accounting standards and statutory requirements. The directors' statements of responsibility for the financial statements should be read in conjunction with – but distinguished from – the Independent Auditor's Report on pages 23 to 24 of this Annual Report, which acknowledges the reporting responsibilities of the external auditors.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in previous financial year to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee comprises two independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman) and Mr. Li Kar Fai, Peter, and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Group's policy and structure for all remuneration packages of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(2) To have the delegated responsibility to determine the specific remuneration packages for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(6) To ensure that no director or any of his associate is involved in deciding his own remuneration.

The Remuneration Committee held one meeting during the year. The complete attendance record of individual committee members is set out in the table on page 10 of this report.

The remuneration policies for the Company as well as the directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration the market practice, competitive market position and individual performance.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the internal control system of the Group. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31st March 2007 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises two independent non-executive directors namely, Mr. Li Kar Fai, Peter (chairman) and Mr. Ho Man Kin, Tony, and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditors of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, (i) to oversee the relationship with the Company's auditors; (ii) to review the interim and annual financial statements; and (iii) to review the Company's financial reporting system and internal control and risk management procedures.

The Audit Committee held two meetings during the year. The complete attendance record of individual committee members is set out in the table on page 10 of this report.

In performing its duties in accordance with its terms of reference, the Audit Committee reviewed and supervised the financial reporting process and internal control and risk management systems of the Group and reviewed the Group's financial statements for the relevant period with reference to the scope of the terms of reference. The Audit Committee also conducted discussion with external auditors on financial reporting and compliance and reported relevant matters to the Board.

AUDITORS

The financial reporting responsibilities of the auditor are set out on pages 23 to 24 of this annual report.

During the financial year ended 31st March 2007, the fees paid/payable to the external auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services rendered	**Fee paid/payable** HK$'000
Audit services	868
Non-audit services	206
	1,074

CORPORATE COMMUNICATION/INVESTOR RELATIONS

The Code required the Company to have a dialogue with shareholders and the Board recognises the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information on the Group's operational and financial performances while general meetings offer a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them up-to-date and comprehensive information regarding the Group's development. The Company practices timely dissemination of information including annual reports, interim reports, announcements and press releases, and is updated in a timely manner to ensure transparency.

CHAIRMAN OF THE BOARD

Mr. KWOK Wing Leung, Andy

Mr. Kwok, aged 33, has been an executive director of the Company and chairman of the Board since September 2005. Mr. Kwok has over 10 years of local and overseas financial and general management experience and has experience in the trading business in the People's Republic of China. Mr. Kwok holds a Master's degree in Business Administration from Tsinghua University and a Bachelor's degree in Economics from the University of Sydney. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kwok is the sole director and beneficial owner of Billion Pacific Ventures Limited, the controlling shareholder of the Company. Mr. Kwok is also the independent non-executive director of AGTech Holdings Limited.

EXECUTIVE DIRECTOR

Mr. TSE Michael Nam

Mr. Tse, aged 49, has been an executive director of the Company since June 2006. Mr. Tse holds a Bachelor's degree in Biological Science & Marine Biology from University of California, Berkeley and a Master's degree in Business Administration from University of San Francisco, in the United States of America. Mr. Tse has over 20 years experience in financial services and has held key positions in various corporate advisory projects in Hong Kong, the People Republic of China, the United States of America, and South East Asia. Mr. Tse is a director of Procare (Holdings) Company Limited, which is the wholly owned subsidiary of the Company. Mr. Tse is also the chairman and the executive director of a Hong Kong listed company, namely, Venture International Investment Holdings Limited.

NON-EXECUTIVE DIRECTOR

Mr. YEUNG Ting Lap, Derek Emory

Mr. Yeung, aged 34, has been a non-executive director of the Company since September 2005. Mr. Yeung holds a Bachelor's degree in Applied Mathematics and Economics from Brown University and a Master's degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a member of the American Institute of the Certified Public Accountants. Mr. Yeung is presently the chief executive officer and co-founder of She.Com International Holdings Limited and She.Communications Limited, a leading female-centric cross-media communications company and an associate company of the TOM Group Limited. Mr. Yeung is currently a non-executive director of a Hong Kong listed company, namely, Wealthmark International (Holdings) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHIU Kam Hing, Kathy

Ms. Chiu, Justice of the Peace, aged 58, has been an independent non-executive director of the Company since June 2006. Ms. Chiu holds a Bachelor's degree in Business Administration in Canada and a Diploma in Economics, Finance & Political studies from Beijing University in China. Ms. Chui is an associate and a fellow of the Institute of Canadian Bankers, has almost 30 years of banking experience in both Canada and the Asia Pacific region and has held key position in a major bank of the United States of America. Ms. Chiu is an independent non-executive director of Qianlong Technology International Holdings Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. HO Man Kin, Tony

Mr. Ho, aged 36, has been an independent non-executive director of the Company since March 2006. Mr. Ho holds a Bachelor's degree in Management Science from the University of St. Andrews. Mr. Ho is currently a director of Forum Partners Investment Management and has held key positions in various corporate advisory assignments. Mr. Ho has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. LI Kar Fai, Peter

Mr. Ho, aged 42, has been an independent non-executive director of the Company since March 2006. Mr. Li holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a member of Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting.

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2007.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 19th April 2006 and approval by the Registrars of Companies in Bermuda and Hong Kong, the name of the Company was changed from Wanji Pharmaceutical Holdings Limited 萬基藥業控股有限公司 to Nubrands Group Holdings Limited 滙保集團控股有限公司 with effect on 19th April 2006.

The Company's Chinese name (for identification purpose only) was changed from "滙保集團控股有限公司" to "滙寶集團控股有限公司" with effect from 19 July 2007 while the Company's English name remained unchanged.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of health and beauty products and the sale of medical equipment.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 25.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 28 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 67.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31st March 2007 are set out on page 68.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTE

Details of movements in the convertible note of the Company during the year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There are no distributable reserves of the Company at 31st March 2007, calculated under the Companies Act 1981 of Bermuda (as amended). The Company's share premium account, in the amount of HK$51,002,000 at 31st March 2007 (2006: HK$36,169,000), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 19% and 62% respectively of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 28% and 57% respectively of the Group's total turnover for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. KWOK Wing Leung, Andy	
Mr. TSE Michael Nam	(appointed on 21st June 2006)

Non-executive directors

Mr. YEUNG Ting Lap, Derek Emory	
Mr. LUK Chung Po	(retired on 18th September 2006)

Independent non-executive directors

Ms. CHIU Kam Hing, Kathy	(appointed on 21st June 2006)
Mr. HO Man Kin, Tony	
Mr. LI Kar Fai, Peter	
Mr. MA She Shing, Albert	(retired on 18th September 2006)

In accordance with bye-law 110 of the Company's bye-laws, Mr. KWOK Wing Leung, Andy and Mr. YEUNG Ting Lap Derek Emory will retire by rotation at the forthcoming annual general meeting of the Company and they, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

At 31st March 2007, the directors, chief executives and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under 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 Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in Ordinary Shares in the Company

Name of director	Personal interests	Corporate interests	Total	Approximate percentage of the Company's issued share capital
Mr. Kwok Wing Leung, Andy	7,052,320 (Note 1)	401,533,775 (Note 2)	408,586,095	48.13
Mr. Tse Michael Nam	17,875,596 (Note 3)	–	17,875,596	2.11
Mr. Yeung Ting Lap Derek Emory	2,720,000 (Note 4)	–	2,720,000	0.32
Mr. Ho Man Kin, Tony	300,000	–	300,000	0.04

Notes:

1. Mr. Kwok Wing Leung Andy has beneficial interests in 1,610,000 shares and 5,442,320 underlying shares in respect of share options granted to him on 21st August 2006.

2. 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. Mr. Kwok Wing Leung, Andy is the sole director of Billion Pacific Ventures Limited.

3. Mr. Tse Michael Nam has beneficial interests in 13,521,596 shares and 4,354,000 underlying shares in respect of share options granted to him on 21st August 2006.

4. Mr. Yeung Ting Lap, Derek Emory has beneficial interests in 2,720,000 underlying shares in respect of share options granted to him on 21st August 2006.

Save as disclosed above, none of the directors, chief executives and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Part XV of SFO) as at 31st March 2007 as required to be 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 pursuant to the Model Code.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

				Number of share options				
Grantee	Date of Grant	Exercise period	Exercise price per share HK$	Balance at 1st April 2006	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31st March 2007
Kwok Wing Leung, Andy	21/8/2006	21/8/2006 to 21/8/2016	0.21	–	5,442,320	–	–	5,442,320
Tse Michael Nam	21/8/2006	21/8/2006 to 21/8/2016	0.21	–	4,354,000	–	–	4,354,000
Yeung Ting Lap, Derek Emory	21/8/2006	21/8/2006 to 21/8/2016	0.21	–	2,720,000	–	–	2,720,000
Consultants	21/8/2006	21/8/2006 to 21/8/2016	0.21	–	23,769,280	–	2,000,000	21,769,280
Employees	21/8/2006	21/8/2007 to 21/8/2016	0.21	–	17,954,320	–	–	17,954,320

The closing price of the Company's shares immediately before 21st August 2006, the date of grant of the options, was HK$0.20.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES UNDER THE SFO

Save as disclosed in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debentures", as at 31st March 2007, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of Shares held	Total	% of the issued share capital
Deutsche Bank Aktiengesellschaft	Corporations having a security interest in shares	87,800,000	87,800,000	10.34
Galaxy China Opportunities Fund	Beneficial owner	90,970,000	90,970,000	10.72

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 37 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. KWOK Wing Leung, Andy
Chairman

Hong Kong, 20th July 2007

Deloitte.
德勤

TO THE MEMBERS OF NUBRANDS GROUP HOLDINGS LIMITED
滙寶集團控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nubrands Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 66, which comprise the consolidated balance sheet as at 31st March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th July 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000 (restated)
Continuing operations			
Turnover	5	**41,819**	19,418
Cost of sales		**(26,960)**	(13,363)
Gross profit		**14,859**	6,055
Other income	7	**4,674**	2,989
Selling and distribution expenses		**(11,582)**	(3,090)
Administrative expenses		**(19,460)**	(11,435)
Finance costs	9	**(651)**	(797)
Loss before taxation		**(12,160)**	(6,278)
Taxation	12	**7**	(28)
Loss for the year from continuing operations		**(12,153)**	(6,306)
Discontinued operations			
Loss for the year from discontinued operations	13	**–**	(423)
Loss for the year	8	**(12,153)**	(6,729)
Attributable to:			
Equity holders of the Company		**(12,161)**	(6,729)
Minority interests		**8**	–
Loss for the year		**(12,153)**	(6,729)
		HK cents	HK cents
Basic loss per share	14		
From continuing operations		**(1.51)**	(1.06)
From discontinued operations		**N/A**	(0.07)

The directors do not recommend the payment of a final dividend for the year (2006: Nil).

CONSOLIDATED BALANCE SHEET

At 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**2,701**	2,774
Property, plant and equipment	16	**3,182**	2,789
Prepaid lease payments – non-current portion	17	**8,355**	8,574
Intangible asset	18	**8,800**	8,800
		23,038	22,937
Current assets			
Inventories – finished goods		**8,110**	7,260
Prepaid lease payments – current portion	17	**219**	219
Trade and other receivables	19	**11,675**	9,452
Taxation recoverable		**5**	112
Pledged bank deposits	20	**2,652**	2,606
Bank balances and cash	21	**18,751**	9,212
		41,412	28,861
Current liabilities			
Trade, bills and other payables	22	**21,045**	16,544
Amount due to a shareholder	23	**208**	–
Amount due to ultimate holding company	23	**–**	214
Convertible note	24	**–**	9,267
Taxation payable		**10**	28
Bank overdrafts	25	**2,200**	3,351
		23,463	29,404
Net current assets (liabilities)		**17,949**	(543)
Total assets less current liabilities		**40,987**	22,394
Non-current liability			
Deferred taxation	26	**845**	845
NET ASSETS		**40,142**	21,549

	Notes	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES			
Share capital	27	**84,891**	71,838
Reserves		**(44,757)**	(50,289)
Equity attributable to equity holders of the Company		**40,134**	21,549
Minority interests		**8**	–
		40,142	21,549

The financial statements on pages 25 to 66 were approved and authorised for issue by the Board of Directors on 20th July 2007 and are signed on its behalf by:

Mr. KWOK Wing Leung, Andy
Chairman

Mr. TSE Michael Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2007

	Attributable to the equity holders of the Company							
	Share capital	Share premium	Share options reserve	Exchange reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2005	54,423	31,904	–	–	(79,729)	6,598	–	6,598
Loss for the year and total recognised expense for the year	–	–	–	–	(6,729)	(6,729)	–	(6,729)
Issue of shares for cash	10,884	545	–	–	–	11,429	–	11,429
Issue of shares for acquisition of a subsidiary	6,531	3,983	–	–	–	10,514	–	10,514
Share issue expenses	–	(263)	–	–	–	(263)	–	(263)
At 31st March 2006	71,838	36,169	–	–	(86,458)	21,549	–	21,549
Exchange differences on translating foreign operation and total income recognised directly in equity	**–**	**–**	**–**	**4**	**–**	**4**	**–**	**4**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**(12,161)**	**(12,161)**	**8**	**(12,153)**
Total recognised income and expense for the year	**–**	**–**	**–**	**4**	**(12,161)**	**(12,157)**	**8**	**(12,149)**
Equity settled share-based transactions	**–**	**–**	**2,856**	**–**	**–**	**2,856**	**–**	**2,856**
Transfers on cancellation of share options	**–**	**–**	**(105)**	**–**	**105**	**–**	**–**	**–**
Issue of shares for cash	**13,053**	**15,445**	**–**	**–**	**–**	**28,498**	**–**	**28,498**
Share issue expenses	**–**	**(612)**	**–**	**–**	**–**	**(612)**	**–**	**(612)**
At 31st March 2007	**84,891**	**51,002**	**2,751**	**4**	**(98,514)**	**40,134**	**8**	**40,142**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss for the year from continuing and discontinued operations		**(12,153)**	(6,729)
Adjustments for:			
Taxation		**(7)**	28
Finance costs		**651**	797
Interest income		**(622)**	(127)
Equity-settled share-based payment expense		**2,856**	–
Gain on disposal of subsidiaries		**–**	(451)
Loss on disposal of property, plant and equipment		**–**	233
Net foreign exchange loss		**5**	–
Impairment loss recognised (reversed) in respect of trade receivables		**5**	(361)
Release of prepaid lease payments		**219**	281
Depreciation of investment properties and property, plant and equipment		**580**	432
Operating cash flows before movements in working capital		**(8,466)**	(5,897)
Increase in inventories		**(850)**	(3,973)
Increase in trade and other receivables		**(2,225)**	(1,939)
Increase in trade, bills and other payables		**4,501**	4,297
Net cash used in operations		**(7,040)**	(7,512)
Interest income received		**619**	127
Income tax refunded		**112**	–
Income tax paid		**(16)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(6,325)**	(7,385)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(901)**	(661)
Increase in pledged bank deposits		**(46)**	–
Cash outflow on disposal of subsidiaries	29	**–**	(1)
Acquisition of a subsidiary	30	**–**	327
Proceeds from disposal of property, plant and equipment		**–**	5
NET CASH USED IN INVESTING ACTIVITIES		**(947)**	(330)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2007

	2007	2006
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**28,498**	11,429
Repayment of convertible note	**(8,150)**	–
Finance costs paid	**(1,768)**	–
Decrease in bank overdrafts	**(1,151)**	–
Share issue expenses	**(612)**	(263)
(Repayment of) advance from a shareholder/ultimate holding company	**(6)**	214
Repayment of advance from former ultimate holding company	**–**	(2,560)
Repayment of bank borrowings	**–**	(87)
NET CASH FROM FINANCING ACTIVITIES	**16,811**	8,733
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,539**	1,018
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**9,212**	8,194
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**18,751**	9,212

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December 2005, 1st January 2006 or 1st March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-INT 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1st January 2007
2 Effective for annual periods beginning on or after 1st January 2009
3 Effective for annual periods beginning on or after 1st May 2006
4 Effective for annual periods beginning on or after 1st June 2006
5 Effective for annual periods beginning on or after 1st November 2006
6 Effective for annual periods beginning on or after 1st March 2007
7 Effective for annual periods beginning on or after 1st January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sales of goods are recognised when goods are delivered 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance, from properties let under operating leases, is recognised on a straight-line basis over the period of relevant leases.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which represent trading stocks, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method for inventories of medical equipment and first-in, first-out method for inventories of health and beauty products.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For intangible assets with indefinite useful lives, they are tested for impairment annually, irrespective of whether there is any indication that they may be impaired, and whenever there is an indicator of impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits scheme contributions

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets – Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank overdrafts, trade, bills and other payables and amount due to a shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible note

Convertible notes issued by the Company are classified separately into their respective financial liability and conversion option components on initial recognition. Where there is a derivative financial instrument which gives one party a choice over how it is settled (for example, a net settlement option where the holder may choose to redeem the embedded call option), it is recognised as a financial asset or a financial liability unless all of the settlement alternatives would result in it being an equity instrument.

On initial recognition, the components are recognised at their respective fair values. In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest rate method and the change in fair value of the derivative financial instrument is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. Derivative financial instruments are initially measured at fair value on the contract date and the subsequent reporting date with changes in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve). When the fair value of goods or services cannot be estimated reliably, the fair value is to be determined by reference to the fair value of the share options granted, measured at the date the goods or services are received.

4. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, bank balances, bank overdrafts, trade receivables and trade and bills payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Cash flow interest rate risk

The Group's cash flow interest rate risks mainly relates to bank balances and bank overdrafts. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. More than 50% of the Group's turnover is attributable to five major customers with good reputation and therefore there is no significant exposure from concentration of credit risk. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

4. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on bank deposits is limited because the counterparties are banks with good reputation.

At 31st March 2007, approximately 79% of the Group's trade receivables were due from the five largest customers. Management is currently seeking to expand the Group's customer base in the market in order to reduce the reliance on a few major customers, and to mitigate the exposure from concentration of credit risk.

(b) Fair value

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services provided, net of discounts, to outside customers during the year.

	2007	2006
	HK$'000	HK$'000
Continuing operations		
Sales of medical equipment	**25,626**	19,418
Sales of health and beauty products	**16,193**	–
	41,819	19,418
Discontinued operations		
Sales of medicinal and winery products	**–**	2
	41,819	19,420

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The Group is principally engaged in the business of sale and distribution of health and beauty products and sale of medical equipment in Hong Kong. In March 2006, the Group discontinued the business operation of medicinal and winery products through disposal of subsidiaries.

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. An analysis of the Group's results by major business segments is as follows:

Consolidated Income Statement

	Continuing operations						Discontinued operations			
	Health and beauty products		Medical equipment		Total		Medicinal and winery products		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Turnover – external	**16,193**	–	**25,626**	19,418	**41,819**	19,418	**–**	2	**41,819**	19,420
Segment results	**(3,112)**	–	**466**	1,005	**(2,646)**	1,005	**–**	(874)	**(2,646)**	131
Gain on disposal of subsidiaries					**–**	–	**–**	451	**–**	451
Unallocated corporate income					**1,136**	–	**–**	–	**1,136**	–
Unallocated corporate expenses					**(9,999)**	(6,486)	**–**	–	**(9,999)**	(6,486)
Finance costs					**(651)**	(797)	**–**	–	**(651)**	(797)
Loss before taxation					**(12,160)**	(6,278)	**–**	(423)	**(12,160)**	(6,701)
Taxation					**7**	(28)	**–**	–	**7**	(28)
Loss for the year					**(12,153)**	(6,306)	**–**	(423)	**(12,153)**	(6,729)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Consolidated Balance Sheet

	Continuing operations						Discontinued operations			
	Health and beauty products		Medical equipment		Total		Medicinal and winery products		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Segments assets	**19,049**	13,080	**14,209**	15,589	**33,258**	28,669	**–**	–	**33,258**	28,669
Unallocated corporate assets									**31,192**	23,129
Consolidated total assets									**64,450**	51,798
LIABILITIES										
Segment liabilities	**2,662**	1,022	**16,793**	13,234	**19,455**	14,256	**–**	–	**19,455**	14,256
Unallocated corporate liabilities									**4,853**	15,993
Consolidated total liabilities									**24,308**	30,249

Other Information

	Continuing operations								Discontinued operations			
	Health and beauty products		Medical equipment		Unallocated		Total		Medicinal and winery products		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure	**644**	–	**142**	195	**115**	466	**901**	661	**–**	–	**901**	661
Depreciation of property, plant and equipment	**107**	–	**196**	246	**204**	134	**507**	380	**–**	15	**507**	395
Release of prepaid lease payments for owner-occupied property	**–**	–	**71**	115	**–**	–	**71**	115	**–**	–	**71**	115
Impairment loss recognised (reversed) in respect of trade receivables	**–**	–	**–**	(468)	**5**	–	**5**	(468)	**–**	107	**5**	(361)
Loss on disposal of property, plant and equipment	**–**	–	**–**	2	**–**	206	**–**	208	**–**	25	**–**	233
Equity-settled share-based payment expense	**–**	–	**–**	–	**2,856**	–	**2,856**	–	**–**	–	**2,856**	–

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(b) Geographical segments

The Group's operations are primarily located in Hong Kong. The Group's turnover from continuing operations by geographical market, irrespective of the origin of the goods, was principally derived from Hong Kong.

For the year ended 31st March 2006, turnover from the Group's discontinued operations was principally derived from Hong Kong.

The following is an analysis of the carrying amounts of assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**30,807**	28,669	**393**	661
The People's Republic of China (the "PRC")	**2,451**	–	**508**	–
	33,258	28,669	**901**	661
Unallocated corporate assets	**31,192**	23,129		
	64,450	51,798		

7. OTHER INCOME

	2007	2006
	HK$'000	HK$'000
Interest income	**622**	127
Rental income	**514**	460
Repair and maintenance income	**3,071**	2,195
Others	**467**	207
	4,674	2,989

All the above income is from continuing operations.

8. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss for the year was arrived at after charging (crediting):						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**12,140**	6,163	**–**	307	**12,140**	6,470
Retirement benefits scheme contributions	**376**	192	**–**	4	**376**	196
Equity-settled share-based payment expense (note 28)	**1,611**	–	**–**	–	**1,611**	–
Total employee benefits expenses	**14,127**	6,355	**–**	311	**14,127**	6,666
Auditors' remuneration						
– Current year	**868**	690	**–**	–	**868**	690
– Underprovision in prior years	**–**	32	**–**	20	**–**	52
Cost of inventories recognised as an expense	**25,707**	13,363	**–**	1	**25,707**	13,364
Depreciation of investment properties and property, plant and equipment	**580**	417	**–**	15	**580**	432
Loss on disposal of property, plant and equipment	**–**	208	**–**	25	**–**	233
Net exchange loss (gain)	**84**	(57)	**–**	–	**84**	(57)
Operating lease rentals in respect of rented premises	**1,468**	736	**–**	184	**1,468**	920
Release of prepaid lease payments	**219**	281	**–**	–	**219**	281
Impairment loss recognised (reversed) in respect of trade receivables	**5**	(468)	**–**	107	**5**	(361)
Equity-settled share-based payment expense in respect of options granted to other eligible participants (Note 28)	**1,245**	–	**–**	–	**1,245**	–

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on		
– bank borrowings wholly repayable within five years	160	–
– convertible note (note 24)	491	797
	651	797

All the above finance costs are from continuing operations.

10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the 8 (2006: 13) directors are as follows:

2007

	Kwok Wing Leung, Andy HK$'000	Tse Michael Nam HK$'000	Yeung Ting Lap, Derek Emory HK$'000	Luk Chung Po HK$'000	Chiu Kam Hing, Kathy HK$'000	Ho Man Kin, Tony HK$'000	Li Kar Fai, Peter HK$'000	Ma She Shing, Albert HK$'000	Total HK$'000
Fees	–	–	–	–	47	60	120	60	287
Other emoluments									
Salaries and other benefits	1,020	–	–	–	–	–	–	–	1,020
Contributions to retirement benefits schemes	12	–	–	–	–	–	–	–	12
Equity-settled share-based payment expense	410	328	205	–	–	–	–	–	943
Total emoluments	1,442	328	205	–	47	60	120	60	2,262

2006

	Wang Ling HK$'000	Luk Chung Po HK$'000	Yen Shiao Hua, Sheridan HK$'000	Li Ka Fai, David HK$'000	Tang Shun Lam HK$'000	Yung Ha Kuk, Victor HK$'000	Kwok Wing Leung, Andy HK$'000	Ma She Shing, Albert HK$'000	Wang Jing Chen HK$'000	Shum Ching Yee Jennifer HK$'000	Yeung Ting Lap, Derek Emory HK$'000	Ho Man Kin, Tony HK$'000	Li Kar Fai, Peter HK$'000	Total HK$'000
Fees	–	–	–	60	60	60	–	–	–	30	–	–	–	210
Other emoluments														
Salaries and other benefits	–	–	636	–	–	–	–	–	–	–	–	–	–	636
Contributions to retirement benefits schemes	–	–	5	–	–	–	–	–	–	–	–	–	–	5
Total emoluments	–	–	641	60	60	60	–	–	–	30	–	–	–	851

11. EMPLOYEES' REMUNERATION

(a) Employees' emoluments

During the year, the five highest paid individuals included one director (2006: one director), details of whose emoluments are set out in note 10 above.

The emoluments of the remaining four (2006: four) individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**2,136**	1,419
Bonus	**39**	59
Contributions to retirement benefits schemes	**89**	41
Equity-settled share-based payment expense	**425**	–
	2,689	1,519

The emoluments of each of the remaining four highest paid individuals are less than HK$1,000,000 for both years.

During the years ended 31st March 2007 and 2006, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st March 2007 and 2006, no director waived any emoluments.

(b) Remuneration of key management

The remunerations of key management during the year were as follows:

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**1,818**	1,194
Other long-term benefits	**52**	10
Equity-settled share-based payment expense	**1,044**	–
	2,914	1,204

The remunerations of directors and key executives were determined by the remuneration committee having regard to the performance of individuals and market trends.

12. TAXATION

	2007	2006
	HK$'000	HK$'000
Hong Kong		
– Current tax	**11**	28
– Overprovision in prior years	**(18)**	–
	(7)	28

The taxation for the year represents Hong Kong Profits Tax in respect of continuing operations. Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Pursuant to the relevant tax law and regulations in the PRC, the Group's PRC subsidiary is entitled to a reduced tax rate at 15% for its establishment in the Shanghai Wai Gao Qiao Free Trade Zone.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	HK$'000
Loss before taxation from continuing and discontinued operations	**(12,160)**	(6,701)
Tax at Hong Kong Profits Tax rate of 17.5%	**(2,128)**	(1,173)
Tax effect of expenses not deductible for tax purpose	**1,075**	610
Tax effect of income not taxable for tax purpose	**(177)**	(149)
Tax effect of tax losses not recognised	**1,609**	740
Tax effect of other deductible temporary differences not recognised	**31**	–
Utilisation of tax losses previously not recognised	**(417)**	–
Effect of different tax rate of a subsidiary operating in other jurisdictions	**18**	–
Overprovision in respect of prior years	**(18)**	–
Tax (credit) charge for the year	**(7)**	28

Details of deferred taxation are set out in note 26.

13. DISCONTINUED OPERATIONS

In March 2006, the Group discontinued the business operation of medicinal and winery products through disposal of subsidiaries.

The results of the discontinued operations for the year ended 31st March 2006 are summarised as follows:

	HK$'000
Turnover	2
Cost of sales	(1)
Administrative expenses	(875)
Loss for the year	(874)
Gain on disposal of subsidiaries (note 29)	451
Loss for the year from discontinued operations	(423)

The net assets of the discontinued operations at the date of disposal are set out in note 29.

No significant cash flows were contributed by the discontinued operations during the year ended 31st March 2006.

14. LOSS PER SHARE

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations of HK$12,161,000 (2006: loss of HK$6,306,000) and on the weighted average number of 803,383,246 (2006: 595,581,159) ordinary shares in issue during the year.

No diluted loss per share from continuing operations is presented as the exercise price of the Company's share options was higher than the average market price per share during the share options outstanding period for the year ended 31st March 2007.

From discontinued operations

For the year ended 31st March 2006, basic loss per share for the discontinued operations was 0.07 HK cents per share based on the loss for the year from the discontinued operations of approximately HK$423,000 and the denominators detailed above for continuing operations.

No diluted loss per share from discontinued operations is presented for the year ended 31st March 2006 because the potential ordinary shares were anti-dilutive for continuing operations.

15. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st April 2005	–
Transfer from properties held for sale	1,922
Transfer from property, plant and equipment	889
At 31st March 2006 and **31st March 2007**	**2,811**
DEPRECIATION	
At 1st April 2005	–
Provided for the year	37
At 31st March 2006	37
Provided for the year	**73**
At 31st March 2007	**110**
CARRYING VALUES	
At 31st March 2007	**2,701**
At 31st March 2006	2,774

The investment properties are depreciated at 2% per annum or over the term of leases, whichever is shorter.

	2007 **HK$'000**	2006 HK$'000
The Group's investment properties comprise:		
Building in Hong Kong on a medium-term lease land	**853**	877
Buildings in the PRC on a medium-term lease land	**1,848**	1,897
	2,701	2,774

The fair value of the investment properties at 31st March 2007 was HK$4,720,000 (2006: HK$4,770,000). The fair value has been arrived at based on a valuation carried out by Memfus Wong Surveyors Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties.

For the year ended 31st March 2006, 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and office equipment	Leasehold improvements	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
AT COST					
At 1st April 2005	4,161	1,820	2,221	983	9,185
Additions	–	64	381	216	661
Disposals	–	(183)	(305)	(102)	(590)
Transfer to investment properties	(1,207)	–	–	–	(1,207)
Acquisition of a subsidiary	–	50	–	–	50
At 31st March 2006	2,954	1,751	2,297	1,097	8,099
Additions	**–**	**470**	**210**	**221**	**901**
Disposals	**–**	**(4)**	**–**	**(185)**	**(189)**
At 31st March 2007	**2,954**	**2,217**	**2,507**	**1,133**	**8,811**
DEPRECIATION					
At 1st April 2005	1,154	1,649	1,994	788	5,585
Provided for the year	114	37	136	108	395
Eliminated on disposals	–	(138)	(117)	(97)	(352)
Transfer to investment properties	(318)	–	–	–	(318)
At 31st March 2006	950	1,548	2,013	799	5,310
Exchange realignment	**–**	**–**	**1**	**–**	**1**
Provided for the year	**59**	**117**	**207**	**124**	**507**
Eliminated on disposals	**–**	**(4)**	**–**	**(185)**	**(189)**
At 31st March 2007	**1,009**	**1,661**	**2,221**	**738**	**5,629**
CARRYING VALUES					
At 31st March 2007	**1,945**	**556**	**286**	**395**	**3,182**
At 31st March 2006	2,004	203	284	298	2,789

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment are depreciated as follows:

Buildings	2% or over the period of the relevant lease, if shorter
Furniture, fixtures and office equipment	15% – 30%
Leasehold improvements	33.3% or over the period of the relevant lease, if shorter
Computer equipment	25% – 33.3%

The Group's buildings are situated in Hong Kong and are held under medium-term leases.

17. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Land in Hong Kong under a medium-term lease	**6,172**	6,325
Land in the PRC under a medium-term lease	**2,402**	2,468
	8,574	8,793
Analysed for reporting purposes as:		
Non-current asset	**8,355**	8,574
Current asset	**219**	219
	8,574	8,793
Analysed for usage as:		
Leasing purpose	**5,690**	5,838
Owner-occupied	**2,884**	2,955
	8,574	8,793

18. INTANGIBLE ASSET

	Trademark HK$'000
COST AND CARRYING VALUE	
Acquisition of a subsidiary, and at 31st March 2006 and 2007	8,800

The trademark has a registered legal life of 10 years in certain countries and is renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The value in use of the intangible asset at 31st March 2007, which has been arrived at based on a valuation carried out by Castores Magi Asia Limited, independent valuers not connected with the Group, exceeded the carrying value of HK$8,800,000.

For the purposes of impairment testing, the trademark is allocated to Procare (Holdings) Company Limited ("Procare"), an individual cash generating unit ("CGU") in the health and beauty products segment.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a growth rate based on the industry growth forecasts and the CGU's past performances, and a discount rate of 19.3% per annum. The cash flows beyond the 5-year period are extrapolated using a zero growth basis. Another key assumption for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables	**7,638**	3,662
Other receivables (Note)	**4,037**	5,790
Total trade and other receivables	**11,675**	9,452

Note: Other receivables are interest-free, except for an amount of approximately HK$285,000 (2006: HK$300,000) which carries interest at prime rate (as quoted by a bank) plus 1.5% per annum. The effective interest rate was 9.68% per annum.

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:

	2007 HK$'000	2006 HK$'000
0 to 90 days	**7,292**	3,619
91 to 180 days	**278**	37
181 to 365 days	**68**	6
	7,638	3,662

20. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. The deposits carry fixed interest rate ranged from 3% to 4% per annum. These deposits have been pledged to secure bank overdrafts and general facilities and they are therefore classified as current assets.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranged from 1.25% to 4.86% (2006: 1.00% to 4.50%) per annum.

22. TRADE, BILLS AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
The aging analysis of the Group's trade payables is as follows:		
0 to 90 days	**3,878**	1,617
91 to 180 days	**206**	242
181 to 365 days	**1**	2
Over 365 days	**196**	172
	4,281	2,033
Bills payable (aged within 90 days)	**924**	–
Deposits received from customers	**3,717**	4,140
Accrued charges and other payables	**12,123**	10,371
	21,045	16,544

23. AMOUNT DUE TO A SHAREHOLDER/ULTIMATE HOLDING COMPANY

The amount represents advances from Billion Pacific Ventures Limited ("Billion Pacific"), a substantial shareholder of the Company, and is unsecured, interest-free and repayable on demand. Mr. Kwok Wing Leung, Andy, a director of the Company, has a beneficial interest in this company. Billion Pacific was a former ultimate holding company of the Company.

24. CONVERTIBLE NOTE

In October 2004, the Company issued a convertible note (the "Note") with a principal amount of HK$8,150,000. The Note bore interest at prime rate (as quoted by the Hongkong and Shanghai Banking Corporation Limited) plus 3% per annum. The principal of the Note and interest accrued thereon was due for repayment on 21st October 2006 (the "Maturity Date"). The noteholder had 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$0.50 per share following the consolidation of the Company's shares on 20th December 2004). Upon receiving a conversion notice from the noteholder, the Company can choose to settle net in cash by redeeming 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.

On the Maturity Date, the Company received no conversion notice and hence the Company fully repaid the principal of the Note and interest accrued thereon. The movement of the liability component of the convertible note for the year is set out below:

	2007	2006
	HK$'000	HK$'000
Liability component at beginning of the year	**9,267**	8,470
Interest expense (note 9)	**491**	797
Repayment of convertible note	**(8,150)**	–
Interest paid	**(1,608)**	–
Liability component at end of the year	**–**	9,267

The effective interest rate of the convertible note was 9.8%.

The fair value of the net settlement option at 31st March 2006 was deemed to be insignificant by the directors.

25. BANK OVERDRAFTS

At 31st March 2007, the bank overdrafts carried interest ranging from prime rate (as quoted by a bank) minus 2% per annum to prime rate (as quoted by a bank) plus 1% per annum. The effective interest rate ranged from 5.75% to 8.25% per annum.

	2007	2006
	HK$'000	HK$'000
Analysed as:		
Secured	**2,200**	2,435
Unsecured	**–**	916
	2,200	3,351

26. DEFERRED TAXATION

The major deferred tax liabilities (asset) recognised and movements thereon during the current and prior years are summarised below:

	Fair value of trademark	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2005	–	173	(173)	–
Acquisition of a subsidiary	845	–	–	845
Charge (credit) for the year	–	392	(392)	–
At 31st March 2006	845	565	(565)	845
Charge (credit) for the year	**–**	**40**	**(40)**	**–**
At 31st March 2007	**845**	**605**	**(605)**	**845**

At the balance sheet date, the Group had unused tax losses of approximately HK$255 million (2006: HK$249 million) available for offset against future assessable profits arising in Hong Kong. A deferred tax asset amounting to approximately HK$605,000 (2006: HK$565,000) in respect of tax loss amounting to approximately HK$3,457,000 (2006: HK$3,230,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely. The unused tax losses to the extent of approximately HK$226 million (2006: HK$223 million) has not yet been agreed by the tax authority.

At balance sheet date, the Group had deductible temporary differences of HK$133,000 (2006: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group had no other significant unprovided deferred tax liability at the balance sheet date.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Nominal value HK$'000	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each				
At 1st April 2005	1,000,000,000	100,000	544,232,517	54,423
Issue of shares (note a)	–	–	108,840,000	10,884
Shares issued for acquisition of a subsidiary (note b)	–	–	65,307,250	6,531
At 31st March 2006	1,000,000,000	100,000	718,379,767	71,838
Addition	**1,000,000,000**	**100,000**	**–**	**–**
Issue of shares (note c)	**–**	**–**	**43,530,000**	**4,353**
Issue of shares (note d)	**–**	**–**	**87,000,000**	**8,700**
At 31st March 2007	**2,000,000,000**	**200,000**	**848,909,767**	**84,891**

Notes:

(a) 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 a general working capital of the Company. 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. The shares were issued by the Company in October 2005 at the net placing price of approximately HK$0.103 per share.

(b) On acquisition by the Company of the entire equity interest in Procare, the consideration was satisfied by the issue of 65,307,250 new ordinary shares of the Company at an issue price of HK$0.161 per share on completion. Details of the acquisition are set out in note 30.

(c) In April 2006, the Company issued 43,530,000 ordinary shares of HK$0.10 each in the Company to Billion Pacific, at a price of HK$0.195 per share. The same number of the Company's ordinary shares owned by Billion Pacific were placed at a price of HK$0.195 per share to other investors. The placing price represented a discount of approximately 11.36% to the closing price of HK$0.22 per share as quoted on the Stock Exchange on 6th April 2006 (the day before the date of the share placing agreement). The proceeds are to be used for the business expansion of the Group. The transaction was completed and the placing shares were issued at the net placing price of approximately HK$0.19 per share in April 2006. These new shares were issued under the general mandate granted to the directors at the Company's annual general meeting held on 30th September 2005. These new shares ranked pari passu with the existing shares then in issue in all respects.

(d) In September 2006, the Company entered into a share placing agreement to procure Billion Pacific to subscribe for 87,000,000 shares at a price of HK$0.23 per share, representing a discount of approximately 7.26% to the closing price of HK$0.248 per share as quoted on the Stock Exchange on 27th September 2006 (the last full trading day before the date of the share placing agreement). The same number of the Company's ordinary shares owned by Billion Pacific were placed at a price of HK$0.23 per share to other investors. The proceeds are to be used for the potential acquisition of skincare and cosmetics products brands and distribution network and for general working capital. The transaction was completed and the placing shares were issued in October 2006. These shares were issued at the net placing price of approximately HK$0.226 per share under the general mandate granted to the directors at the Company's annual general meeting held on 18th September 2006. These new shares ranked pari passu with the existing shares then in issue in all respects.

28. SHARE OPTION SCHEME

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), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group 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 shares 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 options are exercisable within ten years after date of grant.

The following table discloses movements in the Company's share options during the year ended 31st March 2007:

	Number of share options							
	At 1st April 2006	Granted during the year	Exercised during the year	Cancelled during the year	At 31st March 2007	Date of grant	Exercisable period	Exercise price per share HK$
Directors	–	**12,516,320**	**–**	**–**	**12,516,320**	21st August 2006	21st August 2006 to 21st August 2016	0.210
Employees	–	**17,954,320**	**–**	**–**	**17,954,320**	21st August 2006	21st August 2007 to 21st August 2016	0.210
Consultants	–	**23,769,280**	**–**	**(2,000,000)**	**21,769,280**	21st August 2006	21st August 2006 to 21st August 2016	0.210
	–	**54,239,920**	**–**	**(2,000,000)**	**52,239,920**			
Exercisable at end of the year					**34,285,600**			
Weighted average exercise price	**–**	**HK$0.210**	**–**	**HK$0.210**	**HK$0.210**			

The closing price of the Company's shares immediately before 21st August 2006, the date of grant of options, was HK$0.20.

28. SHARE OPTION SCHEME (Continued)

During the year ended 31st March 2007, 54,239,920 options with an exercise price of HK$0.210 per share were granted on 21st August 2006. The aggregate estimated fair value of the options granted on 21st August 2006 is approximately HK$3,334,000. This fair value was calculated using The Black-Scholes Option Pricing Model. The inputs into the model are as follows:

Share price as at the date of grant	HK$0.204
Exercise price	HK$0.21
Expected volatility	64.66%
Expected life	One to two years
Risk-free rate	3.87% to 4.00%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations for each type of option holders.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate particularly for each type of option holders. The value of an option varies with different variables of certain subjective assumptions.

As the fair value of services performed by the consultants cannot be estimated reliably, the fair value is measured with reference to the fair value of share options granted using the Black-Scholes Option Pricing Model.

The Group recognised an aggregate amount of approximately HK$2,856,000 (2006: Nil) as expenses for the year in relation to the share options granted by the Company, of which approximately HK$1,611,000 (2006: Nil) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for consultants.

The following table disclose movements in the Company's share options during the year ended 31st March 2006:

	Number of share options					
	At 1st April 2005	Lapsed during the year	At 31st March 2006	Date of grant	Exercisable period	Exercise price per share HK$
Director	21,769,300	(21,769,300)	–	8th March 2005	8th March 2005 to 7th March 2015	0.196
Employee	10,884,650	(10,884,650)	–	8th March 2005	8th March 2005 to 7th March 2015	0.196
	32,653,950	(32,653,950)	–			

During the year ended 31st March 2006, the share options lapsed upon the resignation of the option holders.

29. DISPOSAL OF SUBSIDIARIES

In March 2006, the Group disposed of the business operation of medicinal and winery products through disposal of subsidiaries at a consideration of HK$1.

The net liabilities of the disposed subsidiaries at the date of disposal are as follows:

	2006 HK$'000
Inventories	267
Trade and other receivables	191
Bank balances and cash	1
Other payables	(910)
Gain on disposal (note 13)	(451)

Net cash outflow arising on disposal of subsidiaries:

Consideration received	–
Bank balances and cash disposed of	(1)
	(1)

30. ACQUISITION OF A SUBSIDIARY

In March 2006, the Group acquired the entire equity interest in Procare, which is engaged in the business segment of health and beauty products. The transaction has been accounted for by the purchase method of accounting:

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	50	–	50
Intangible asset	–	8,800	8,800
Inventories	26	–	26
Trade and other receivables	4,204	–	4,204
Taxation recoverable	112	–	112
Pledged bank deposits	2,606	–	2,606
Bank balances and cash	327	–	327
Trade, bills and other payables	(1,415)	–	(1,415)
Bank overdrafts	(3,351)	–	(3,351)
Deferred taxation	–	(845)	(845)
	2,559	7,955	10,514
Satisfied by:			
Issue of shares, at fair value			10,514
Net cash inflow of the Group:			
Bank balances and cash acquired			327

No significant turnover, results and cash flows were contributed by the subsidiary during the year ended 31st March 2006.

31. OPERATING LEASE COMMITMENTS/ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and office equipment, which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**988**	1,125
In the second to fifth year inclusive	**274**	750
	1,262	1,875

Operating lease payments represent rental payable by the Group for certain of its office premises, warehouse and office equipment. Leases for office premises, warehouse and office equipment are negotiated for an average terms of two and five years, respectively.

The Group as lessor

Property rental income earned during the year was approximately HK$514,000 (2006: HK$460,000). The relevant outgoings incurred during the year was approximately HK$69,000 (2006: HK$17,000).

At the balance sheet date, the Group had minimum lease receipts, which represent rentals receivable by the Group from its investment properties under non-cancellable operating leases, which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**225**	508
In the second to fifth year inclusive	**–**	232
	225	740

The investment properties held have committed tenants for an average term of one to three years.

32. CAPITAL COMMITMENTS

At 31st March 2007, the Group had a commitment on acquisition of a subsidiary amounting to approximately HK$15,310,000. In February 2007, Eminent Profits Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with two independent third parties, Ms. Gao Jie and Ms. Gao Shan (the "Vendors") whereby the Group conditionally agreed to acquire from the Vendors an aggregate 51% issued share capital of Speed Growth Trading (H.K.) Company Limited ("Speed Growth") and the shareholder's loan for a total consideration of approximately HK$15.31 million, which will be satisfied by (i) HK$5,300,000 in cash; and (ii) the issuance of 35,000,000 shares of the Company at the issue price of HK$0.286 per share.

The sole business and investment of Speed Growth is a 99% equity interest in Beijing Mengsisi Health Product Co., Ltd. ("Mengsisi"), which was acquired by Speed Growth in November 2006. Mengsisi is a sino-foreign contractual joint venture established under the laws of the PRC with limited liability. Mengsisi is principally engaged in the development, production and sales of skin care and personal care products. The acquisition was completed in May 2007.

33. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group participates in Mandatory Provident Fund Schemes (the "MPF Schemes") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund.

The Group contributes certain percentage of relevant payroll costs each month to the MPF Schemes.

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in PRC. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

34. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying amounts had been pledged to secure the banking facilities granted to the Group.

	2007 **HK$'000**	2006 HK$'000
Prepaid lease payments	**2,884**	2,955
Leasehold buildings	**1,945**	2,004
Bank deposits	**2,652**	2,606
	7,481	7,565

35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2007 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Ultronics Enterprise Limited	Hong Kong	11 ordinary shares of HK$0.5 each and 8,627,759 deferred shares of HK$0.5 each (Note (i))	–	100%	Trading of medical equipment and supplies
eQuality Group Limited	Hong Kong	4 ordinary shares of HK$1 each	–	100%	Trading of medical equipment and supplies
Procare (Holdings) Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	Trading of health and beauty products
Beautiway Development Limited	Hong Kong	1,000 ordinary shares of HK$1 each	–	90.1%	Trading of health and beauty products
NB Management Services Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Provision of management services
保格國際貿易（上海）有限公司 (Note (ii))	PRC	US$63,000	–	100%	Trading of health and beauty products

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(i) 100,000 deferred shares are not held by the Group. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

(ii) The company was established in the PRC as a wholly foreign owned enterprise.

36. RELATED PARTY DISCLOSURES

(i) Related party balances

Details of the Company's outstanding balances with related parties are set out in the consolidated balance sheet and in note 23.

(ii) Key management personnel

Compensation of directors and key management personnel during the year is set out in notes 10 and 11 respectively.

37. POST BALANCE SHEET EVENTS

The following significant events took place after the balance sheet date:

(i) In May 2007, the Group acquired 51% issued share capital of Speed Growth at a total consideration of HK$15.31 million. Details of the acquisition are set out in note 32.

Up to the date of approval of these consolidated financial statements, there is insufficient financial information available for the Group to identify and determine the fair values to be assigned to Speed Growth's identifiable assets acquired, liabilities and contingent liabilities assumed for the purpose of allocation of purchase consideration and estimation of goodwill.

(ii) On 1st June 2007, the Company entered into a subscription agreement with a shareholder for the subscription of 30,380,000 new shares of the Company at the subscription price of HK$0.335 per share. The subscription was completed in June 2007 and the proceeds will be used as general working capital of the Group. These new shares ranked pari passu with existing shares in all respects.

38. COMPARATIVE INFORMATION

The prior year's comparative consolidated income statement has been restated as a result of the reclassification of certain administrative expenses to selling and distribution expenses.

39. SUMMARISED BALANCE SHEET OF THE COMPANY

The summarised balance sheet of the Company as at 31st March 2007 is as follows:

	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**180**	360
Investments in subsidiaries	**31,881**	31,880
Amounts due from subsidiaries	**13,133**	2,339
Other receivables	**246**	652
Bank balances and cash	**2,773**	394
Amount due to a shareholder	**(208)**	–
Amount due to ultimate holding company	**–**	(214)
Other payables	**(1,399)**	(2,279)
Convertible note	**–**	(9,267)
Net assets	**46,606**	23,865
Share capital	**84,891**	71,838
Reserves	**(38,285)**	(47,973)
Total equity	**46,606**	23,865

Loss for the year of the Company amounted to approximately HK$8,001,000 (2006: HK$7,318,000) which has been dealt with in the consolidated income statement.

RESULTS

	For the year ended 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**41,819**	19,420	17,228	18,254	20,739
LOSS BEFORE TAXATION	**(12,160)**	(6,701)	(6,957)	(8,151)	(8,022)
TAXATION	**7**	(28)	–	–	–
LOSS FOR THE YEAR	**(12,153)**	(6,729)	(6,957)	(8,151)	(8,022)
Loss for the year attributable to:					
Equity holders of the Company	**(12,161)**	(6,729)	(6,957)	(8,151)	(8,022)
Minority interests	**8**	–	–	–	–
	(12,153)	(6,729)	(6,957)	(8,151)	(8,022)

ASSETS AND LIABILITIES

	At 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**64,450**	51,798	29,457	31,884	42,707
TOTAL LIABILITIES	**(24,308)**	(30,249)	(22,859)	(18,329)	(21,081)
SHAREHOLDERS' FUNDS	**40,142**	21,549	6,598	13,555	21,626

There is no material effect of the adoption of new accounting standards on the 2003, 2004 and 2005 amounts and therefore these amounts have not been restated.

PROPERTIES HELD BY THE GROUP

Name/Location	Type of properties	Lease term
Investment properties		
PRC		
Room 801, Kun Yang International Business Plaza, 798 Zhaojia Bang Road, Xu Hui District, Shanghai, PRC	Commercial	Medium
Room 802, Kun Yang International Business Plaza, 798 Zhaojia Bang Road, Xu Hui District, Shanghai, PRC	Commercial	Medium
Unit A, 1504, 15/F Block A, Vantone New World Plaza, 2 Fu Cheng Men Wai Street, Xi Cheng District, Beijing, PRC	Commercial	Medium
Unit A, 1505, 15/F Block A, Vantone New World Plaza, 2 Fu Cheng Men Wai Street, Xi Cheng District, Beijing, PRC	Commercial	Medium
Unit A, 1506, 15/F Block A, Vantone New World Plaza, 2 Fu Cheng Men Wai Street, Xi Cheng District, Beijing, PRC	Commercial	Medium
Unit 3, 25/F Office Block Wuhan Plaza, 358 Jie Fang Main Road, Wunhan, Hubei Province, PRC	Commercial	Medium
Hong Kong		
Workshop Unit No. 7, 6/F Harbour Centre Tower I, No. 1 Hok Cheung Street, Kowloon, Hong Kong	Commercial	Medium
Land and buildings		
Hong Kong		
Workshop Unit No. 12, 6/F Harbour Centre Tower I, No. 1 Hok Cheung Street, Kowloon, Hong Kong	Commercial	Medium