

NuBrands

NuBrands
Group
滙寶集團



Nubrand Group Holdings Limited
Interim Report 2007

Stock Code: 835

Report on Review of Interim Financial Information

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF NUBRANDS GROUP HOLDINGS LIMITED

匯寶集團控股有限公司

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 16, which comprises the condensed consolidated balance sheet of NuBrands Group Holdings Limited as of 30th September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24th December 2007

Condensed Consolidated Income Statement

For the six months ended 30th September 2007

		For the six months ended 30th September	
		2007	2006
Notes		HK\$'000 (unaudited)	HK\$'000 (unaudited)
		24,609	21,584
		(15,898)	(14,117)
Turnover	3		
Cost of sales			
		8,711	7,467
Gross profit			
		2,469	2,324
Other income			
		(5,763)	(4,704)
Selling and distribution expenses			
		(13,307)	(9,315)
Administrative expenses			
Finance costs	4	(73)	(558)
Loss for the period	6	(7,963)	(4,786)
Attributable to:			
Equity holders of the Company		(7,955)	(4,786)
Minority interests		(8)	–
		(7,963)	(4,786)
		HK cents	HK cents
Basic loss per share	7	(0.90)	(0.63)

The directors do not recommend the payment of an interim dividend for the period (2006: Nil).

Condensed Consolidated Balance Sheet

At 30th September 2007

Notes	30th September 2007 HK\$'000 (unaudited)	31st March 2007 HK\$'000 (audited)
ASSETS AND LIABILITIES		
Non-current assets		
	2,664	2,701
	3,816	3,182
	8,246	8,355
	8,800	8,800
	23,526	23,038
Current assets		
	7,163	8,110
	219	219
8	17,888	11,675
	3	5
	4,429	2,652
	16,319	18,751
	46,021	41,412
Current liabilities		
9	19,320	21,045
10	208	208
	10	10
	111	–
	1,129	2,200
	20,778	23,463
Net current assets		
	25,243	17,949
Total assets less current liabilities		
	48,769	40,987
Non-current liabilities		
	845	845
	143	–
	988	845
NET ASSETS		
	47,781	40,142
CAPITAL AND RESERVES		
11	90,323	84,891
	(42,542)	(44,757)
	47,781	40,134
	–	8
	47,781	40,142

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2007

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1st April 2006 (audited)	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 for the period	-	-	-	-	(4,786)	(4,786)	-	(4,786)
Total recognised income and expense for the period	-	-	-	4	(4,786)	(4,782)	-	(4,782)
Equity settled share-based transactions	-	-	2,283	-	-	2,283	-	2,283
Issue of shares for cash	4,353	4,135	-	-	-	8,488	-	8,488
Share issue expenses	-	(234)	-	-	-	(234)	-	(234)
At 30th September 2006 (unaudited)	76,191	40,070	2,283	4	(91,244)	27,304	-	27,304
At 1st April 2007 (audited)	84,891	51,002	2,751	4	(98,514)	40,134	8	40,142
Exchange differences on translating foreign operation and total expense recognised directly in equity	-	-	-	(17)	-	(17)	-	(17)
Loss for the period	-	-	-	-	(7,955)	(7,955)	(8)	(7,963)
Total recognised income and expense for the period	-	-	-	(17)	(7,955)	(7,972)	(8)	(7,980)
Equity settled share-based transactions	-	-	478	-	-	478	-	478
Issue of ordinary shares upon exercise of share options	2,394	4,181	(1,547)	-	-	5,028	-	5,028
Issue of shares for cash	3,038	7,139	-	-	-	10,177	-	10,177
Share issue expenses	-	(64)	-	-	-	(64)	-	(64)
At 30th September 2007 (unaudited)	90,323	62,258	1,682	(13)	(106,469)	47,781	-	47,781



Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2007

	For the six months ended 30th September	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash used in operating activities	(10,489)	(4,330)
Net cash used in investing activities	(5,922)	(206)
Financing activities		
Net proceeds from issue of shares	15,141	8,254
Other financing cashflows	(1,170)	(491)
Net cash from financing activities	13,971	7,763
Net (decrease) increase in cash and cash equivalents	(2,440)	3,227
Cash and cash equivalents at 1st April	18,751	9,212
Effect of foreign exchange rate changes	8	–
Cash and cash equivalents at 30th September, represented by bank balances and cash	16,319	12,439

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2007.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st April 2007. The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangements ²
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st January 2009

² Effective for annual periods beginning on or after 1st January 2008

³ Effective for annual periods beginning on or after 1st July 2008

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

3. SEGMENT INFORMATION

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 accordance with the Group's internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format. There are no sales or other transactions between the business segments. Analysis of the Group's unaudited results by major business segments is as follows:

	Health and beauty products		Medical equipment		Consolidated	
	For the six months ended 30th September		For the six months ended 30th September		For the six months ended 30th September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	8,404	6,136	16,205	15,448	24,609	21,584
Segment results	(2,795)	(799)	1,980	1,271	(815)	472
Unallocated corporate income					542	587
Unallocated corporate expenses					(7,617)	(5,287)
Finance costs					(73)	(558)
Loss for the period					(7,963)	(4,786)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

4. FINANCE COSTS

	For the six months ended 30th September	
	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank overdrafts	70	118
Obligations under finance leases	3	–
Convertible note	–	440
	73	558

5. TAXATION

Pursuant to the relevant tax law and regulations in The People's Republic of China ("the PRC"), the Group's PRC subsidiary is entitled to a reduced tax rate at 15% for its establishment in the Shanghai Wai Gao Free Trade Zone.

No tax is payable on the profit for both periods arising in Hong Kong and the PRC since the assessable profit is wholly absorbed by tax losses brought forward.

No deferred tax asset in respect of tax losses has been recognised due to the unpredictability of future profit streams.

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

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting) the following items:

	For the six months ended 30th September	
	2007 HK\$'000	2006 HK\$'000
Interest income	(385)	(299)
Directors' remuneration	606	1,595
Depreciation and amortisation	563	361



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to the equity holders of the Company of approximately HK\$7,955,000 (2006: HK\$4,786,000) and on the weighted average number of 886,114,584 (2006: 760,482,554) ordinary shares in issue during the period.

No diluted loss per share is presented as the effect of share options is anti-dilutive.

8. TRADE AND OTHER RECEIVABLES

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

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Trade receivables:		
0 to 90 days	7,824	7,292
91 to 180 days	643	278
Over 180 days	2,200	68
	10,667	7,638
Other receivables (Note)	7,221	4,037
	17,888	11,675

Note: The amount includes a HK\$3.3 million investment cost paid on the acquisition of 51% of the issued share capital of Speed Growth Trading (H.K.) Company Limited ("Speed Growth") and the related shareholder's loan. The sole business and investment of Speed Growth is a 99% equity interest in Beijing Mengsisi Health Products Co., Ltd. ("Mengsisi"), an unlisted sino-foreign contractual joint venture established under the laws of the People's Republic of China with limited liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

As set out in the circular of the Company dated 19th March 2007 (the “Circular”) and the announcements dated 1st March 2007 and 15th August 2007 (the “Announcements”), and pursuant to the sales and purchase agreement dated 23rd February 2007 entered into with the vendors (the “Agreement”), the consideration for the acquisition is to be settled by the payment of HK\$5.3 million in cash, out of which HK\$3.3 million shall be payable to the vendors on completion date and the balance of HK\$2 million shall be payable to the vendors within two business days after a supplemental agreement (the “Supplemental Agreement”) becomes effective; and the issue of 35 million consideration shares in the Company to the vendors also within two business days after the Supplemental Agreement becomes effective. The Supplemental Agreement is to amend, among other things, the profit and loss sharing ratios among the joint venture partners.

The acquisition was completed in May 2007 and the Group paid HK\$3.3 million cash to the vendors accordingly. As set out in the Circular and Announcements, and pursuant to the terms of the Agreement, the signing and government approval of the Supplemental Agreement should be completed no later than 90 days after the completion.

As set out in the announcement of the Company dated 19th December 2007, the vendors still failed to procure the signing and the approval of the Supplemental Agreement from the joint venture partner as the parties could not reach a consensus as to the terms and conditions of the Supplemental Agreement. The directors considered that it was highly unlikely that the vendors would procure the same in the near future and it would therefore be in the interests of the shareholders to rescind the Agreement. The Company served a letter of rescission on the vendors on 19th December 2007 demanding the vendors to return the consideration paid by the Company in the sum of HK\$3.3 million and provide the Company with an undertaking to compensate the Company against all costs and losses incurred as a result of the vendors’ breach of contract within 7 days from the date of the letter, in return for the transfer of 51% shareholding interest in Speed Growth from the Company back to the vendors.

The eventual outcome of this matter cannot be determined with certainty at this stage. However, the directors of the Company, after considering legal advices, are confident that the Company will be able to recover the amount of HK\$3.3 million paid to the vendors and does not have to pay any of the balance of HK\$2 million cash consideration or issue any of the consideration shares as mentioned above.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

9. TRADE, BILLS AND OTHER PAYABLES

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
The aging analysis of the Group's trade payables is as follows:		
0 to 90 days	4,801	3,878
91 to 180 days	328	206
181 to 365 days	379	1
Over 365 days	196	196
	5,704	4,281
Bills payable (aged within 90 days)	–	924
Deposits received from customers	846	3,717
Accrued charges and other payables	12,770	12,123
	19,320	21,045

10. AMOUNT DUE TO A SHAREHOLDER

The amount represents advances from Billion Pacific Ventures Limited, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

11. SHARE CAPITAL

During the six months ended 30th September 2007, the following changes in the share capital of the Company took place:

- (a) On 1st June 2007, the Company entered into a subscription agreement with a substantial 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 price represents a discount of approximately 2.90% to the closing price of HK\$0.345 per share as quoted on the Stock Exchange on 30th May 2007 (the last trading day before the date of the subscription agreement). The subscription was completed in June 2007 and the proceeds were used as general working capital of the Group. These new shares ranked pari passu with existing shares in all respects.
- (b) 23,944,960 share options in aggregate were exercised by the option holders to subscribe for 23,944,960 ordinary shares of the Company at an aggregate consideration of HK\$5,028,000.

12. SHARE-BASED PAYMENT TRANSACTIONS

At the annual general meeting held on 28th September 2007, an ordinary resolution was passed to:

- (i) terminate the share option scheme adopted by the Company pursuant to a resolution passed on 26th August 2003 (the "Old Scheme"); and
- (ii) adopt a new share option scheme ("New Share Option Scheme").

Upon the termination of the Old Scheme, no further options will be granted thereunder, but the options granted prior to the termination continue to be valid and exercisable in accordance with provisions of the Old Scheme.

Under the Old 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 shares of HK\$0.1 each 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 the offer of option. The options granted under the Old Scheme are exercisable within ten years after the date of grant.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

Under the New Share Option Scheme, the directors of the Company may invite any director (including executive director, non-executive director and independent non-executive director), employees of the Group and any suppliers of goods or services to the Group to take up options to subscribe for shares of HK\$0.1 each 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 the offer of option. The New Share Option Scheme shall be valid and effective for the period of 10 years commencing from the adoption date.

The following table discloses movements in the number of share options outstanding under the Old Scheme during the period ended 30th September 2007:

	Number of share options			Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st April 2007	Exercised during the period 30th September	At 2007			
Directors	12,516,320	(12,516,320)	-	21st August 2006	21st August 2006 to 21st August 2016	0.210
Employees	17,954,320	(544,000)	17,410,320	21st August 2006	21st August 2007 to 21st August 2016	0.210
Consultants	21,769,280	(10,884,640)	10,884,640	21st August 2006	21st August 2006 to 21st August 2016	0.210
	<u>52,239,920</u>	<u>(23,944,960)</u>	<u>28,294,960</u>			
Exercisable at end of the period			<u>28,294,960</u>			
Weighted average exercise price	<u>HK\$0.210</u>	<u>HK\$0.210</u>	<u>HK\$0.210</u>			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

Details of share options granted under the Old Scheme and exercised during the period are as follows:

	Number exercised	Exercise date	Weighted average closing price immediately before exercise date <i>HK\$</i>
Consultant	5,442,320	16th April 2007	0.234
Consultant	5,442,320	18th April 2007	0.246
Director	2,720,000	19th April 2007	0.253
Director	4,354,000	2nd May 2007	0.280
Director	5,442,320	21st May 2007	0.291
Employees	544,000	29th August 2007	0.319
	<u>23,944,960</u>		

The Group recognised total expenses of approximately HK\$478,000 (2006: HK\$2,283,000) for the period in relation to the share options granted by the Company during the year ended 31st March 2007.

No options were granted under the New Share Option Scheme during the period.

13. PLEDGE OF ASSETS

As at 30th September 2007, certain assets of the Group with the following carrying amounts had been pledged to secure the banking facilities granted to the Group:

	30th September 2007 <i>HK\$'000</i>	31st March 2007 <i>HK\$'000</i>
Prepaid lease payments	2,849	2,884
Buildings	1,915	1,945
Bank deposits	4,429	2,652
	<u>9,193</u>	7,481



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2007

14. COMPENSATIONS TO MANAGEMENT PERSONNEL

The compensations to key management personnel in respect of the period are as follows:

	For the six months ended 30th September	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Salaries and other short-term benefits	2,040	876
Share-based payment expense	72	752
Retirement benefit scheme contributions	43	25
	2,155	1,653

Management Discussion and Analysis

OPERATING RESULTS

During the period, the Group continued to expand its medical equipment trading and servicing business in Hong Kong, its personal care and beauty products OEM business, as well as the production and distribution business of its skincare brands in Hong Kong and PRC. The Group's unaudited consolidated turnover for the six months ended 30th September 2007 was HK\$24,609,000, representing a growth of 14% from HK\$21,584,000 in the corresponding period last year. Loss attributable to equity holders of the Company for the period under review amounted to HK\$7,955,000, an increase of 66% from HK\$4,786,000 in the corresponding period in 2006.

BUSINESS REVIEW

During the period under review, turnover of the medical equipment segment amounted to HK\$16,205,000, an increase of 5% over the corresponding period in previous year. This increase was due to the soaring demand for medical equipment mainly from the private healthcare providers in Hong Kong.

Turnover of the health and beauty products segment for the period under review amounted to HK\$8,404,000, representing an increase of 37% over the corresponding period in previous year. Sales from the Group's OEM and ODM business has increased from HK\$3,109,000 in the previous period to HK\$5,067,000 in current period, representing a 63% increase, while sales from the Group's own skincare brand and brand management business has increased from HK\$3,027,000 in previous year to HK\$3,337,000 in the current period, representing an increment of 10%. Such substantial increase was largely due to the improvement in domestic economic conditions, resulting in an overall increase in demand for quality beauty and personal care products from our OEM customers as well as our own brands' retail customers.

The overall gross profit margin of the Group has improved from 34.6% in the first half of last financial year to 35.4% during the corresponding period this year, as a result of the higher gross profit margin generated by the medical equipment segment due to a change of sales mix. The Group's strategic decision to revamp LaVie's brand image and packaging design in early 2007 has resulted in a 10% decline in gross profit margin for the health and beauty products market segment in current period as compared to the same period last year. Nonetheless, management strongly believes that this lower profit margin will only be temporary and profit as well as profit margin will increase once the brand repositioning is completed in late 2007 and the sales volume picks up as we enter the annual peak selling period in the winter and spring seasons.

Management Discussion and Analysis

Higher loss per share was recorded for the period ended 30th September 2007 as compared to the corresponding period last year. Loss for the period attributable to equity holders of the Company increased from HK\$4,786,000 in 2006 to HK\$7,955,000 in the same period this year largely attributable to the increase in staff salaries and remuneration expense for the period. Such significant increase in staff related expenses was in line with the Group's strategic decision to build a strong sales network and a competent sales team in the PRC before the start of the peak selling season for skincare and cosmetic products which usually begins in late Autumn of every year until the end of Spring of the following year. A comprehensive sales system and a strong sales team will provide a solid foundation for the Group to continuously expand its health and beauty business in the PRC and to enhance its long term shareholders value. The Group has successfully setup regional sales offices in Guangzhou, Beijing and Shanghai to oversee selling and logistic activities in Southern, Northern, and Eastern China respectively. Leveraging on our extensive PRC sales network, Management believes that sales turnover will increase and the overall loss will diminish in the second half of the financial year.

PROSPECTS AND OUTLOOK

The Group remains positive about the macro-economic environment for the coming six months, with both Hong Kong and the Mainland China currently benefiting from strong growth in the health and beauty sectors. Expansion for the Group will continue in Mainland China and Hong Kong with plans to increase the geographic coverage of its OEM business to overseas. The Group is currently engaged in negotiations with numerous international personal care and beauty chains to provide private brands of personal care and beauty products. The Group is optimistic about the sales growth in the second half of the financial year with the launch of new campaigns to revamp our flagship "LaVie" skincare brand in Hong Kong and Mainland China as the timing will be opportune to the seasonal factor of the beauty industry to generate a significant proportion of the annual turnover during the winter months.

The Group will continue to leverage on its distribution network, localize sales experience and industry expertise to position and build the Group to become a leading health and beauty brand management and distribution company in Greater China.

Management Discussion and Analysis

The Group will continue to look for strategic acquisitions and partnership opportunities which are in line with the Group's expansion strategy or provide synergy to its principal business activities. The Group will also consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

FINANCIAL REVIEW

Liquidity and Financial Position

As at 30th September 2007, the Group's cash and bank balances were HK\$20,748,000 (31st March 2007: HK\$21,403,000) while the total borrowings were HK\$1,591,000 (31st March 2007: HK\$2,408,000). The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to shareholders of the Company, is therefore not presented as the Group has a net cash position as at 30th September 2007.

Based on the Group's existing cash balances and banking facilities, the Group has adequate financial resources to fund its operational requirements.

Charges on Group Assets

As at 30th September 2007, prepaid lease payments and building and bank deposits with respective carrying value of HK\$4,764,000 and HK\$4,429,000 were pledged to secure the Group's banking facilities. As at 30th September 2007, banking facilities of HK\$1,129,000 were utilised.

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 Group did not engage in the use of derivative products during the period 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.

Management Discussion and Analysis

Capital Commitment

As at 30th September 2007, the Group had no significant capital commitment.

Contingent Liabilities

As at 30th September 2007, the Group had no significant contingent liabilities.

HUMAN RESOURCES

As at 30th September 2007, the Group had a total of 69 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

Other Information

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

As at 30th September 2007, the interests of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, were as follows:

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

Name of director	Number of shares/underlying shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Kwok Wing Leung Andy	6,542,320	401,533,775 (Note 1)	408,076,095	45.18
Tse Michael Nam	1,775,596	–	1,775,596	0.20
Yeung Ting Lap, Derek Emory	500,000	–	500,000	0.06

Note:

1. 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.

Save as disclosed above, none of the directors nor chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th September 2007, which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO

Save as disclosed in the section “Directors’ and Chief Executives’ Interest and Short Positions in Shares, Underlying Shares and Debentures”, as at 30th September 2007, the following corporation, other than a director or chief executive of the Company, had the following 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 under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of shares held	% of the issued share capital
Galaxy China Opportunity Fund	Beneficial Owner	108,500,000	12.01

Other Information

SHARE OPTION SCHEME

Details of the outstanding options under the share option scheme of the Company during the six months ended 30th September 2007 are as follows:

Grantee	Date of Grant	Exercise period	Number of share options					
			Exercise price per share HK\$	Balance at 01/04/2007	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30/09/2007
Kwok Wing Leung, Andy <i>Director</i>	21/08/2006	21/8/2006 to 21/8/2016	0.21	5,442,320	-	5,442,320	-	-
Tse Michael Nam <i>Director</i>	21/08/2006	21/8/2006 to 21/8/2016	0.21	4,354,000	-	4,354,000	-	-
Yeung Ting Lap, Derek Emory <i>Director</i>	21/08/2006	21/8/2006 to 21/8/2016	0.21	2,720,000	-	2,720,000	-	-
Consultants	21/08/2006	21/8/2006 to 21/8/2016	0.21	21,769,280	-	10,884,640	-	10,884,640
Employees	21/08/2006	21/8/2007 to 21/8/2016	0.21	17,954,320	-	544,000	-	17,410,320

Save as disclosed above, no other options were outstanding, granted, exercised, cancelled or lapsed under the Scheme at any time during the period.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There have been no purchases, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period under review.

Other Information

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 30th September 2007, met the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules save and except the deviation 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.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors have fully complied with the Model Code throughout the financial period ended 30th September 2007.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company 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.

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 of the market practice, competitive market position and individual performance.

Other Information

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.

The primarily duties are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30th September 2007 with the management. At the request of the Board, Deloitte Touche Tohmatsu, the Company’s auditors, has carried out a review of the unaudited interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The report on review of interim financial information from the auditors is set out in this interim report.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE

The Company’s 2007 interim report containing all the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

On behalf of the Board
Nubrand Group Holdings Limited
Kwok Wing Leung, Andy
Chairman

Hong Kong, 24th December 2007

Corporate Information

DIRECTORS

Executive Directors

Kwok Wing Leung, Andy
Tse Michael Nam

Non-executive Director

Yeung Ting Lap, Derek Emory

Independent Non-executive Directors

Chiu Kam Hing, Kathy
Ho Man Kin, Tony
Li Kar Fai, Peter

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

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

WEBSITE ADDRESS

<http://www.nubrandsgroup.com>

SHARE LISTING

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