香港藥業

HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

香港藥業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 182)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the "Board") of Hong Kong Pharmaceutical Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007, together with the comparative figures for 2006. The consolidated results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
Revenue	*4*	**58,416**	49,323
Cost of revenue		**(37,352)**	(30,333)
Gross profit		**21,064**	18,990
Selling and distribution costs		**(19,432)**	(15,768)
Administrative expenses		**(12,441)**	(5,663)
Other income		**1,067**	765
Other gains, net	*5*	**44,693**	16,992
Operating profit		**34,951**	15,316
Finance costs	*6*	**(1,353)**	(5,903)
Profit before income tax	*5*	**33,598**	9,413
Income tax expense	*7*	**—**	—
Profit for the year		**33,598**	9,413
Attributable to:			
Equity holders of the Company	*10*	**33,598**	9,413
		33,598	9,413
Earnings per share for profit attributable to the equity holders of the Company during the year			
— basic	*11*	**2.67 cents**	0.67 cents
— diluted	*11*	**2.24 cents**	0.67 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**1,880**	716
Investment property		**—**	835
		1,880	1,551
Current assets			
Inventories		**9,124**	5,810
Trade receivables, net	*13*	**2,030**	368
Prepayments, deposits and other receivables		**3,518**	22,695
Financial assets at fair value through profit or loss		**3,124**	—
Cash and cash equivalents		**22,669**	751
		40,465	29,624
Current liabilities			
Trade payables	*14*	**8,109**	9,771
Tax payable		**—**	651
Other payables and accruals		**5,376**	55,714
Borrowings		**—**	42,401
Provision for long service payments		**96**	88
		13,581	108,625
Net current assets/(liabilities)		**26,884**	(79,001)
Total assets less current liabilities		**28,764**	(77,450)
Non-current liabilities			
Convertible preference shares		**10,790**	—
Provision for long service payments		**511**	308
		11,301	308
Net assets/(liabilities)		**17,463**	(77,758)
Capital and reserves attributable to the Company's equity holders			
Share capital		**9,503**	140,379
Reserves		**7,960**	(218,137)
Total equity/(deficit)		**17,463**	(77,758)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

Hong Kong Pharmaceutical Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda.

During the year, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

- Wholesale and retail of Chinese and other medicines, health products and dried seafood products
- Provision of Chinese clinical services
- Treasury and securities investments

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

(i) Amendments to published standards and interpretation effective in 2006

The following amendments to published standards and interpretation are mandatory for financial year ended 31 March 2007. The Group adopted those which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The amendments to published standards and interpretation above do not have material impacts to the Group.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2007 but the Group has not early adopted.

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new standards and new interpretations would have a significant impact on the Group's results of operations and financial position.

3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the sum yung and pharmaceutical products segment sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers;

(b) the others segment comprises the provision of Chinese clinical services, property investment and the trading of marketable securities.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at cost or with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents revenue, profit/ (loss) and certain assets, liabilities and expenditures information for the Group's business segments.

2007	Sum yung and pharmaceutical products *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	**58,147**	**269**	**—**	**58,416**
Intersegment sales	**325**	**—**	**(325)**	**—**
Total revenue	**58,472**	**269**	**(325)**	**58,416**
Segment results	**(1,334)**	**(1,075)**		**(2,409)**
Interest income				**1,018**
Gain on restructuring *(Note 9)*				**44,830**
Unallocated corporate expenses				**(8,488)**
Operating profit				**34,951**
Finance costs				**(1,353)**
Profit before income tax				**33,598**
Income tax expense				**—**
Profit for the year				**33,598**
Segment assets	**38,526**	**3,456**		**41,982**
Unallocated assets				**363**
Total assets				**42,345**
Segment liabilities	**11,824**	**372**		**12,196**
Unallocated liabilities				**12,686**
Total liabilities				**24,882**
Other segment information:				
Capital expenditures	**1,862**	**5**		
Depreciation	**696**	**1**		
Significant non-cash expenses (excluding depreciation)	**21**	**47**		

2006	Sum yung and pharmaceutical products *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	48,978	345	—	49,323
Intersegment sales	274	—	(274)	—
Total revenue	49,252	345	(274)	49,323
Segment results	824	(945)		(121)
Interest income				708
Gain on disposal of subsidiaries *(Note 8)*				17,589
Unallocated corporate expenses				(2,860)
Operating profit				15,316
Finance costs				(5,903)
Profit before income tax				9,413
Income tax expense				—
Profit for the year				9,413
Segment assets	9,787	1,245		11,032
Unallocated assets				20,143
Total assets				31,175
Segment liabilities	6,575	401		6,976
Unallocated liabilities				101,957
Total liabilities				108,933
Other segment information:				
Capital expenditures	643	—		
Depreciation	512	23		
Significant non-cash expenses (excluding depreciation)	144	123		

(b) Geographical segments

The following table presents revenue and certain assets and expenditures information for the Group's geographical segments.

2007	**Hong Kong** *HK$'000*	**The PRC** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:				
Sales to external customers	**58,369**	**—**	**—**	**58,369**
Rental income from investment property *(Note)*	**—**	**47**	**—**	**47**
Other segment information:				
Segment assets	**41,982**	**—**	**—**	**41,982**
Capital expenditures	**1,867**	**—**	**—**	**1,867**

2006	Hong Kong *HK$'000*	The PRC *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	49,200	—	—	49,200
Rental income from investment property *(Note)*	—	123	—	123
Other segment information:				
Segment assets	10,194	838	—	11,032
Capital expenditures	646	—	—	646

Note: The investment property was disposed of during the year as part of the Restructuring.

4. Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from disposed investment properties during the year.

An analysis of revenue and other income is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of sum yung and pharmaceutical products	**58,147**	48,978
Rental income	**47**	123
Service income from provision of Chinese clinical services	**222**	222
	58,416	49,323
Other income		
Interest income	**1,018**	708
Others	**49**	57
	1,067	765

5. Profit before taxation

Profit before taxation is after crediting and charging the following:

Other gains, net

An analysis of other gains, net is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries *(Note 8)*	**—**	17,589
Gain on restructuring, net *(Note 9)*	**44,830**	—
Loss on disposal of property, plant and equipment	**(1)**	(10)
Provision for impairment of:		
— Trade receivables	**(87)**	(24)
— Other receivables	**(47)**	(229)
— Amount due from former intermediate holding company	**—**	(708)
Reversal of provision for impairment of amount due from former intermediate holding company	**—**	374
Others	**(2)**	—
	44,693	16,992

Expenses by nature

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**36,986**	29,989
Cost of services provided	**366**	344
Employee benefit expense, excluding directors emoluments	**10,119**	8,688
Depreciation	**700**	543
Operating lease payments in respect of land and buildings	**10,672**	5,604
Liquidation expenses	**1,434**	297
Auditors' remuneration	**738**	286
Exchange losses, net	**20**	7
Others	**8,190**	6,006
	69,225	51,764

6. Finance costs

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**1,030**	5,898
Interest on convertible preference shares	**322**	—
Interest on finance leases	**1**	5
	1,353	5,903

7. Income tax expense

No Hong Kong profits tax and overseas taxation has been provided as the Group had sufficient tax losses brought forward to set off against the assessable profits for the year (2006: Nil).

8. Disposal of subsidiaries

Two of the Group's subsidiaries, Guizhou Ensure Chain Pharmacy Company Limited and Guizhou Ensure Medical Company Limited (collectively the "Ensure subsidiaries") which were held via Joinbest Investment Limited ("Joinbest"), were deconsolidated as of 31 March 2004.

On 14 June 2005, the provisional liquidators agreed to dispose of the Group's 100% equity interest in Joinbest to the minority shareholders of the Ensure subsidiaries and completion for the disposal was on 5 October 2005, realising a gain of approximately HK$4 million. Consideration for the disposal consisting of cash in the amount of HK$3,000,000 and cancellation of the Company's convertible notes in the amount of HK$12,254,000 was received in October 2005 following sanction of the disposal by the High Court.

One of the Group's subsidiaries. Shanghai Hua Xin Biotechnology Inc. ("Hua Xin") was a Sino-foreign co-operative joint venture company established in Mainland China and acquired by the Group in 2001, with an operating period of 45 years commencing from 19 January 1993, was deconsolidiated as of 30 November 2004.

Pursuant to an agreement dated on 15 November 2005, which was completed on 8 February 2006, the Provisional Liquidators sold the Group's 67% equity interest in Hua Xin for consideration of HK$15 million realising a gain on disposal of approximately HK$13.6 million.

9. Gain on restructuring

On 13 October 2004, the High Court of Hong Kong appointed Mr. Cosimo Borrelli and Mr. Kelvin Flynn as joint and several provisional liquidators ("Provisional Liquidators") to, inter alia, exercise the powers of the board of the Company, to take into their custody and protect the assets of the Company and carry on and stabilise the operations of the Company and its subsidiaries, including facilitating a debt and capital restructuring ("Restructuring") of the Company. The Restructuring of the Company was completed on 6 December 2006 ("Completion").

Upon the Completion, the following gains/ (losses) were resulted from the Restructuring:

	Group
	2007
	HK$'000
Net gain from transfer of financial assets and extinguishment of financial liabilities *(Note i)*	**44,574**
Gain on disposal of subsidiaries *(Note ii)*	**35,469**
Restructuring costs	**(35,213)**
	44,830

Notes:

(i) As part of the Restructuring, all the claims by the creditors admitted by the Restructuring ("Scheme Creditors") against the Company were discharged and waived by way of schemes of arrangements under section 166 of the Hong Kong Companies Ordinance and section 99 of the Bermuda Companies Act ("Schemes"). The Schemes for the Scheme Creditors were sanctioned by the Orders of the Supreme Court of Bermuda and the High court of Hong Kong on 3 November 2006 and 21 November 2006 respectively.

Pursuant to Clause 6.1(d) of the restructuring agreement, dated 7 September 2005, on the date of completion of the restructuring the Company assigns and transfers all its rights, title and interest to or in any of the receivables together with any balance of the investor's injected funds and proceeds from realisation of assets being kept in escrow by the Provisional Liquidators will be transferred to the trustee of the Schemes for the settlement and discharge of claims against the Company by the creditors in accordance with the terms of the Schemes. Upon the Completion of the Restructuring, all liabilities at the date of appointment of the provisional liquidators of the Company ("pre-existing creditors") were compromised and discharged through the Schemes and/or by specific agreement. The excess of the amount of liabilities over the amount of assets transferred to the Schemes was recognised as gain arising on restructuring in the consolidated income statement.

(ii) Integral to the Restructuring was the disposal of subsidiaries that were non-strategic to the future development of the Group. The gain from disposal of the subsidiaries was recognised in the consolidated income statement for the year.

10. (Loss)/profit attributable to equity holders of the company

The loss attributable to equity holders of the Company for the year ended 31 March 2007 dealt with in the financial statements of the Company is approximately HK$333,000 (2006: profit of HK$9,822,000).

11. Earnings per share

(a) Basic

The calculation of earning per share is based on the profit attributable to the equity holders of HK$33,598,000 (2006: HK$9,413,000) and the weighted average of 1,259,697,000 shares (2006: 1,403,797,000 shares) in issue during the year.

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preference shares and share options. The convertible preference shares are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect.

However, the conversion of all potential ordinary shares arising from share options would have an anti-dilutive effect on the earnings per share for the years ended 31 March 2007 and 2006.

There were no potential ordinary shares from convertible note as 31 March 2006.

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**33,598**	9,413
Interest expenses on convertible preference shares, net of tax	**266**	—
Profit used to determine diluted earnings per share	**33,864**	9,413
Weighted average number of ordinary shares in issue (thousands)	**1,259,697**	1,403,797
Adjustment for		
— assumed conversion of convertible preference shares (thousands)	**254,247**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,513,944**	1,403,797
Diluted earnings per share	**2.24 cents**	0.67 cents

12. Dividends

The directors do not recommend payment of any dividend for the year ended 31 March 2007 (2006: Nil).

13. Trade receivables, net

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**2,304**	15,172
Less: provision for impairment of receivables	**(274)**	(14,804)
Trade receivables — net	**2,030**	368

The Group's credit terms granted to customers of Chinese and other medicines, health products and dried seafood products range between 30 and 90 days. The credit terms granted to customers of pharmaceutical products range between 60 and 180 days.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**1,909**	325
4 to 6 months	**100**	23
7 to 12 months	**—**	—
13 to 24 months	**1**	—
Over 24 months	**20**	20
	2,030	368

The carry amounts of trade receivables are approximate their fair value and are denominated in Hong Kong dollars.

14. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**6,967**	2,924
4 to 6 months	**927**	420
7 to 12 months	**28**	6
13 to 24 months	**1**	—
Over 24 months	**186**	6,421
	8,109	9,771

The carrying amount of trade payable are approximate their fair value and are denominated in Hong Kong dollars.

15. Events after the balance sheet date

(1) On 29 April 2007, the Company entered into a conditional Sale and Purchase Agreement ("the S&P Agreement") with China Wind Power Investment Limited ("Vendor") under which the Company agreed to acquire the entire issued share capital of China Wind Power Holdings Limited ("China Wind Power"), a limited liability company incorporated in the British Virgin Islands. The minimum consideration for the acquisition is HK$100,000,000 and the maximum consideration is HK$200,000,000 depending on the audited net consolidated profit of the China Wind Power and its subsidiaries for the year ended 31 March 2008 or the year immediately following the completion of the S&P Agreement. The consideration will be settled by the issue of the convertible notes. Details of the transactions were disclosed in the Company's announcement dated 21 May 2007.

On 6 June 2007, Century Concord Energy Limited, a subsidiary of China Wind Power and Shanghai Shenhua entered into agreements to form a jointly control entity ("JV") with registered share capital of RMB136 million. Each of Century Concord Energy and Shanghai Shenhua will hold a 50% equity interest in the JV and contribute RMB68 million to the registered capital of JV in cash. Details of the transactions are disclosed in the Company's announcement dated 25 May 2007.

(2) Pursuant to the Placing agreement entered on 22 May 2007, the placing agent placed 800,000,000 existing shares held by Gain Alpha Finance Limited ("Gain Alpha") at the placing price of HK$0.5 per share, and pursuant to a separate subscription agreement. Gain Alpha has subscribed for the same number of shares at the subscription price of HK$0.5 per share ("Subscription"), subject to independent shareholders' approval. The net proceed of the Subscription is approximately HK$387 million. Details of the transactions were disclosed in the Company's announcement dated 23 May 2007.

EXTRACT OF AUDITORS' REPORT

Basis for disclaimer of opinion

The evidence available to the auditors was limited due to the following reasons:

i. The auditors were appointed on 16 April 2007 and accordingly they were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories of HK$5,810,000 stated in the consolidated balance sheet as at 1 April 2006. There were no other satisfactory audit procedures that they could adopt to obtain sufficient evidence regarding the existence of inventories as at 1 April 2006.

ii. The auditors have not been provided with details of the estimated unprovided restructuring expenses as at 31 March 2006. Accordingly, they are unable to satisfy themselves that the provision for restructuring costs as at 1 April 2006 and the restructuring costs recorded for the year ended 31 March 2007 are free from material misstatement.

iii. A convertible bond was issued by the Company to a bank in April 2000 and such convertible bond was subsequently settled and discharged on 6 December 2006. This convertible bond was accounted for as borrowings in the consolidated and Company balance sheets as at 31 March 2006. This accounting treatment was not in accordance with HKAS 32 — Financial Instruments: Disclosure and Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement as the equity and liability elements of the convertible bond were not separated and the liability element was not accounted for at amortised costs as at 31 March 2006. As a result, the interest expenses recorded for the years ended 31 March 2006 and 2007 were misstated. As the auditors have not been provided with the details of the convertible bond, they were not able to quantify the effect of this failure to comply with the relevant accounting standards on the current year's income statement and accumulated losses as at 1 April 2006.

Since the opening inventories, restructuring expenses and interest expenses of the convertible bond enter into the determination of the results of operations, the auditors were unable to determine whether adjustments to opening balances of assets, liabilities and accumulated losses as at 1 April 2006 and the results of operations for the year ended 31 March 2007 might be necessary. The auditors' report on the financial statements for the year ended 31 March 2007 was modified accordingly.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of significance of the matters described in the basis for disclaimer of opinion paragraph, the auditors do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in their opinion the financial statements have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business and financial review

The trading performance for the year ended 31 March 2007 recorded a consolidated revenue of approximately HK$58.4 million, representing approximately 18% increase from that of HK$49.3 million recorded last year. The increase was mainly due to the general economic conditions and the increased price of the products.

The level of gross profit margin attained this year, though dropped by approximately 3% due to price competition and escalating product costs, remains stable at 36% during the year compared to 39% last year.

Selling and distribution costs increased by approximately 23% compared to that of last year. This increase was primarily attributable to the increasing effort in deployment of operational resources and the increase in the number of staffs in light of opening of new retail outlets and to cope with our anticipated expansion.

Administrative expenses increased by two folds compared to that of last year. The increase seemingly substantial when compared to last year as the company has now resumed its normal course of operation both on corporate and operating levels after the Restructuring .Other factors for the increase were the inclusion of liquidation expenses and a provision for settlement of a rental dispute with a previous landlord amounting to approximately HK$5 million.

As a result of the Restructuring, the overall profit from operating activities reported for the year has significantly increased, which was mainly attributable to the gains arising from the waived and discharged liabilities under the Schemes of arrangements dated 7 September 2005 (as part of the debt restructuring), of approximately HK$44.5 million, and also from the disposal of subsidiaries that are non-strategic and non-integral to the Group's current and future corporate structure and requirements, of approximately HK$35.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short term funding requirements with cash generated from operation and credit facilities from suppliers.

The Group had no bank and other borrowing as at the balance sheet date. During the year, the Group did not engage in the use of any other financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 31 March 2007.

As part of the Restructuring, all claims by the pre-existing creditors against the Company were discharged and waived by way of schemes of arrangements, sanctioned by the courts under section 166 of the Hong Kong Companies Ordinance and section 99 of the Bermuda Companies Act ("Schemes").

As at the balance sheet date, current ratio measured at 2.98 times for the year compared to 0.28 time of last year. Similarly, the gearing ratio (Total liabilities over total assets) for the year measured at 0.59 time compared to 3.49 times recorded last year. Also the consolidated net asset value stood at approximately HK$17.5 million as at the year end date compared to the consolidated net deficit of approximately HK$77.8 million as of last year.

CAPITAL STRUCTURE

During the year, the Company has following movements in the share capital:

(a) The previous authorised share capital of the Company before the Restructuring was HK$300,000,000 divided into 3,000,000,000 shares, of which 1,403,796,698 shares were in issue. Pursuant to the Restructuring, the share capital of the Company had been restructured in the following manner:

1. Capital Reduction

   The par value of every issued share had been reduced from HK$0.10 to HK$0.001 and the credit of approximately HK$139.0 million arising from such reduction had been applied to eliminate the accumulated losses of the Company.

2. Share Consolidation

   Every 10 issued shares of HK$0.001 each had been consolidated into one new share of HK$0.01 each.

3. Capital Cancellation

   The unissued share capital in the previous authorised share capital of HK$300,000,000 had after the Capital Reduction and the Share Consolidation, been cancelled and diminished resulting in an authorised and issued share capital of the Company becoming HK$1,403,796.69.

4. Authorised Share Capital Increase

   Immediately upon the Capital Cancellation becoming effective, the Company's authorised share capital had been increased from HK$1,403,796.69 to HK$60,000,000 divided into 3,500,000,000 New Shares of HK$0.01 each and 2,500,000,000 Preference Shares of HK$0.01 each.

(b) Upon the Completion of the Restructuring, 810 million new shares of HK$0.01 each and 2,160 million preference shares of HK$0.01 each were issued to Gain Alpha Finance Limited, for a cash subscription price of HK$0.027 each.

CHARGE OF ASSETS

At the balance sheet date, the Group did not have any charges of assets.

CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

STAFF AND REMUNERATION

As at 31 March 2007, the Group employed approximately 102 full time employees, of which approximately 5 were in the Mainland China. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide an incentive to the employees.

The remuneration policy and package, include the share options, of the Group's employees are maintained at market level and reviewed annually by the management.

PROSPECTS

The new board of directors has reviewed the existing traditional "Sum Yung" business under the long-history and prestigious brand "Nam Pei Hong", and has decided to expand its footage to more areas. 4 new shops were opened since the Restructuring and we will soon reach a total of 17 outlets in our distribution network, with over 110 employees. However, while we are looking to expand our network of shops, the high rent in Hong Kong continues to impact the profit margin of our business and its growth potential. Therefore, we have formulated plans to expand our business to Mainland China to target its huge and undeveloped market. In the coming year, we will start selling our products to Guangdong areas via some local retail chain stores and supermarkets. We will also keep investing in opening more new shops if we can find suitable locations with acceptable rent.

Besides the Sum Yung business, we have decided to venture into wind power business. With the great strides of economy growth, the electricity demand in China has been increasing significantly. However the burning of fossil fuels to generate electric power is the single biggest cause to global warming. Scientists have suggested reducing the use of traditional fuels drastically in the next 10 years. The China government has been introducing new legislation and support mechanisms to enable development of renewable energies. Clean and fuel-free, wind power is the undisputed leader amongst the renewable energy sources and will almost certainly play an important role in the energy industry.

In April 2007, we signed an agreement to acquire a wind power group in China. Led by a management team of experienced wind power executives, the wind power group is involved in equipment manufacturing, engineering, procurement and construction of wind farms and the maintenance of and investment in wind farms in China. This acquisition is the foundation for our future rapid growth. We aim to be the largest non-state owned or affiliated group of companies in the wind power industry in China. We believe that the new focus will bring to the shareholders a promising return in the future.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

During the year ended 31 March 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors, Mr. Ho Tak Man, Billy, Dr. Wong Yau Kar, David and Mr. Yap Fat Suan. Mr. Yap Fat Suan is the chairman of the Audit Committee. The Audit Committee has adopted the terms of references which are in line with the Code on Corporate Governance Practices. The Audit Committee has reviewed the Group's annual results for the year ended 31 March 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange since the Completion of the Restructuring, save for the following deviation:

A.2.1: the roles of chairman and chief executive officer should be separated.

After the Restructuring, the Board has been reviewing the existing business, and future direction of the Group. As the Board has decided to develop the wind power business as the main focus the Group, the Board is now seeking a right candidate with relevant experience and exposure in the wind power business to be the chief executive officer of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") set out in the Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code since the Completion of the Restructuring.

APPRECIATION

The Board wishes to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group. We also thank our shareholders, customers and suppliers for their continuous support.

By Order of the Board
Ko Chun Shun, Johnson
Chairman

Hong Kong, 27 June 2007

* *for identification purpose only*

As of the date hereof, the Board of Directors comprises Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony, Mr. Chan Kam Kwan, Jason, Mr. Wong Fan, Frank and Mr. Yeung Heung Yeung (who are executive directors), Mr. Kelvin Edward Flynn (who is a non-executive director), Mr. Ho Tak Man, Billy, Mr. Yap Fat Suan and Dr. Wong Yau Kar, David (who are independent non-executive directors).