



新 醫 藥 控 股 有 限 公 司
NEW CHINESE MEDICINE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT **2005/06**

CHARACTERISTICS OF THE GROWTH ENTERPRISES MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristic of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from on or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of New Chinese Medicine Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong limited for the purpose of giving information with regard to New Chinese Medicine Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable

INTERIM RESULTS

The board of Directors (the "Board") of New Chinese Medicine Holdings Limited (the "Company") hereby submits the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2005, together with the unaudited comparative figures for the corresponding period in past year as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	Three months ended 30 September		Six months ended 30 September	
		2005 Unaudited HK\$'000	2004 Unaudited HK\$'000	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Turnover	2	561	98	4,892	163
Cost of sales		(469)	(29)	(4,023)	(33)
Gross Profit		92	69	869	130
Other income		1,862	-	2,066	312
Distribution and marketing expenses		(168)	(95)	(168)	(217)
Administrative expenses		(739)	(151)	(2,674)	(1,103)
Other operating expenses		(292)	(509)	(292)	(509)
Profit (Loss) from operations	4	755	(686)	(199)	(1,387)
Finance costs		(131)	(84)	(281)	(10)
Profit (Loss) before taxation		624	(770)	(480)	(1,397)
Taxation	5	-	-	-	-
Profit (Loss) after taxation		624	(770)	(480)	(1,397)
Minority Interests		-	-	-	-
Profit (Loss) attributable to shareholders		624	(770)	(480)	(1,397)
Dividend	6	-	-	-	-
Earnings (Loss) per share	7				
- Basic (cent)		0.12	(0.16)	(0.10)	(0.29)
- Diluted (cent)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2005*

		30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
	<i>Notes</i>		
Non-current Assets			
Fixed assets		41	267
Current Assets			
Inventories		–	762
Debtors, deposits and prepayments	8	222	523
Cash and bank balances		15,165	216
		15,387	1,501
Current Liabilities			
Creditors and accrued charges	9	2,781	6,681
Amounts due to directors	10	–	37
		2,781	6,718
Net Current Assets (Liabilities)		12,606	(5,217)
Non-current Liabilities			
Long-term borrowings		(12,152)	(12,151)
Net Assets (Liabilities)		495	(17,101)
Capital and Reserves			
Share capital	11	22,690	4,690
Reserves		(22,195)	(21,791)
Shareholders' Equity		495	(17,101)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2005*

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	46,900	19,009	(39,998)	341	(39,787)	(13,535)
Adjustment on capital reduction	(42,210)	-	-	-	42,210	-
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognized in the consolidated income statement	-	-	-	(191)	-	(191)
Net loss for the period	-	-	-	-	(1,397)	(1,397)
At 30 September 2004	4,690	19,009	(39,998)	150	1,026	(15,123)
At 1 April 2005	4,690	19,009	(39,998)	195	(997)	(17,101)
Issued share capital	18,000	-	-	-	-	18,000
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognized in the consolidated income statement	-	-	-	76	-	76
Net loss for the period	-	-	-	-	(480)	(480)
At 30 September 2005	22,690	19,009	(39,998)	271	(1,477)	495

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	Six months ended 30 September	
	Unaudited 2005 HK\$'000	Unaudited 2004 HK\$'000
Net cash used in operating activities	(3,099)	(1,909)
Net cash from investing activities	47	–
Net cash from financing activities	18,001	1,812
Net increase (decrease) in cash and cash equivalents	14,949	(97)
Cash and cash equivalents at 1 April	216	215
Cash and cash equivalents at 30 September	15,165	118

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in these condensed interim financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2005.

2. Turnover

Turnover represents the net amounts received and receivable for goods sold during the reporting period.

3. Segment information

(a) The analysis of the Group’s revenue and results by business segment during the periods are as follows:

For the six months ended 30 September 2005

	Healthcare products HK\$’000	Digital electronic products HK\$’000	Elimination HK\$’000	Consolidation HK\$’000
Revenue				
External sales	1,099	3,793	–	4,892
Inter-segment sales	–	–	–	–
Total revenue	1,099	3,793	–	4,892
Segment result	550	319	–	869
Unallocated corporate income and expenses				<u>(1,068)</u>
Loss from operations				(199)
Finance costs				<u>(281)</u>
Loss from ordinary activities before taxation				(480)
Income tax				–
Minority interest				<u>–</u>
Loss attributable to shareholders				<u><u>(480)</u></u>

For the six months ended 30 September 2004

	Healthcare products HK\$'000	Digital electronic products HK\$'000	Elimination HK\$'000	Consolidation HK\$'000
Revenue				
External sales	163	-	-	163
Inter-segment sales	-	-	-	-
Total revenue	163	-	-	163
Segment result	130	-	-	130
Unallocated corporate income and expenses				(1,517)
Loss from operations				(1,387)
Finance costs				(10)
Loss from ordinary activities before taxation				(1,397)
Income tax				-
Minority interest				-
Loss attributable to shareholders				(1,397)

- (b) No geographical analysis is shown as the activities of the Group during the six months ended 30 September 2005 and 30 September 2004 were mainly carried out in Hong Kong.

4. Loss from operations

	Six months ended 30 September	
	Unaudited 2005 HK\$'000	Unaudited 2004 HK\$'000
Loss from operations is arrived at after charging:		
Depreciation	18	126
Impairment loss on property, plant and equipment	258	-

5. Taxation

No provision for Hong Kong profits tax has been made in the interim financial statements as the Group has incurred tax loss for the period.

6. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

7. Earning (Loss) per share

The calculation of basic and diluted earning (loss) per share is based on the following:

	Three months ended 30 September		Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Earning (Loss) for the purpose of basic and diluted earning (loss) per share				
– profit (loss) attributable to shareholders	624	(770)	(480)	(1,397)
Weighted average number of share for the purpose of basic earning (loss) per share	537,453,804	469,000,000	503,413,934	469,000,000
Effect of dilutive potential shares in respect of share options	N/A	N/A	N/A	N/A
Weighted average number of shares for the purpose of diluted earning (loss) per share	N/A	N/A	N/A	N/A

8. Debtors, deposits and prepayments

The sales to the majority of customers were with terms of cash on delivery. Other debtors represent prepayment and deposits paid, net of provisions.

An analysis of the Group's debtors, deposits and prepayments is as follow:

	30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
Trade debtors	–	–
Deposits and prepayments, net of provisions	222	523
	222	523

9. Creditors and accrued charges

The credit terms of the trade creditors range from 0 to 60 days.

An analysis of the Group's creditors and accrued charges is as follow:

	30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
Trade creditors	–	–
Accrued charges and other payables	2,781	6,681
	2,781	6,681

10. Amounts due to directors

The amounts due was unsecured, interest free and had no fixed repayment terms.

11. Share capital

	30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
Authorised:		
5,000,000,000 (31 March 2005: 20,000,000,000) ordinary shares of HK\$0.04 (31 March 2005: HK\$0.01) each	200,000	200,000
Issued and fully paid:		
567,250,000 (31 March 2005: 469,000,000) ordinary shares of HK\$0.04 (31 March 2005: HK\$0.01) each	22,690	4,690

- (a) Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 6 July 2005, every four issued and unissued ordinary shares of HK\$0.01 each in the capital of the Company as at the date was consolidated into one ordinary share of HK\$0.04 each. The GEM Listing Committee granted the listing of the new shares arising from the share consolidation for trading of the new shares to start on 21 July 2005.
- (b) Pursuant to a subscription agreement entered into on 27 May 2005, Excel Point Holdings Limited subscribed for 450,000,000 ordinary shares of HK\$0.04 each at a price of HK\$0.04 per share. These shares were issued on 11 July 2005 under an ordinary resolution passed at the above extraordinary general meeting. The shares issued rank pari passu with the then existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In view of the rising consensus and awareness of the public to the human health, the Group continued to fine-tune its product range, expanding on health care products from its existing proprietary Chinese medicine and retail sales of consumable products.

The Group managed to maintain tight control over its operating expenses in the period under review.

PROSPECTS

The Directors believes that the Group will benefit from the economic growth in both Hong Kong and the PRC which will support increase in consumer spending and number of visitors to Hong Kong in the foreseeable future. The Directors will continue to monitor the product range with the aim to improve on the profit margin.

At the same time, the Group will identify other business opportunities that may create synergies with its core business and to further reinforce its market position in health care related businesses.

FINANCIAL REVIEW

For the six months ended 30 September 2005, the Group recorded an unaudited consolidated turnover of approximately HK\$4,892,000, which represented sales of health care and consumable products. The turnover for the six months ended 30 September 2004 was approximately HK\$163,000.

Unaudited net loss attributable to the shareholders for the period amounted to approximately HK\$480,000 as compared to net loss of approximately HK\$1,397,000 for the corresponding period in 2004, which represented a decrease of 66%.

On 6 July, 2005, the Company obtained shareholders approval at an extraordinary general meeting to consolidate every four shares of HK\$0.01 each of existing shares into one share of HK\$0.04 each ("New Share"); and allotted and issued 450,000,000 New Shares at an issue price of HK\$0.04 each to Excel Point Holdings Limited. The above transactions were completed on 11 July, 2005 with additional HK\$18,000,000 cash, before professional expenses incurred for the transactions, in the Group. The financial resources will be partly used as additional working capital to expand on existing businesses and the balance for development of related businesses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net current assets as at 30 September 2005 was approximately HK\$12,606,000 as compared to net current liabilities of approximately HK\$5,217,000 as at 31 March 2005. There were no bank borrowings and capital instruments as at 30 September 2005 (31 March 2005: Nil). As at 30 September 2005, there was an unsecured long-term loan of approximately HK\$12,152,000 (31 March 2005: HK\$12,151,000) from an independent third party.

There has been no change in the capital structure of the Company during the period.

GEARING RATIO

As at 30 September 2005, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 97% (31 March 2005: approximately 1,067%).

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Hong Kong Dollars and considers that the impact of foreign exchange exposure of the Group is minimal.

CHARGE OF GROUP ASSETS

As at 30 September 2005, the Group did not have any material charge on assets (31 March 2005: Nil).

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the period.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals during the period under review.

EMPLOYEE INFORMATION

As at 30 September 2005, the Group employed a total of 4 (31 March 2005: 5) full-time employees in Hong Kong. During the six months ended 30 September 2005, the total remuneration to employees, including directors' emoluments amounted to approximately HK\$1,050,000 (2004: approximately HK\$381,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

CONTINGENT LIABILITIES

As at 30 September 2005, the Group did not have any material contingent liabilities (31 March 2005: Nil).

CAPITAL COMMITMENTS

There was no capital or operating lease commitments outstanding as at 30 September 2005. As at 31 March 2005, there was operating lease commitment amounted to approximately HK\$202,000.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long positions in Shares of the Company

Director	Type of interest	Interest in the Company's share capital	Number of shares
Mr. Wong Chun Keung	Corporate (<i>note 1</i>)	62.58%	354,980,000

Notes:

- These shares are registered in the name of Excel Point Holdings Limited, a company wholly and beneficially owned by Mr. Wong Chun Keung.

Save as disclosed above, as at 30 September 2005, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme"), under which the Board may, at its discretion, invite any full-time or part-time employee of the Company or any member of the Group, including any director or any member of the Group and any adviser or consultant (in areas of technical, financial or corporate managerial) of the Company or any of its subsidiaries to take up options to subscribe for the share in the Company. The Share Option Scheme will remain valid for a period of 10 years commencing 1 February 2002.

No share options have been granted by the Company under the Share Option Scheme up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Directors' Interests In Securities above, at no time during the reporting period 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, and 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the interests and short positions of persons, other than a director or chief executive officer of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Number of shares held (long position)

Name of shareholder	Direct/indirect interest	Approximate percentage of shareholding
Excel Point Holdings Limited (<i>note 1</i>)	354,980,000	62.58%
Ms. Chu Cheong Hing Jenny (<i>note 2</i>)	40,160,128	7.08%
Mr. Pang Wing Keung (<i>note 2</i>)	40,160,128	7.08%

Notes:

- Excel Point Holdings Limited is wholly and beneficially owned by Mr. Wong Chun Keung, the chairman of the Group.
- These are joint interests of spouse held by Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung.

Save as disclosed above, as at 30 September 2005, the directors or chief executive officer of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

As at 30 September 2005, none of the directors, the management shareholders of the company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group.

AUDIT COMMITTEE

An audit committee was established with written terms of reference in compliance with the relevant GEM Listing Rules. There are three members in the audit committee comprising three independent non-executive directors, namely, Mr. Chu Kar Wing, Mr. Loke Hoi Lam and Mr. Ku Ling Yu John. The primary duties of the audit committee are to review and provide supervision over the financial reporting system and internal control procedures of the Group. The Group's unaudited consolidated results for the six months ended 30 September 2005 have been reviewed by the audit committee.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises three independent non-executive directors, namely Messrs. Chu Kar Wing, Loke Hoi Lam and Ku Ling Yu John, and one executive director Miss Tong Pui Chi Lucia. Miss Tong Pui Chi Lucia being the Chairperson of the Remuneration Committee. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy, and structure for remuneration of all Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the period ended 30 September 2005.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the six months ended 30 September 2005 with the Code Provisions set out in the Code on Corporate Governance Practices contained in appendix 15 of the GEM Listing Rules except for the following:

Code Provision A.4.1

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All the non-executive directors of the Company do not have a specific term of appointment. However, in accordance with article 87 of the articles of association of the Company, at each annual general meeting, one third of the directors for the time being (except those directors appointed by the Board under article 86 to fill a casual vacancy or as an addition to the Board shall be subject to retirement and shall be eligible for re-election at the first annual general meeting after their appointment), save and except the chairman of the board and/or managing director, or, if their number is not three or a multiple of three, then the number nearest to but not greater than one-third, shall retire from office.

Code Provision A.4.2

Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Article 87 of the articles of association of the Company does not require the chairman of the board and/or managing director of the Company to retire from his office at each annual general meeting. In order to ensure full compliance with Code A.4.2, a special resolution will be proposed to amend the relevant provisions of the articles of association of the Company at the forthcoming general meeting so that every director of the Company shall be subject to retirement by rotation at least once every three years.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Wong Chun Keung
Chairman

Hong Kong, 9 November 2005

At the time of this report, the Board comprises of (i) three executive Directors, namely Messrs. Wong Chun Keung, Fung Cheuk Nang Clement, and Tong Pui Chi Lucia; and, (ii) three independent non-executive Directors, namely Messrs. Chu Kar Wing, Loke Hoi Lam and Ku Ling Yu John.