

INTERIM  
REPORT

2007/08

stock code : 8085



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



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

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*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.*

## SUMMARY

For the six months ended 30 September 2007:

- the revenue was approximately HK\$13,477,000;
- the loss attributable to equity holders was approximately HK\$1,935,000; and
- the directors do not recommend the payment of any interim dividend.

## 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 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Six months ended 30 September	
		Unaudited 2007 HK\$'000	Unaudited 2006 HK\$'000	Unaudited 2007 HK\$'000	Unaudited 2006 HK\$'000
Revenue	3	5,768	850	13,477	2,270
Cost of sales		(5,560)	(775)	(12,938)	(2,038)
Gross profit		208	75	539	232
Other income and gains		59	85	131	198
Operating expenses		(1,354)	(1,415)	(2,605)	(2,228)
Loss before income tax	4	(1,087)	(1,255)	(1,935)	(1,798)
Income tax expense	5	–	–	–	–
Loss for the period		(1,087)	(1,255)	(1,935)	(1,798)
Attributable to:					
Equity holders of the Company		(1,087)	(1,255)	(1,935)	(1,798)
Minority interests		–	–	–	–
		(1,087)	(1,255)	(1,935)	(1,798)
Dividend	6	–	–	–	–
Loss per share (HK cent)	7				
Basic and diluted		(0.14)	(0.22)	(0.25)	(0.32)

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2007 Unaudited HK\$'000	As at 31 March 2007 Audited HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		153	181
<b>Current assets</b>			
Inventories of finished goods		1,415	1,867
Trade and other receivables	8	8,638	6,729
Bank balances and cash		68,338	11,538
		<b>78,391</b>	20,134
<b>Current liabilities</b>			
Trade and other payables	9	5,530	5,083
<b>Net current assets</b>		<b>72,861</b>	15,051
<b>Total assets less current liabilities</b>		<b>73,014</b>	15,232
<b>Capital and reserves</b>			
Share capital	10	42,085	30,085
Reserves		30,929	(14,853)
Equity attributable to the equity holders of the Company		<b>73,014</b>	15,232
Minority interests		–	–
<b>Total equity</b>		<b>73,014</b>	15,232

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Reserves					Total reserves HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
		Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Bond reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2006	22,690	18,269	(39,998)	322	3,036	(2,329)	(20,700)	-	1,990
Loss for the period	-	-	-	-	-	(1,798)	(1,798)	-	(1,798)
At 30 September 2006	22,690	18,269	(39,998)	322	3,036	(4,127)	(22,498)	-	192
At 1 April 2007	30,085	34,103	(39,998)	-	-	(8,958)	(14,853)	-	15,232
Issue of ordinary shares	12,000	47,717	-	-	-	-	47,717	-	59,717
Loss for the period	-	-	-	-	-	(1,935)	(1,935)	-	(1,935)
At 30 September 2007	42,085	81,820	(39,998)	-	-	(10,893)	30,929	-	73,014

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Net cash used in operating activities	(3,045)	(4,243)
Net cash from investing activities	128	39
Net cash from financing activities	59,717	-
Net increase/(decrease) in cash and cash equivalents	56,800	(4,204)
Cash and cash equivalents at 1 April	11,538	13,517
Cash and cash equivalents at 30 September	68,338	9,313

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

**1. General Information**

The Company was incorporated in the Cayman Islands on 30 October 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 March 2002.

**2. Basis of preparation and principal accounting policies**

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 (the "Listing Rules") on the GEM of the Stock Exchange.

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 2007.

**3. Revenue and segment information***Revenue*

Revenue represents amounts received and receivable from outside customers from sales of products during the period.

*Business segments*

No further business segment information is presented as the Group's operations relate solely to the sales of healthcare products in Hong Kong.

*Geographical segments*

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

**4. Loss before income tax**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Loss before income tax is arrived at after charging:		
Depreciation	<b>30</b>	25

**5. Income tax expense**

No provision for Hong Kong profits tax has been made in the unaudited consolidated results as the Group had no assessable profits arising in Hong Kong for the period.

**6. Dividend**

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

**7. Loss per share**

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

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Loss for the purpose of basic and diluted loss per share				
- loss attributable to equity holders	(1,087)	(1,255)	(1,935)	(1,798)
Weighted average number of shares for the purpose of basic loss per share	774,964,977	567,250,000	763,614,300	567,250,000
Effect of dilutive potential shares in respect of share options and warrants	N/A	N/A	N/A	N/A
Weighted average number of shares for the purpose of diluted loss per share	N/A	N/A	N/A	N/A

Diluted loss per share for the periods ended 30 September 2006 and 2007 have not been disclosed, as the share options, convertible bonds and warrants outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

**8. Trade and other receivables**

	30 September 2007 Unaudited HK\$'000	31 March 2007 Audited HK\$'000
Trade receivables, with ageing analysis:		
0 – 30 days	8,028	5,261
31 – 60 days	380	1,239
Over 60 days	107	55
Total trade receivables	8,515	6,555
Deposits and prepayments	123	174
	8,638	6,729



**9. Trade and other payables**

	<b>30 September 2007 Unaudited HK\$'000</b>	31 March 2007 Audited HK\$'000
Trade payables, with ageing analysis:		
0 – 30 days	<b>3,179</b>	2,594
31 – 60 days	–	–
Over 60 days	–	47
	<hr/>	<hr/>
Total trade payables	<b>3,179</b>	2,641
Other creditors and accruals	<b>2,351</b>	2,442
	<hr/>	<hr/>
	<b>5,530</b>	5,083

**10. Share capital**

Ordinary shares of HK\$0.04 each

	<b>Number of shares</b>	<b>Total value HK\$'000</b>
Authorised:		
At 31 March 2007 and 30 September 2007	5,000,000,000	200,000
	<hr/>	<hr/>
Issued and fully paid:		
At 31 March 2007	752,138,890	30,085
Issue of new shares under the share subscriptions	300,000,000	12,000
	<hr/>	<hr/>
At 30 September 2007	1,052,138,890	42,085
	<hr/>	<hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS AND FINANCIAL REVIEW

For the six months ended 30 September 2007, the Group recorded an unaudited consolidated revenue of approximately HK\$13,477,000, which represented sales of health care products. The revenue for the six months ended 30 September 2006 was approximately HK\$2,270,000.

The operating expenses for the period under review amounted to approximately HK\$2,605,000, representing an increase of 17% as compared to that of 2006 of approximately HK\$2,228,000. The increase in operating expenses was mainly caused by professional and legal costs incurred for the bonus warrants issuance and increase in business activities.

Unaudited net loss attributable to the equity holders for the period amounted to approximately HK\$1,935,000 as compared to net loss of approximately HK\$1,798,000 for the corresponding period in 2006.

### PROSPECTS

Following the implementation of new business strategies and the preparation of ground works for growth by our new management during the period under review, the business activities increased at a satisfactory rate. Selling health care products has been our main focus in the past period and is expected to be so in future as well. We have been consistently approaching leading department stores, retail chains, hospitals, educational institutions, as well as medical and health-related associations to promote and distribute our health care products. The increased public awareness of the Group's health care products demonstrates a path of achievement of the business of the Group for the future.

The Group will carry on participating in various trade shows in both Hong Kong and various parts of China. We expect that this will maintain an increase in our products' public awareness and bring steady revenue and benefit to the Group. The Group will spare more time and effort in exploring and developing new business opportunities to undertake new retail and investment ventures in order to establish and expand our platform as a base for medical and health products and services throughout the region. In view of the continued improvement of the financial health, the Group will continue to look for other new business opportunities so as to broaden the revenue stream and provide a good return to the shareholders.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net current assets as at 30 September 2007 were approximately HK\$72,861,000 as compared to net current assets of approximately HK\$15,051,000 as at 31 March 2007. There were no bank borrowings as at 30 September 2007 (31 March 2007: Nil).

On 27 June 2007, the Company obtained shareholders approval at an extraordinary general meeting to create and issue by way of bonus to the shareholders of the Company warrants ("Bonus Warrants") in the proportion of one Bonus Warrant for every five shares held. A total of 150,427,778 Bonus Warrants were issued on 29 June 2007 in registered form and each Bonus Warrant will entitle the holder thereof to subscribe in cash for one share in the capital of the Company at an initial subscription price of HK\$0.60, subject to adjustment, at any time during the period commencing on 29 June 2007 and ending on 30 June 2010 (both dates inclusive). The subscription price was adjusted to HK\$0.46 upon completion of the share subscription as mentioned below on 24 September 2007. Details of the above Bonus Warrants issuance were set out in the Company's circular dated 8 June 2007.

The Company has entered into subscription agreements dated 13 August 2007 and supplemental agreements dated 16 August 2007 with Chinese People Gas Holdings Company Limited (the "First Subscriber") and Mr. Chu Hon Pong (the "Second Subscriber") respectively, pursuant to which the Company agreed to allot and issue, subject to shareholders' approval, 150,000,000 new shares at HK\$0.20 per share to each of the First Subscriber and the Second Subscriber. Pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting on 18 September 2007, the 300,000,000 subscription shares were issued on 24 September 2007. The subscription shares rank pari passu in all respect with other shares then issue. Details of the above share subscription were set out in the Company's circular dated 30 August 2007.

## GEARING RATIO

As at 30 September 2007, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 7% (31 March 2007: approximately 25%).

## 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 2007, a time deposit of HK\$3,000,000 of the Company was pledged to a bank to secure general banking facilities (31 March 2007: HK\$3,000,000).

## 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 2007, the Group employed a total of 6 (31 March 2007: 4) full-time employees in Hong Kong. During the six months ended 30 September 2007, the total remuneration to employees, including directors' emoluments amounted to approximately HK\$805,000 (six months ended 30 September 2006: HK\$726,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

## CONTINGENT LIABILITIES

As at 30 September 2007, the Group did not have any material contingent liabilities (31 March 2007: Nil).

## OPERATING LEASE COMMITMENTS

As at 30 September 2007, the Group had commitment for future minimum lease payments under non-cancelable operating lease in respect of rented premises amounting to HK\$87,840 (31 March 2007: HK\$152,640).

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2007, 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:

#### (1) Long positions in the shares of the Company

Name of directors	Type of interest	Number of share	Interest in the Company's share capital
Mr. Wong Chun Keung	Corporate (Note)	354,980,000	33.74%
Mr. Wong Mo Wah Gordon	Personal	7,000,000	0.67%
Mr. Fung Cheuk Nang Clement	Personal	7,000,000	0.67%
Ms. Tong Pui Chi Lucia	Personal	1,300,000	0.12%

*Note:*

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

**(2) Long positions in the underlying shares of the Company**

<b>Name of directors</b>	<b>Type of interest</b>	<b>Number of warrants and number of shares entitled pursuant to the full exercise of the warrants held as at 30 September 2007</b>
Mr. Wong Chun Keung	Corporate (Note)	92,603,478
Mr. Wong Mo Wah Gordon	Personal	1,826,086
Mr. Fung Cheuk Nang Clement	Personal	1,826,086
Ms. Tong Pui Chi Lucia	Personal	339,130

*Note:*

These warrants 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 2007, 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.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares as stated on GEM's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

On 29 November 2006, a total of 46,000,000 options have been granted to the employees of the Group to subscribe for a total of 46,000,000 shares of the Company at a price of HK\$0.153 per share. A total of 46,000,000 options were exercised by the option holders during the year ended 31 March 2007, which resulted a total of 46,000,000 shares were issued on the subscription. There was no option outstanding as at 30 September 2007.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' 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 2007, 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:

### (1) Long positions in the shares of the Company

Name of shareholder	Direct/indirect interest	Approximate percentage of shareholding
Excel Point Holdings Limited ( <i>"Excel Point"</i> , Note 1)	354,980,000	33.74%
Mr. Wong Chun Keung ( <i>"Mr. Wong"</i> , Note 1)	354,980,000	33.74%
Mr. Chu Hon Pong	179,800,967	17.09%
Mr. Mo Shikang ( <i>"Mr. Mo"</i> , Note 2)	150,000,000	14.26%
Asian Allied Limited ( <i>"Asian Allied"</i> , Note 2)	150,000,000	14.26%
Super Win Development Limited ( <i>"Super Win"</i> , Note 2)	150,000,000	14.26%
Chinese People Gas Holdings Company Limited ( <i>"CPG"</i> , Note 2)	150,000,000	14.26%
Able China Investments Limited ( <i>"Able China"</i> , Note 2)	150,000,000	14.26%

*Notes:*

1. Excel Point is wholly and beneficially owned by Mr. Wong, the chairman of the Group.
2. As Able China is a wholly-owned subsidiary of CPG, CPG is deemed to have interest in the ordinary shares of the Company (the "Shares") held by Able China for the purpose of the SFO. For the purpose of SFO, Super Win is deemed to have interest in the Shares held by CPG; Asian Allied is deemed to have interest in the Shares held by Super Win and Mr. Mo is deemed to have interest in the shares held by Asian Allied.

**(2) Long positions in the underlying shares of the Company**

<b>Name of shareholder</b>	<b>Number of warrants and number of shares entitled pursuant to the full exercise of the warrants held as at 30 September 2007</b>
Excel Point Holdings Limited ( <i>Note</i> )	92,603,478
Mr. Chu Hon Pong	7,774,164

*Note:*

Excel Point Holdings Limited is wholly and beneficially owned by Mr. Wong Chun Keung, the chairman of the Group.

Save as disclosed above, as at 30 September 2007, 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 2007, 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, Dr. 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 2007 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 Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John, and one executive director Ms. Tong Pui Chi Lucia. Ms. 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.

## SECURITIES TRANSACTIONS BY DIRECTORS

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 2007.

## CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the six months ended 30 September 2007 with the Code Provisions set out in the Code on Corporate Governance Practices contained in appendix 15 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.



## BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six months ended 30 September 2007.

By Order of the Board  
**New Chinese Medicine Holdings Limited**  
**Wong Chun Keung**  
*Chairman*

Hong Kong, 13 November 2007

*At the time of this report, the Board comprises (i) six executive Directors, namely Mr. Wong Chun Keung, Mr. An Jinping, Mr. Li Hequo, Mr. Chu Hon Pong, Ms. Tong Pui Chi Lucia and Mr. Wong Mo Wah Gordon; and (ii) three independent non-executive Directors, namely Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John.*