

THIRD
QUARTERLY
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)



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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 nine months ended 31 December 2007:

- the turnover was approximately HK\$24,841,000;
- the loss attributable to equity holders was approximately HK\$2,890,000; and
- the directors do not recommend the payment of any interim dividend.

THIRD QUARTERLY 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 nine months ended 31 December 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2007 Unaudited HK\$'000	2006 Unaudited HK\$'000	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Revenue	3	11,364	5,657	24,841	7,927
Cost of sales		(11,125)	(5,346)	(24,063)	(7,384)
Gross profit		239	311	778	543
Other income and gains		571	1,894	702	2,092
Operating expenses		(1,765)	(1,174)	(4,370)	(3,402)
Profit/(loss) before income tax	4	(955)	1,031	(2,890)	(767)
Income tax expense	5	–	–	–	–
Profit/(loss) for the period		(955)	1,031	(2,890)	(767)
Attributable to:					
Equity holders of the Company		(955)	1,031	(2,890)	(767)
Minority interests		–	–	–	–
		(955)	1,031	(2,890)	(767)
Dividend	6	–	–	–	–
Earnings/(loss) per share (HK cent)	7				
Basic		(0.09)	0.15	(0.34)	(0.13)
Diluted		N/A	0.15	N/A	N/A

Notes:**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. The Company is an investment holding Company. The Group is principally engaged in the sales of healthcare products in Hong Kong.

2. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results 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. Profit/(Loss) before income tax

	Nine months ended	
	31 December	
	Unaudited	Unaudited
	2007	2006
	HK\$'000	HK\$'000

Loss before income tax is arrived at after charging:

Depreciation	44	33
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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 nine months ended 31 December 2007 (nine months ended 31 December 2006: Nil).

7. Earnings/(loss) per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share				
- profit/(loss) attributable to equity holders	(955)	1,031	(2,890)	(767)
Weighted average number of shares for the purpose of basic earnings/(loss) per share	1,052,333,688	698,048,552	860,204,059	611,008,061
Effect of dilutive potential shares in respect of share options, convertible bonds and warrants	N/A	2,376,000	N/A	N/A
Weighted average number of shares for the purpose of diluted earnings/(loss) per share	N/A	700,424,522	N/A	N/A

Diluted loss per share for the three months and nine months ended 31 December 2007 and nine months ended 31 December 2006 have not been presented, 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. Changes in shareholders' equity

	Share capital	Share premium	Special reserve	Reserves				Minority interest	Total equity
				Exchange reserve	Bond reserve	Accumulated losses	Total reserves		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	22,690	18,269	(39,998)	322	3,036	(2,329)	(20,700)	-	1,990
Issue of ordinary shares	1,048	2,961	-	-	-	-	2,961	-	4,009
Conversion of bond	5,556	4,444	-	-	(3,036)	-	1,408	-	6,964
Disposal of subsidiaries	-	-	-	(322)	-	-	(322)	-	(322)
Loss for the period	-	-	-	-	-	(767)	(767)	-	(767)
At 31 December 2006	29,294	25,674	(39,998)	-	-	(3,096)	(17,420)	-	11,874
At 1 April 2007	30,085	34,103	(39,998)	-	-	(8,958)	(14,853)	-	15,232
Issue of ordinary shares	12,020	47,925	-	-	-	-	47,925	-	59,945
Loss for the period	-	-	-	-	-	(2,890)	(2,890)	-	(2,890)
At 31 December 2007	42,105	82,028	(39,998)	-	-	(11,848)	30,182	-	72,287

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the nine months ended 31 December 2007, the Group recorded an unaudited consolidated revenue of approximately HK\$24,841,000, which represented sales of health care products. The revenue for the nine months ended 31 December 2006 was approximately HK\$7,927,000.

The operating expenses for the period under review amounted to approximately HK\$4,370,000, representing an increase of 28% as compared to that of 2006 of approximately HK\$3,402,000. 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\$2,890,000 as compared to net loss of approximately HK\$767,000 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.

On the announcement of the Company dated 14 January 2008 (the "Announcement"), the Directors have informed shareholders of the Company that the Company entered into the Sale and Purchase Agreement with 中民實業有限公司 (Zhongmin Industry Company Limited) to acquire the entire issued and fully paid share capital of 北京中民安園投資有限公司 (Beijing Zhongmin Anyuan Investment Company Limited, the "Target Company") at a cash consideration of HK\$25 million. The Target Company had entered into eight acquisition agreements with the respective owners of the Cemetery Companies at an aggregate consideration of RMB248 million. Details of the acquisitions were set out in the Announcement. The acquisitions, when completed, will provide the Company an opportunity to enter into the cemetery related business in the PRC and the Directors believe that this will improve future return of the Group in the years ahead. Further announcement(s) will be made by the Company in compliance with the requirements of the GEM Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net current assets as at 31 December 2007 were approximately HK\$72,148,000 as compared to net current assets of approximately HK\$15,051,000 as at 31 March 2007. There were no bank borrowings as at 31 December 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.

Pursuant to the share option scheme adopted by the Company on 1 February 2002 and a refreshment of the scheme mandate limit on 8 November 2007 as approved by the shareholders of the Company, a total of 105,219,106 options have been granted on 16 November 2007 to the Participants to subscribe for a total of 105,219,106 shares of the Company at a price of HK\$1.10 per share. No share options have been exercised by the Participants since 16 November 2007 and up to the date of this report.

The Company has entered into the Placing Agreement on 10 December 2007 and the Supplemental Agreement on 12 December 2007 with the Placing Agent for placing, on a best effort basis, of an aggregate of up to 400,000,000 new Shares in six separate tranches upon which (a) a maximum of 100,000,000 new Shares at HK\$1.00 per Placing Share will be placed under the Tranche I; and (b) a maximum of 60,000,000 new Shares at HK\$1.00 per Placing Share will be placed in each of the other five tranches. The Placing Shares to be issued, when fully paid, will rank, upon issue, *pari passu* in all respects with the existing issued Shares. The allotment and issue of the Placing Shares are subject to Shareholders approval by passing of a resolution at the extraordinary general meeting to be held on 31 January 2008. Details of the above share placing were set out in the Company's circular dated 7 January 2008.

OTHER INFORMATION**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

As at 31 December 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	33.72%
Mr. Wong Mo Wah Gordon	Personal	7,000,000	0.66%
Mr. Chu Hon Pong	Personal	156,150,967	14.83%
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**(a) Warrants**

Name of directors	Type of interest	Number of shares entitled pursuant to the full exercise of the warrants held as at 31 December 2007
Mr. Chu Hon Pong	Personal	730,434
Mr. An Jinping	Personal	1,304,347
Mr. Li Heguo	Personal	1,304,347
Ms. Tong Pui Chi Lucia	Personal	339,130

(b) Share Options

Name of Directors	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2007	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 31/12/2007	Expiry date
Mr. Li Heguo	16/11/2007	1.10	-	7,500,000	-	-	7,500,000	16/11/2010
Ms. Tong Pui Chi Lucia	16/11/2007	1.10	-	7,500,000	-	-	7,500,000	16/11/2010
Mr. Chu Kar Wing	16/11/2007	1.10	-	1,000,000	-	-	1,000,000	16/11/2010
Dr. Loke Hoi Lam	16/11/2007	1.10	-	1,000,000	-	-	1,000,000	16/11/2010
Mr. Ku Ling Yu John	16/11/2007	1.10	-	1,000,000	-	-	1,000,000	16/11/2010

Save as disclosed above, as at 31 December 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 (the "Participants") 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. The Share Option Scheme mandate limit has been refreshed by shareholders for up to 10% of the total number of shares of the Company in issue at an extraordinary general meeting held on 8 November 2007.

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 16 November 2007, a total of 105,219,106 options have been granted to the Participants to subscribe for a total of 105,219,106 shares of the Company at a price of HK\$1.10 per share. No share options have been exercised by the Participants since 16 November 2007 and up to the date of this report.

The following are details of the outstanding share options as at 31 December 2007:

Categories of grantees	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2007	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 31/12/2007	Expiry date
Directors	16/11/2007	1.10	-	18,000,000	-	-	18,000,000	16/11/2010
Other Participants	16/11/2007	1.10	-	87,219,106	-	-	87,219,106	16/11/2010
Total			-	105,219,106	-	-	105,219,106	

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 31 December 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 ("Excel Point", Note 1)	354,980,000	33.72%
Mr. Wong Chun Keung ("Mr. Wong", Note 1)	354,980,000	33.72%
Mr. Chu Hon Pong	156,150,967	14.83%
Mr. Mo Shikang ("Mr. Mo", Note 2)	150,000,000	14.25%
Asian Allied Limited ("Asian Allied", Note 2)	150,000,000	14.25%
Super Win Development Limited ("Super Win", Note 2)	150,000,000	14.25%
Chinese People Holdings Company Limited ("Chinese People", Note 2)	150,000,000	14.25%

Notes:

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

Name of shareholder	Number of shares entitled pursuant to the full exercise of the warrants held as at 31 December 2007
Mr. Chu Hon Pong	730,434

Save as disclosed above, as at 31 December 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 31 December 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 nine months ended 31 December 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 31 December 2007.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2007.

By Order of the Board
New Chinese Medicine Holdings Limited
Chu Hon Pong
Executive Director

Hong Kong, 30 January 2008

At the time of this report, the Board comprises of (i) seven executive Directors, namely Mr. Liu Jing, Mr. Chu Hon Pong, Mr. Li Heguo, Mr. An Jinping, Mr. Li Junhong, Ms. Tong Pui Chi Lucia and Mr. Law Kwok Chung; (ii) one non-executive Director, namely Dr. Neil K. Gu; and (iii) three independent non-executive Directors, namely Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John.