



NEW CHINESE MEDICINE HOLDINGS LIMITED

(新 醫 藥 控 股 有 限 公 司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8085/Warrant Code: 8359)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

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 future 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 characteristics 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 gazetted 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 announcement, 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 announcement.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

For the year ended 31 March 2008:

- the turnover was approximately HK\$29,776,000;
- the loss attributable to equity holders was approximately HK\$13,369,000; and
- the directors do not recommend the payment of a final dividend.

AUDITED ANNUAL RESULTS

The board of Directors (the “Board”) of New Chinese Medicine Holdings Limited (the “Company”) hereby submits the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 March 2008, together with the comparative audited figures for the year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Turnover	5(a)	29,776	14,692
Cost of sales		(28,821)	(13,850)
Gross profit		955	842
Other revenue and net income	5(b)	2,322	3,504
Administrative and other operating expenses		(16,646)	(10,698)
Loss from operations		(13,369)	(6,352)
Finance costs	6	–	(276)
Loss before tax	7	(13,369)	(6,628)
Income tax	8	–	–
Loss for the year		<u>(13,369)</u>	<u>(6,628)</u>
Loss for the year attributable to:			
Equity holders of the Company		(13,369)	(6,628)
Minority interests		–	–
		<u>(13,369)</u>	<u>(6,628)</u>
Dividend	9	–	–
Loss per share (in HK cents)	10		
Basic		(1.5)	(1.0)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<u>135</u>	<u>181</u>
Current assets			
Inventories		586	1,867
Trade and other receivables	12	24,449	6,729
Cash and bank balances	13	48,333	11,538
		<u>73,368</u>	<u>20,134</u>
Current liabilities			
Trade and other payables	14	<u>1,555</u>	<u>5,083</u>
Net current assets			
		<u>71,813</u>	<u>15,051</u>
Net assets			
		<u><u>71,948</u></u>	<u><u>15,232</u></u>
Capital and reserves			
Share capital	15	42,125	30,086
Reserves		29,823	(14,854)
Equity attributable to equity holders of the Company			
		<u>71,948</u>	<u>15,232</u>
Minority interests		<u>–</u>	<u>–</u>
Total equity			
		<u><u>71,948</u></u>	<u><u>15,232</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company							Minority interests	Total equity	
	Share capital	Share premium	Convertible bonds equity reserve	Share options reserve	Translation reserve	Special reserve	Accumulated losses			
	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	3,036	-	322	(39,998)	(2,330)	1,989	-	1,989
Loss for the year	-	-	-	-	-	-	(6,628)	(6,628)	-	(6,628)
Transfer to profit or loss on disposal of foreign operations	-	-	-	-	(322)	-	-	(322)	-	(322)
Recognition of equity-settled share-based payments	-	-	-	5,824	-	-	-	5,824	-	5,824
Issue of ordinary shares upon exercise of share options	1,840	11,022	-	(5,824)	-	-	-	7,038	-	7,038
Issue of ordinary shares upon conversion of convertible bond	5,556	4,811	(3,036)	-	-	-	-	7,331	-	7,331
At 31 March 2007 and 1 April 2007	30,086	34,102	-	-	-	(39,998)	(8,958)	15,232	-	15,232
Loss for the year	-	-	-	-	-	-	(13,369)	(13,369)	-	(13,369)
Recognition of equity-settled share-based payments	-	-	-	9,922	-	-	-	9,922	-	9,922
Issue of ordinary shares under share subscriptions	12,000	47,717	-	-	-	-	-	59,717	-	59,717
Issue of ordinary shares upon exercise of bonus warrants	39	407	-	-	-	-	-	446	-	446
At 31 March 2008	42,125	82,226	-	9,922	-	(39,998)	(22,327)	71,948	-	71,948

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganization prior to the listing of the Company's shares in 2002.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

New Chinese Medicine Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The Company’s principal place of business in Hong Kong is situated at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sales of healthcare products in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new standards, amendment and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to its operations and are effective for accounting periods beginning on or after 1 April 2007. The adoption of the new HKFRSs has no significant effect on the Group’s accounting policies and amounts reported for the current and prior accounting periods in these financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors are in the process of making an assessment of the expected impact of these new and revised standards or interpretations upon initial application and so far consider that the application of these new standards or interpretations will have no material impact on the results and the financial position of the Group.

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

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2008

⁽²⁾ Effective for annual periods beginning on or after 1 July 2008

⁽³⁾ Effective for annual periods beginning on or after 1 January 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments which are measured at fair values.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities, that meet the conditions for recognition under HKFRS 3 Business Combinations, are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups), that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Capitalized goodwill on acquisitions of subsidiaries is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the unit(s) may be impaired. If the recoverable amount of the cash-generating unit(s) is less than the carrying amount of the unit(s), the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit(s) first, and then to the other assets of the unit(s) pro-rata on the basis of the carrying amount of each asset in the unit(s). Any impairment for goodwill is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable carrying amount of capitalized goodwill is included in the determination of the amount of gain or loss on disposal.

(d) Subsidiaries

A subsidiary is entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any impairment loss, unless the investment(s) is/are classified as held for sale.

(e) Non-current assets held for sales

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell.

(f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- (i) Sales income is recognized when goods are delivered and title has passed.
- (ii) Interest income is recognized on a time proportion basis, by reference to the principal outstanding using the effective interest method.
- (iii) Dividend income from investments is recognized when the shareholder's right to receive payment is established.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Interest in leasehold land is amortized over the lease term on a straight-line basis.

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise, except for exchange difference arising on a monetary item forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable net assets arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing on the balance sheet date. Exchange differences arising are included in the translation reserve.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Share options granted to employees are accounted for in accordance with the policies set out in note 3(q)(i)(1).

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, after taking into account of their estimated residual value, if any, using the straight-line method over their estimated useful lives, at the following rates:

Computer equipment and systems	30% per annum
Furniture, fixtures and equipment	20% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognized.

(m) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Impairment losses recognized in an interim financial report prepared in compliance with HKAS 34 Interim Financial Reporting are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of that financial year.

(n) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises purchase price and direct expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated expenses to be incurred in marketing, selling and distribution.

(o) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

- (1) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

- (2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

(ii) *Financial liabilities*

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or

- it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit and loss includes any interest paid on the financial liability.

(2) Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

(iii) *Convertible bonds*

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible bonds using the effective interest method.

(iv) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

(p) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(q) Share-based payment transactions

(i) Equity-settled share-based payment transactions

(1) Share options granted to employees

For share options granted to employees, the fair value of services received as determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

(2) Share options granted to suppliers

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments will be made to equity (share options reserve).

(ii) Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is re-measured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

(r) Related parties

A party is considered to be related to the Group if:

- (i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) The party is an associate;
- (iii) The party is a jointly-controlled entity;
- (iv) The party is a member of the key management personnel of the Group or its parent;
- (v) The party is a close member of the family of any individual referred to in (i) or (iv); or
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v).

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognized in the financial statements.

(i) *Impairment of assets*

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) *Income taxes*

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realized, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets, if any, at each balance sheet date and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

5. REVENUE

(a) An analysis of the Group's turnover for the year is as follows:

	2008	2007
	HK\$'000	HK\$'000
Sales of goods	29,776	14,692

(b) An analysis of the Group's other revenue and net income for the year is as follows:

	2008	2007
	HK\$'000	HK\$'000
Bank interest income	873	332
Gain on disposal of subsidiaries	–	1,727
Net foreign exchange gain	–	1
Sundry income	1,449	1,444
	2,322	3,504

6. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Imputed interest expense on the convertible bond	–	276

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
– salaries and allowances	2,920	1,995
– equity-settled share-based payments	2,849	5,824
– contributions to defined contributions retirement benefits schemes	74	39
	<u>5,843</u>	<u>7,858</u>
Auditors' remuneration	200	300
Depreciation of property, plant and equipment	59	51
Operating lease rentals in respect of rented premises	130	147
Carrying amount of inventories sold	28,821	13,850
Other equity-settled share-based payments		
– consultants' fees	7,073	–

8. INCOME TAX

Hong Kong profits tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit arising in or derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong profits tax and income tax of other jurisdictions has been made as the Group has no assessable profits for the year (2007: Nil).

No deferred tax has been recognized for the year as there are no material temporary differences which will result in a liability to be payable in the foreseeable future and the stream of taxable profits which will be available to utilize the tax losses is unpredictable.

The tax for the year can be reconciled to the accounting profit/(loss) as follows:

	2008	2007
	HK\$'000	HK\$'000
Loss before tax	(13,369)	(6,628)
Tax at the applicable rate of 17.5% (2007: 17.5%)	2,340	1,160
Tax effect of income not taxable	153	3,238
Tax effect of expenses not deductible and loss not allowable	(2,162)	(246)
Tax effect of estimated tax losses not recognized	(554)	(547)
Tax effect of temporary differences not recognized	4	13
Tax effect of utilisation of tax loss previously not recognized	219	–
Other	–	(3,618)
Income tax credit/(charge)	–	–

9. DIVIDEND

No dividend has been paid during the year nor proposed for the year (2007: Nil).

10. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the company of approximately HK\$13,369,000 (2007: approximately HK\$6,628,000) and the weighted average number of 895,834,747 (2007: 644,231,554) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 March 2008 and 31 March 2007 have not been disclosed as the share options and warrants and the convertible bond outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

11. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment information is presented as the Group's operations for the years ended 31 March 2008 and 31 March 2007 were related solely to the sales of healthcare products in Hong Kong.

Geographical segments

In determining the Group's geographical segments, revenue is 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. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in and over 90% of the Group's assets are located in the People's Republic of China, including Hong Kong.

12. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	6,014	6,555	–	–
Deposits and prepayments	18,435	174	18,379	126
	<u>24,449</u>	<u>6,729</u>	<u>18,379</u>	<u>126</u>

The aging analysis of trade receivables is as follows:–

	The Group		The Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	5,997	5,260	–	–
31 – 60 days	–	1,240	–	–
Over 60 days	17	55	–	–
	<u>6,014</u>	<u>6,555</u>	<u>–</u>	<u>–</u>

13. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

14. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	421	2,641	–	–
Other payables and accruals	1,134	2,442	101	287
	<u>1,555</u>	<u>5,083</u>	<u>101</u>	<u>287</u>

The aging analysis of trade payables is as follows:–

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
0 – 30 days	421	2,594	–	–
31 – 60 days	–	–	–	–
Over 60 days	–	47	–	–
	<u>421</u>	<u>2,641</u>	<u>–</u>	<u>–</u>

15. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Total Value HK\$'000
<i>Authorized (Ordinary shares of HK\$0.04 each):</i>		
At 1 April 2006, 31 March 2007 and 2008	5,000,000	200,000
<i>Issued and fully paid (Ordinary shares of HK\$0.04 each):</i>		
At 1 April 2006	567,250	22,690
Issue of new shares on conversion of convertible bond – note (a)	138,889	5,556
Issue of new shares upon exercise of share options – note (b)	46,000	1,840
At 31 March 2007 and 1 April 2007	752,139	30,086
Issue of new shares under share subscriptions – note (c)	300,000	12,000
Issue of new shares upon exercise of bonus warrants – note (d)	969	39
At 31 March 2008	1,053,108	42,125

Notes:

(a) Conversion of convertible bond

On 9 October 2006, the convertible bond with an aggregate principal amount of HK\$10,000,000 was converted into 138,888,890 shares of the Company at a price of HK\$0.072 per share.

(b) Exercise of share options

Share options were exercised by option-holders during the year ended 31 March 2007 to subscribe for a total of 46,000,000 shares in the Company by payment of subscription monies of HK\$7,038,000, of which HK\$1,840,000 was credited to share capital account and the balance of HK\$5,198,000 was credited to share premium account.

(c) **Share subscriptions**

On 24 September 2007, 300,000,000 shares of the Company were issued to subscribers at a total consideration of HK\$60,000,000, of which HK\$12,000,000 was credited to share capital account and the net balance after expenses of HK\$47,716,900 was credited to share premium account.

(d) **Exercise of bonus warrants**

Bonus warrants were exercised by warrant holders during the year ended 31 March 2008 to subscribe for a total of 968,989 shares in the Company by payment of subscription monies of HK\$445,735, of which HK\$38,759 was credited to share capital account and the balance of HK\$406,976 was credited to share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded an audited consolidated turnover of approximately HK\$29,776,000, which represented sales of healthcare products. The turnover for the year ended 31 March 2007 was approximately HK\$14,692,000.

As excluded the equity-settled share-based payments of approximately HK\$9,922,000 (2007: approximately HK\$5,824,000), the operating expenses for the year under review amounted to approximately HK\$6,724,000, representing an increase of approximately 38% as compared to that of 2007 of approximately HK\$4,875,000. The increase in operating expenses was mainly caused by professional and legal costs incurred for the bonus warrants issuance and increase in business activities.

Audited net loss attributable to the equity holders for the year amounted to approximately HK\$13,369,000 as compared to net loss of approximately HK\$6,628,000 in 2007.

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 healthcare 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 healthcare products. The increased public awareness of the Group's healthcare 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") and the circular dated 14 April 2008 (the "Circular"), 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 "Acquisition"). The Target Company had entered into eight acquisition agreements with the respective owners of the Cemetery Companies at an aggregate consideration of RMB248 million. 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. Pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting on 30 April 2008, the Acquisition was approved by the Shareholders. Details of the Acquisition were set out in the Circular dated 14 April 2008.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net current assets as at 31 March 2008 were approximately HK\$71,813,000 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 March 2008 (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 on 24 September 2007 as mentioned below. 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 respects with other shares then in 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 announcement.

The Company has entered into the Placing Agreement on 10 December 2007 and the Supplemental Agreements 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. Pursuant to an ordinary resolution passed by the Company’s shareholders at the extraordinary general meeting on 31 January 2008, the allotment and issue of the Placing Shares was approved by the shareholders. Details of the above share placing were set out in the Company’s circular dated 7 January 2008. The Company has further entered into the Second Supplemental Agreement on 3 April 2008 with the Placing Agent to extend the completion of the Placing Agreement (the “Extension”) for another three months from the date of passing of relevant resolution by the Shareholders. Pursuant to an ordinary resolution passed by the Company’s shareholders at the extraordinary general meeting on 30 April 2008, the Extension was approved by the Shareholders. Details of the Extension were set out in the Circular dated 14 April 2008.

GEARING RATIO

As at 31 March 2008, the Group’s gearing ratio, being the ratio of total liabilities to total assets, was approximately 2% (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 31 March 2008, the Group did not have any material charge on assets (2007: Nil).

SIGNIFICANT INVESTMENTS

Except for the Acquisition as mentioned above, the Group had no significant investments during the year.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the Acquisition as mentioned above, the Group had no material acquisitions or disposals during the year under review.

EMPLOYEE INFORMATION

As at 31 March 2008, the Group employed a total of 7 (31 March 2007: 4) full-time employees in Hong Kong. During the year ended 31 March 2008, the total staff costs, including directors' emoluments and equity-settled share-based payments, amounted to approximately HK\$5,843,000 (2007: approximately HK\$7,858,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice. Some directors waived their remuneration for the year ended 31 March 2008.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have any material contingent liabilities (2007: Nil).

COMMITMENTS

(a) Operating lease commitments

As at 31 March 2008, the Group had commitment for future minimum lease payments under non-cancelable operating lease which fall due as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 1 year	12	130
In the second to fifth years inclusive	—	23
	12	153

The operating lease relates to warehouse facilities for a term of two years from 5 June 2006 to 4 June 2008 at a monthly rental of HK\$10,800.

(b) Capital commitments

At at 31 March 2008, the capital commitments of the Group outstanding not provided for in the financial statements are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Acquisition of subsidiary contracted for	25,000	–
Deposit paid	(15,000)	–
	10,000	–

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2008, 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 Rule 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 shares	Interest in the Company's share capital
Mr. Chu Hon Pong	Personal	155,150,967	14.73%
Ms. Tong Pui Chi Lucia	Personal	1,300,000	0.12%
Mr. Law Kwok Chung	Personal	300,000	0.03%

(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 March 2008
Mr. Chu Hon Pong	Personal	730,434
Mr. An Jinping	Personal	1,304,347
Mr. Li Heguo	Personal	1,304,347
Mr. Li Junhong	Personal	1,304,347
Ms. Tong Pui Chi Lucia	Personal	339,130
Mr. Law Kwok Chung	Personal	78,260

(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 year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31/03/2008	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 March 2008, 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 Rule 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’s mandatory limit has been refreshed by shareholders to 105,219,106, being 10% of the total number of shares of the Company in issue at the date of the 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 announcement.

The following are details of the outstanding share options as at 31 March 2008:

Categories of grantees	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2007	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31/03/2008	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 Executive's 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 March 2008, the interests and short positions of persons 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	354,980,000	33.71%
Mr. Chu Hon Pong	155,150,967	14.73%
Mr. Mo Shikang (" <i>Mr. Mo</i> ", <i>Note</i>)	150,000,000	14.24%
Asian Allied Limited (" <i>Asian Allied</i> ", <i>Note</i>)	150,000,000	14.24%
Super Win Development Limited (<i>"Super Win"</i> , <i>Note</i>)	150,000,000	14.24%
Chinese People Holdings Company Limited (<i>"Chinese People"</i> , <i>Note</i>)	150,000,000	14.24%

Note:

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 March 2008
Mr. Chu Hon Pong	730,434

Save as disclosed above, as at 31 March 2008, 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 March 2008, 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 audited consolidated results for the year ended 31 March 2008 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 year ended 31 March 2008.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the year ended 31 March 2008 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 year ended 31 March 2008, 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 year ended 31 March 2008.

By order of the Board
New Chinese Medicine Holdings Limited
Liu Jing
Chairman

Hong Kong, 19 May 2008

As at the date of this announcement, the Board comprises (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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least seven days from the date of its publication and on the website of the Company at <http://www.ncm.com.hk>.