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## **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)

## **(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE AND (2) RESUMPTION OF TRADING**

### **PLACING AGENT**



### **KINGSTON SECURITIES LIMITED**

On 27 June 2008 (after trading hours), the Company has conditionally agreed to place, through the Placing Agent under the Placing on a best effort basis 150,000,000 Placing Shares to independent investors at a price of HK\$0.80 per Placing Share.

The 150,000,000 Placing Shares under the Placing represent (i) approximately 14.23 % of the existing issued share capital of the Company of 1,053,786,138 Shares; (ii) approximately 12.46% of the Company's issued share capital of 1,203,786,138 Shares as enlarged by the Placing.

The net proceeds of approximately HK\$116 million from the Placing is intended to be used for the Acquisition. The net proceeds raised per Share upon the completion of the Placing will be approximately HK\$0.77 per Placing Share.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing.

**Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.**

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

At the request of the Company, trading in the Shares and warrants of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 30 June 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares and warrants of the Company on the Stock Exchange from 9:30 a.m. on 2 July 2008.

## **THE PLACING AGREEMENT**

### **Date**

27 June 2008 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

The Placing Agent has conditionally agreed to place in aggregate of 150,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.50% on the gross proceeds of the Placing. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable given that this is within the range of commission for placing agents for similar deals. The Placing Agent and its ultimate beneficial owners are independent of and not connected persons (as defined in the GEM Listing Rules) of the Company and its connected persons (as defined in GEM Listing Rules).

### **Placees**

The Placing Agent agreed to place the Placing Shares on a best effort basis, to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons (as defined in the GEM Listing Rules) of the Company and will be independent of and will not be connected with the Company and its connected persons (as defined in the GEM Listing Rules). No individual Placee will become a substantial Shareholder (as defined under the GEM Listing Rules) immediately after the Placing.

### **Placing Shares**

The 150,000,000 Placing Shares under the Placing represent (i) approximately 14.23 % of the existing issued share capital of the Company of 1,053,786,138 Shares; (ii) approximately 12.46% of the Company's issued share capital of 1,203,786,138 Shares as enlarged by the Placing.

### **Ranking Placing Shares**

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

### **Placing Price**

The Placing Price was fixed on the day of which the Company and the Placing Agent entered into the Placing Agreement, i.e. 27 June 2008. The Placing Price of HK\$0.80 represents (i) a discount of 11.11% of the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 7.52% to the average closing price per Share of HK\$0.74 in the last five consecutive trading days prior to the date of the Placing Agreement. The Placing Price of HK\$0.80 also represents a premium of approximately 10.96% to the average closing price per Share of HK\$0.72 in the last ten consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the

Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **General Mandate**

The Placing Shares under the Placing will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM (i.e. 150,427,778 Shares). Up to the date of this announcement, none of the new Shares has been issued under the General Mandate.

### **Conditions of the Placing**

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

### **Termination and force majeure**

**The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date for completion of the Placing Agreement, there occurs:**

- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being**

**the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

### **Completion of the Placing**

The condition set out in the Placing Agreement is expected to be fulfilled on or before 28 July 2008. Completion of the Placing will take place on or before the fourth business day after the Placing Agreement becomes unconditional.

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **OTHER INFORMATION ON THE PLACING**

### **Reasons for the Placing and Use of proceeds**

The Directors consider that the Placing provides a good opportunity for the Group to raise funds to strengthen its capital base and improve its financial position to provide flexibility for the Group's future development and expansion, in particular the Acquisition.

Despite the dilutive effect and the best effort basis of the Placing, having considered factors including (i) the Placing enable the Company to broaden its shareholder base and give the Company an opportunity to introduce various investors; and (ii) the Company is not able to secure either bank financing or underwriting for rights issue or obtain such financing at better terms than those of the Placing Agreement, the Company considers that the Placing is appropriate in the circumstances.

The aggregate gross proceeds from the Placing is HK\$120 million and the aggregate net proceeds from the Placing of approximately HK\$116 million will be used for the Acquisition.

### **Fund raising activities in the past twelve months**

Save for the subscription of 150,000,000 new Shares by Mr. Chu Hon Pong, an executive Director of the Company and the subscription of 150,000,000 new Shares by Chinese People Gas Holdings Limited as announced on 16 August 2007, the Company does not have any fund raising exercises during the 12-month period prior to the date of this announcement. The net proceeds of the two subscriptions of Shares of approximately HK\$59 million were intended to be applied to strengthen the capital base of the Group in order to seize any investment opportunities to be identified by the Company and any remaining balance will be utilized as the Group's general working capital. As at the date of this announcement, approximately HK\$20 million of the net proceeds has been utilized for the Acquisition.

On 12 December 2007, the Company announced that the Company has entered into the Previous Placing Agreement for placing, on a best effort basis, of an aggregate of up to 400,000,000 new Shares in six separate tranches at HK\$1.00 per placing share. On 7 April 2008, the Company announced that the Company and the placing agent agreed to extend the completion of the Previous Placing Agreement for another three months from the date of passing of relevant resolution by the Shareholders. The resolution for such extension

was passed by the Shareholders on 30 April 2008. As at the date of this announcement, the first tranche of placing under the Previous Placing Agreement has not yet completed.

### Effects on shareholding structure

The changes of the shareholding structure of the Company as a result of the Placing, assuming all the Placing Shares are sold in full, are as follows:

Name of Shareholders	As at the date of this announcement		Immediate after completion of the Placing	
	Number of Shares	%	Number of Shares	%
Excel Point Holdings Limited (Note 1)	361,868,889	34.34	361,868,889	30.06
Chinese People Holdings Limited and parties acting in concert with it (Note 2)	172,000,000	16.32	172,000,000	14.29
Mr. Chu Hon Pong and parties acting in concert with him (Note 3)	195,311,095	18.53	195,311,095	16.22
The Placees	0	0.00	150,000,000	12.46
Other public Shareholders	324,606,154	30.81	324,606,154	26.97
<b>Total</b>	<b>1,053,786,138</b>	<b>100.00</b>	<b>1,203,786,138</b>	<b>100.00</b>

Notes :

1. A company wholly-owned by Mr. Wong Chun Keung, a former director and chairman of the Company.
2. Mr. Wong Ching, an executive director of Chinese People Holdings Limited, held 22,000,000 Shares and is a party acting in concert with Chinese People Holdings Limited.
3. Ms. Chu Cheong Hing Jenny, Mr. Chu Hon Pong's daughter, and Mr. Pang Wing Keung, Mr. Chu Hon Pong's son-in-law, held 25,331,292 Shares and 14,828,836 Shares respectively. They are parties acting in concert with Mr. Chu Hon Pong (an executive director of the Company) but are not connected or acting in concert with Excel Point Holdings Limited and Chinese People Holdings Limited.

### GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in trading and sales of healthcare products. Upon completion of the Acquisition, the Group will be engaged in funeral and related businesses.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

### RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and warrants of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 30 June 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the

resumption of trading in the Shares and warrants of the Company on the Stock Exchange from 9:30 a.m. on 2 July 2008.

## **Terms and definitions**

"Acquisition"	the proposed acquisition of all the equity interest of 北京中民安園投資有限公司 (Beijing Zhongmin Anyuan Investment Company Limited) as disclosed in the Company's circular dated 14 April 2008
"AGM"	the annual general meeting held on 30 August 2007
"Board"	the board of Directors
"Company"	New Chinese Medicine Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange
"General Mandate"	the general mandate granted to the Directors by the Shareholders at the AGM, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Last Trading Date"	27 June 2008, being the last trading day for the Shares before the date of this announcement
"Placee(s)"	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligations under the Placing Agreements
"Placing"	placing of 150,000,000 new Shares pursuant to the terms of the Placing Agreement
"Placing Agent"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	the conditional placing agreement entered between the Company and the Placing Agent dated 27 June 2008 in relation to the Placing

“Placing Price”	HK\$0.80 per Placing Share
“Placing Share(s)”	an aggregate of 150,000,000 new Shares to be placed under the Placing
“Previous Placing Agreement”	The placing agreement dated 10 December 2007 entered into between the Company and K.K.M. Securities Limited for placing, on a best effort basis, of an aggregate of up to 400,000,000 new Shares in six separate tranches at HK\$1.00 per placing share
“Share(s)”	ordinary share(s) of HK\$0.04 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**New Chinese Medicine Holdings Limited**  
**Mr. Liu Jing**  
*Chairman*

Hong Kong, 30 June 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.*

*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>.*