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## IMPORTANT

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**If you are in any doubt** as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold or transferred** all your shares in New Chinese Medicine Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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

This circular, for which the directors (the “Directors”) of New Chinese Medicine Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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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)*

### GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

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The notice convening the annual general meeting of the Company to be held at Meeting Room 409, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on 24th July, 2002 (Wednesday) at 10:00 a.m. is set out in the 2002 Annual Report.

*This circular will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the day of its posting.*

28th June, 2002

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meaning:*

|                           |  |
|---------------------------|--|
| “2002 Annual Report”      | the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st March, 2002;  |
| “AGM”                     | the annual general meeting of the Company to be held at Meeting Room 409, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on 24th July, 2002 (Wednesday) at 10:00 a.m.;   |
| “Company”                 | New Chinese Medicine Holdings Limited;   |
| “Directors”               | directors of the Company;  |
| “GEM”                     | The Growth Enterprise of the Stock Exchange;   |
| “GEM Listing Rules”       | the Rules Governing the Listing of Securities on GEM;  |
| “Issue Mandate”           | the general mandate to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the resolution approving the Issue Mandate;                                |
| “Latest Practicable Date” | 26th June, 2002, being the latest practicable date prior to the printing of this circular;   |
| “Repurchase Mandate”      | the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the resolution approving the Repurchase Mandate; |
| “Shareholders”            | holders of Shares;   |
| “Share(s)”                | shares of HK\$0.1 each in the share capital of the Company;  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited; and   |
| “Takeover Code”           | the Hong Kong Code on Takeovers and Mergers, as amended from time to time.   |

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## LETTER FROM THE CHAIRMAN

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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)*

*Executive Directors:*

Wong Cheah Foo (*Chairman*)

Leung Oi Wah

Chan Wai Ming, Billy

Gao Junqing

Lin Daquan

*Non-Executive Directors:*

Wan Choi Ha

Junya Kabeya

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

*Head office and principal  
place of business:*

A portion of the 1st Floor  
and the whole of the 2nd Floor,  
Wing Fai Mansion  
52 Wing Kwong Street  
Hungghom, Kowloon  
Hong Kong

28th June, 2002

*To the Shareholders*

Dear Sir and Madam,

### GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE SHARES

#### INTRODUCTION

The Company's existing mandates to repurchase Shares and issue Shares were approved by the Company's then shareholders on 1st February, 2002 prior to the listing of its Shares on GEM. Unless otherwise renewed, the existing mandates to repurchase Shares and issue Shares will lapse at the conclusion of the AGM. In order to ensure flexibility when it is desirable to repurchase Shares and to allot additional Shares, at the AGM separate ordinary resolutions will be proposed to grant to the Directors new general mandates to repurchase Shares and issue Shares. This circular contains the explanatory statement in compliance with the GEM Listing Rules and gives all information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

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## LETTER FROM THE CHAIRMAN

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A form of proxy for the AGM is enclosed with the 2002 Annual Report. Whether or not you intend to present at the AGM, you are requested to complete the form of proxy and return it to the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

### **GENERAL MANDATE TO REPURCHASE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors to repurchase Shares subject to the criteria set out in this circular. Shareholders should note that the maximum number of Shares that may be repurchased up to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution approving the Repurchase Mandate. The Repurchase Mandate to repurchase Shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by the articles of association of the Company or any applicable law and the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Issue Mandate to the Directors to allot, issue and deal with, otherwise than by way of rights or any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares in the Company or any Shares of the Company issued as scrip dividends pursuant to the articles of association of the Company, Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution approving the Issue Mandate. The Issue Mandate to issue Shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by the articles of association of the Company or any applicable law and the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **EXTEND GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed that the Issue Mandate will be extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution approving the Issue Mandate.

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## LETTER FROM THE CHAIRMAN

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### RECOMMENDATION

The Directors consider that the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate are in the best interests of the Company and its Shareholders and so recommend you to vote in favor of the resolutions at the forthcoming AGM. The Directors will vote for their shareholdings in favour of the resolutions.

Yours faithfully,  
**Wong Cheah Foo**  
*Chairman*

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## **EXPLANATORY STATEMENT**

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The following explanatory statement given to all Shareholders relating to a resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate.

### **1. EXERCISE OF THE REPURCHASE MANDATE**

Exercise in full of the Repurchase Mandate, on the basis of 469,000,000 Shares in issue as at the Latest Practicable Date, could accordingly result in up to 46,900,000 Shares being repurchased by the Company during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by the articles of association of the Company or any applicable law or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **2. REASONS FOR REPURCHASES**

The Directors have no present intention to repurchase any Shares but consider that the mandate provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company and its Shareholders. Such repurchases may enhance the net asset value of the Company and/or earnings per Share.

### **3. GENERAL**

As compared with the financial position of the Company as at 31st March, 2002 (being the date of its latest audited accounts), the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

### **4. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws and regulations of the Cayman Islands. The Company may not purchase Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### **5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the GEM Listing Rules) of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of Shares held by him/her to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

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## EXPLANATORY STATEMENT

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### 6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and the articles of association of the Company and the applicable laws of the Cayman Islands.

### 7. EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at Latest Practicable Date, to the best of the knowledge and belief of the Company, Great Fair Limited and Wealth Way Limited who held approximately 19.07% and 23.74% respectively of the issued share capital of the Company, and Sichuan Research Institute of New Medicine and Technique Enterprises Limited who held approximately 11.09% and 10.45% respectively of the issued share capital of the Company were the substantial shareholders holding more than 10% of the issued share capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares in accordance with the terms of the ordinary resolution to be proposed at the AGM the shareholdings of Great Fair Limited, Wealth Way Limited, Sichuan Research Institute of New Medicine and Technique Enterprises Limited in the Company would be increased to approximately 21.19%, 26.38%, 12.32% and 11.61% respectively of the issued share capital of the Company and such increase would not be give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The Company may not purchase Shares on GEM if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

### 8. SHARE PURCHASE MADE BY THE COMPANY

No purchases of Shares have been made by the Company since the listing of its Shares on GEM on 7th March, 2002.

### 9. SHARE PRICES

The highest and lowest prices at which the Shares have traded on GEM during each of the previous three months are as follows:

| Months      | PER SHARE              |                       |
|-------------|------------------------|-----------------------|
|             | Highest<br><i>HK\$</i> | Lowest<br><i>HK\$</i> |
| <b>2002</b> |                        |                       |
| March       | 0.78                   | 0.57                  |
| April       | 0.74                   | 0.60                  |
| May         | 1.20                   | 0.75                  |