
IMPORTANT

If you are in any doubt as to any aspect of this circular 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 circular, 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 circular.

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



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

The notice convening the annual general meeting of the Company to be held at Meeting Room, 1/F., Wing Fai Shopping Arcade, 52 Wing Kwong Street, Hunghom, Kowloon, Hong Kong on 8th August, 2003 (Friday) at 10:00 a.m. is set out in the 2003 Annual Report.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

8th July, 2003

CHARACTERISTICS OF GEM

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 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 characteristic 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 reports in gazette 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.

DEFINITIONS

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

“2003 Annual Report”	the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st March, 2003;
“AGM”	the annual general meeting of the Company to be held at Meeting Room, 1/F., Wing Fai Shopping Arcade, 52 Wing Kwong Street, Hunghom, Kowloon, Hong Kong on 8th August, 2003 (Friday) 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”	7th July, 2003, 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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time.



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

Lau Ka Ho

Gao Junqing

Lin Daquan

Non-Executive Directors:

Wan Choi Ha

Junya Kabeya

Tsoi Chi Yin

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

Wing Fai Mansion

52 Wing Kwong Street

Hunghom, Kowloon

Hong Kong

8th July, 2003

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.

LETTER FROM THE CHAIRMAN

A form of proxy for the AGM is enclosed with the 2003 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, Secretaries Limited, Ground Floor, BEA harbour View Centre, 56 Gloucester Road, Wanchai, 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 No. 4A 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 46,900,000 Shares, representing 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 No. 4B 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 93,800,000 shares, representing 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.

LETTER FROM THE CHAIRMAN

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed general mandate to repurchase Shares is set out in the Appendix to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate.

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

EXPLANATORY STATEMENT

This is an explanatory statement given to all Shareholders relating to the Resolution No. 4 to be proposed at the Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:

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, 2003 (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. UNDERTAKING

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.

EXPLANATORY STATEMENT

6. 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.

7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control, of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeovers 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 6.8% and 10.45% respectively of the issued share capital of the Company were the substantial shareholders holding more than 5% 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%, 7.58% 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.

EXPLANATORY STATEMENT

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 <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
July	1.200	1.080
August	1.280	1.110
September	1.210	1.070
October	–	–
November	0.350	0.016
December	0.340	0.094
2003		
January	0.134	0.083
February	0.099	0.043
March	0.070	0.036
April	0.078	0.032
May	0.050	0.035
June	–	–