
IMPORTANT

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.

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.



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)

GENERAL MANDATES TO REPURCHASE SHARES, ISSUE SHARES, AND NOTICE OF ANNUAL GENERAL MEETING AND RE-ELECTION OF DIRECTORS

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.

9 August, 2005

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 shall have the following meanings:

“AGM”	an annual general meeting of the Company to be held at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 31 August, 2005 at 10:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the AGM which is set out on pages 13 to 15 of this circular, or any adjournment thereof;
“Articles”	the Articles of the Company;
“Board”	the board of Directors;
“Company”	New Chinese Medicine Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the GEM board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	The Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issuance Mandate”	as defined in paragraph “General Mandate to issue shares” of the Letter from the Board;
“Latest Practicable Date”	29 July, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Repurchase Mandate”	as defined in paragraph “General Mandates to repurchase shares” of the Letter from the Board;
“Retiring Directors”	The Directors who will retire and, being eligible, will offer themselves for re-election at the AGM pursuant to the Articles;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;

DEFINITIONS

“Shares”	ordinary share(s) of HK\$0.04 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
“%”	per cent.



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)

Executive Directors:

Mr. Wong Chun Keung (*Chairman*)

Miss Tong Pui Chi, Lucia

Mr. Fung Cheuk Nang, Clement

Mr. Kam Yiu Ming, Wilfred

Independent non-Executive Directors:

Mr. Chu Kar Wing

Mr. Loke Yu (alias Loke Hoi Lam)

Mr. Ku Ling Yu, John

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 in Hong Kong:*

Room 802, Tower I

Harbour Centre

1 Hok Cheung Street

Hunghom, Kowloon

Hong Kong

9 August, 2005

To the Shareholders

Dear Sir and Madam,

**GENERAL MANDATES TO REPURCHASE SHARES,
TO ISSUE SHARES,
AND NOTICE OF ANNUAL GENERAL MEETING AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

At the annual general meeting of New Chinese Medicine Holdings Limited (the “Company”) (the “AGM”) to be held at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 31 August, 2005 at 10:00 a.m., resolutions will be proposed to grant to the directors (the “Directors”) of the Company general mandates to allot, issue and deal with new shares of the Company and to repurchase shares of the Company. This circular contains the explanatory statement in compliance

LETTER FROM THE BOARD OF DIRECTORS

with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange and to give all the information reasonably necessary to enable shareholders of the Company to make an informed decision on whether to vote for or against the resolutions.

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 56,725,000 Shares, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and prior to the AGM, 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, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and prior to the AGM, Shares not exceeding 113,450,000 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.

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.

LETTER FROM THE BOARD OF DIRECTORS

ANNUAL GENERAL MEETING

The notice of the AGM is set out on pages 13 to 15 of this circular.

A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy and return it to the Company's branch share register in Hong Kong, Standard Registrars Limited at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time of the meeting. Completion and return of the proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person or in the case of a Member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member or in the case of Member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Member.

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 favour of the resolutions at the AGM.

LETTER FROM THE BOARD OF DIRECTORS

RE-ELECTION OF DIRECTORS

In relation to resolution no. 2 set out in the notice of the AGM regarding the re-election of Directors, Mr. Wong Chun Keung, Miss Tong Pui Chi Lucia, Mr. Fung Cheuk Nang Clement, Mr. Ku Ling Yu John, will retire at the AGM pursuant to Article 86.(3) and Mr. Chu Kar Wing and Mr. Loke Hoi Lam will retire at the AGM pursuant to Article 87.(1) of the Articles of Association of the Company, and being eligible, offer themselves for re-election. Biographical details of the retiring Directors are set out below:

Mr. Wong Chun Keung

Mr. Wong Chun Keung, aged 52, has extensive experience in trading, merchandising and logistics businesses, and financial and real estate investments. He is also active in the Singaporean real estate market in recent years. Mr. Wong has management and investment experiences in different areas which may be beneficial to the Company.

Mr. Wong has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The amount of remuneration of Mr. Wong is fixed at HK\$48,000.00 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Mr. Wong did not hold any directorship in other listed companies in the past three years. Mr. Wong does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Mr. Wong for his directorship in the Company.

Save for his appointment as the chairman and the executive director of the Company as set out herein and his being the ultimate beneficial owner of the controlling shareholder of the Company, Mr. Wong does not have any relationships with any directors, senior management, management shareholders or substantial shareholder of the Company. As at the date hereof, Mr. Wong is interested in 354,980,000 shares of the Company, representing approximately 62.58% of the issued share capital of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Wong has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

Miss Tong Pui Chi Lucia

Miss Tong Pui Chi Lucia, aged 41, is experienced in management and business development both in Hong Kong and overseas. Ms. Tong has been engaged in the tourist-retailing industry for over 10 years which include the supervision of various investment projects such as the operation of the Duty Free Shops. She will be responsible for research and development in Chinese medicine, health and skin-care products as well as new investment opportunities.

Miss Tong has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The

LETTER FROM THE BOARD OF DIRECTORS

amount of remuneration of Miss Tong is fixed at HK\$38,000 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Miss Tong did not hold any directorship in other listed companies in the past three years. Save for her appointment as a director in one of the subsidiaries of the Company, namely Harvest Rich Limited, since September, 2004, she does not hold any other position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Miss Tong for his directorship in the Company.

Save for her appointment as the executive director of the Company as set out herein and being a director in one of the subsidiaries of the Company, namely Harvest Rich Limited, since September, 2004, Miss Tong does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the date hereof, Miss Tong did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Miss Tong has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Fung Cheuk Nang Clement

Mr. Fung Cheuk Nang Clement, aged 28, has gained extensive management experience in the development and manufacturing of consumer products for a number of years. Mr. Fung is also a director of a number of established privately-owned manufacturing companies in Hong Kong and PRC. His knowledge and expertise in the digital and electronic industry will be beneficial to the Company in research and development areas, especially in the field of medical and healthcare products.

Mr. Fung has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The amount of remuneration of Mr. Fung is fixed at HK\$38,000.00 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Mr. Fung did not hold any directorship in other listed companies in the past three years. Mr. Fung does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Mr. Fung for his directorship in the Company.

Save for his appointment as the executive director of the Company as set out herein, Mr. Fung does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the date hereof, Mr. Fung did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Fung has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD OF DIRECTORS

Mr. Ku Ling Yu John

Mr. Ku Ling Yu, John, aged 58, is a practising solicitor and Notary Public in the Hong Kong Special Administrative Region. Mr. Ku is also qualified to practise as a solicitor in England and Wales, and in Victoria, Australia. Mr. Ku served firstly as a non-executive director and later as an executive director of Magician Industries (Holdings) Limited (Stock Code: 526) during the period from June 2000 to March 2005. Save as disclosed herein, Mr. Ku did not hold any directorship in other listed companies in the past three years.

Mr. Ku has not entered into any service contract with the Company and is subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The amount of director's fee of Mr. Ku is fixed at HK\$96,000.00 per annum, which is determined by arm's length negotiation between the parties with reference to the estimated time to be spent by him on the Company's matters. Mr. Ku does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Mr. Ku for his directorship in the Company.

Save for his appointment as the independent non-executive director and audit committee member of the Company as set out herein, Mr. Ku does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the date hereof, Mr. Ku did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Ku has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Chu Kar Wing

Mr. Chu Kar Wing, aged 47, has over twenty years of experience in the banking industry and commerce. He graduated from the Chinese University of Hong Kong with a degree in Social Science in 1979.

Mr. Chu is currently an independent non-executive director of three Hong Kong listed companies, namely Emperor Entertainment Group Limited, Oriental Investment Corporation Limited and Foundation Group Limited.

Mr. Chu has not entered into any service contract with the Company and is subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The amount of director's fee of Mr. Chu is fixed at HK\$96,000.00 per annum, which is determined by arm's length negotiation between the parties with reference to the estimated time to be spent by him on the Company's matters. Mr. Chu does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Mr. Chu for his directorship in the Company.

LETTER FROM THE BOARD OF DIRECTORS

Save for his appointment as the independent non-executive director and audit committee member of the Company as set out herein, Mr. Chu does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the date hereof, Mr. Chu did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Chu has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Loke Yu alias Loke Hoi Lam

Mr. Loke Yu alias Loke Hoi Lam, aged 56, is the Chairman of MHL Consulting Limited. He has over 30 years of experience in accounting and auditing for private and public companies, management consultancy and corporate management.

Mr. Loke is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate of The Institute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants. He received his MBA Degree in Techno-Entrepreneurship from Universiti Teknologi Malaysia.

Mr. Loke is an independent non-executive director of Shandong Molong Petroleum Machinery Co. Ltd.; United Metals Holdings Ltd.; Matrix Holdings Ltd.; Yingkou Steel Rolling Ltd (formerly known as Yanion International Holdings Ltd.); and Wealthmark International Holdings Ltd., companies listed on The Stock Exchange of Hong Kong.

Mr. Loke has not entered into any service contract with the Company and is subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The amount of director's fee of Mr. Loke is fixed at HK\$96,000.00 per annum, which is determined by arm's length negotiation between the parties with reference to the estimated time to be spent by him on the Company's matters. Mr. Loke does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's remuneration, there are no other benefits or bonus provided to Mr. Loke for his directorship in the Company.

Save for his appointment as the independent non-executive director and audit committee member of the Company as set out herein, Mr. Loke does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the date hereof, Mr. Loke did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Loke has confirmed that there are no other matters that need to be brought to the attention of the Shareholders.

Yours faithfully,
Kam Yiu Ming, Wilfred
Director

EXPLANATORY STATEMENT

This is an explanatory statement given to all Shareholders relating to the Resolution No. 4A 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 567,250,000 Shares in issue as at the Latest Practicable Date, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and prior to the AGM, could accordingly result in up to 56,725,000 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 31 March, 2005 (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 the Latest Practicable Date, to the best knowledge and belief of the Company, Excel Point Holdings Limited, which held approximately 354,980,000 shares (62.58%), and Great Fair Limited and Wealth Way Limited which held approximately 50,200,160 shares (8.85%) of the issued share capital of the Company are 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 Excel Point Holdings Limited, Great Fair Limited and Wealth Way Limited in the Company would be increased to approximately 69.53%, and 9.83% respectively of the issued share capital of the Company and such increase would not 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 7 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 twelve months are as follows:

Months	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
August	0.035	0.030
September	0.035	0.035
October	0.035	0.020
November	0.035	0.020
December	0.033	0.030
2005		
January	0.033	0.020
February	0.030	0.021
March	0.030	0.023
April (27-30, April trading suspended)	0.030	0.025
May (30, May trading suspended)	0.040	0.030
June	0.056	0.120
		(Adjusted)
July (up to Latest Practicable Date)	0.064	0.084
		(Adjusted)

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of New Chinese Medicine Holdings Limited (the “Company”) will be held at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 31 August, 2005 at 10:00 a.m. for the following purposes:

1. To receive, consider and approve the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31 March, 2005.
2. To re-elect the retiring directors and to authorise the Board of Directors to fix the directors’ remuneration.
3. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and if thought fit, pass the following Ordinary Resolutions:

A. **“THAT**

- (a) subject to paragraph A(b) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;
- (b) the aggregate nominal amount of the shares of the Company authorised to be repurchased by the Company pursuant to the approval in paragraph A(a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the authority pursuant to paragraph A(a) shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

B. “THAT

- (a) subject to paragraph B(b) below, a general mandate be and is hereby unconditionally given to the Directors to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make and grant offers, agreements and options which would or might require the exercise of such powers, whether during the continuance of the Relevant Period or thereafter;
- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted or dealt with pursuant to the approval in paragraph B(a) above during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly:
 - (i) a rights issue where shares are offered for a period fixed by the Directors to shareholders on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, or in any territory applicable to the Company);
 - (ii) an issue of shares under 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 of the Company and approved by the Stock Exchange;

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- (iii) any issue of shares in the Company upon the exercise of subscription rights attaching to any warrants of the Company; or
 - (iv) any scrip dividend scheme or similar arrangement implemented in accordance with the articles of association of the Company; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT** conditional upon resolutions 4A and 4B being passed, the general mandate granted to the directors of the Company pursuant to resolution 4B to exercise the powers of the Company to allot shares in the capital of the Company be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution 4A, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”

By order of the Board
Kam Yiu Ming, Wilfred
Director

Hong Kong, 9 August, 2005

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
2. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Shares as if he is solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members in respect of such Share shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the meeting is enclosed with the document.
4. The form of proxy and power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be delivered to the office of Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong, not less than 48 hours before the time for holding of the meeting or adjourned meeting (as the case may be) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish. If a member who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.