
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 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)*

(Stock Code: 8085)

**PROPOSED ALTERATION TO THE ARTICLES OF ASSOCIATION;
PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

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.

10 July 2006

CHARACTERISTICS OF GROWTH ENTERPRISE 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 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 30 August 2006 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 11 to 16 of this circular, or any adjournment thereof;
“Articles”	the articles of association of the Company;
“Board”	the board of Directors;
“CG Code”	the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules;
“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;
“Extension Mandate”	as defined in paragraph “Extend General Mandate to Issue Shares” of the Letter from the Board;
“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;
“Issue Mandate”	as defined in paragraph “General Mandate to Issue Shares” of the Letter from the Board;
“Latest Practicable Date”	7 July 2006, 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;

DEFINITIONS

“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;
“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.

LETTER FROM THE BOARD OF DIRECTORS



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*

Mr. Wong Mo Wah, Gordon *Chief Executive Officer*

Ms. Tong Pui Chi, Lucia

Mr. Fung Cheuk Nang, Clement

Independent non-Executive Directors:

Mr. Chu Kar Wing

Dr. 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

10 July 2006

To the Shareholders

Dear Sir and Madam,

**PROPOSED ALTERATION TO THE ARTICLES OF ASSOCIATION;
PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the AGM and to give you notice of the AGM. Resolutions to be proposed at the AGM include a special resolution relating to the proposed alternations to the Articles and ordinary resolutions

LETTER FROM THE BOARD OF DIRECTORS

relating to the grant of the Issue Mandate, the Repurchase Mandate and Extension Mandate and re-election of Director. This circular contains the explanatory statement in compliance with the Listing Rules on the 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.

ALTERATIONS TO THE ARTICLES

In November 2004, the Stock Exchange made amendments to the GEM Listing Rules which came into effect on 1 January 2005. Amongst the various changes, the CG Code was introduced. It sets out principles of good corporate governance, and two levels of recommendations being code provisions and recommended best practices. Issuers are expected to comply with, but may choose to deviate from the code provisions whereas the recommended best practices are for guidance only.

The CG Code 4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Articles does not require the chairman of the board and/or managing director of the Company to retire from his office at each annual general meeting. In order to ensure full compliance with the CG Code 4.2, a special resolution will be proposed to amend the relevant provisions of the Articles of the Company at the AGM so that every director of the Company shall be subject to retirement by rotation at least once every three years.

A full text of the proposed alterations to the Articles is set out in resolution number 4 in the Notice of AGM contained in this circular.

Special resolution to amend the Articles of the Company requires not less than 75% of the votes cast by the Shareholders attending and entitled to vote at the AGM will be put forth as special business to be considered and approved by the Shareholders at the AGM.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution number 5A 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, 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 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 number 5B 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

LETTER FROM THE BOARD OF DIRECTORS

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, 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 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 Explanatory Statement contained in 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.

RE-ELECTION OF DIRECTORS

In relation to resolution number 2 set out in the Notice of AGM regarding the re-election of Directors, Mr. Wong Mo Wah Gordon will retire at the AGM pursuant to article 86(3) and Mr. Ku Ling Yu John will retire at the AGM pursuant to article 87(1) of the Articles of the Company, and being eligible, offer themselves for re-election. Biographical details of the retiring Directors are set out below:

Mr. Wong Mo Wah Gordon

Mr. Wong Mo Wah Gordon, aged 46, holds a Master of Business Administration degree from the University of Southern California. Mr. Wong has over 25 years' experience of securities trading, international property development and investment and holds directorships in a number of private companies in the investment and commercial sectors. Mr. Wong has served for over 23 years as one of the senior executives of an international private investment group based in Hong Kong.

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 the Company. The amount of remuneration of Mr. Wong is fixed at HK\$33,000.00 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Mr.

LETTER FROM THE BOARD OF DIRECTORS

Wong did not hold any directorship in other listed companies in the past three years. Mr. Wong holds certain directorships in other members of the Group. 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 executive director and chief executive officer of the Company as set out herein, Mr. Wong 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. Wong did not have any interests in shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, the Company does not have any other matters that need to be brought to the attention of the Shareholders of the Company or any other information that need to be disclosed pursuant to any of the requirement of Rule 17.50(2) of the GEM Listing Rules.

Mr. Ku Ling Yu John

Mr. Ku Ling Yu, John, aged 58, is a practising solicitor and Notary Public in Hong Kong. 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 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 fee, 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 member of the audit committee and the remuneration committee 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 SFO. Save as disclosed above, the Company does not have any other matters that need to be brought to the attention of the Shareholders of the Company or any other information that need to be disclosed pursuant to any of the requirement of Rule 17.50(2) of the GEM Listing Rules.

ANNUAL GENERAL MEETING

The Notice of the AGM is set out on pages 11 to 16 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 principal place of business in Hong Kong at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, 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.

LETTER FROM THE BOARD OF DIRECTORS

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the Articles 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 alternation to the Articles, the grant of the Repurchase Mandate, the Issue Mandate and the Extension Mandate and the re-election of Directors 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.

Yours faithfully,
For and on behalf of the Board
New Chinese Medicine Holdings Limited
Wong Chun Keung
Chairman

EXPLANATORY STATEMENT

This is an explanatory statement given to all Shareholders relating to the Resolution number 5A to be proposed at the AGM 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 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 2006 (being the date of its latest audited accounts), the Directors consider that there might be a material adverse impact on the working capital or 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 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 Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung which held approximately 40,160,128 shares (7.08%) 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, Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung in the Company would be increased to approximately 69.53%, and 7.87% 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>
2005		
July	0.084	0.064
August	0.135	0.051
September	0.101	0.090
October	0.110	0.100
November (24-25, November trading suspended)	0.090	0.090
December	0.080	0.080
2006		
January	0.090	0.084
February	no trading	no trading
March	0.074	0.074
April	0.075	0.028
May	no trading	no trading
June	no trading	no trading
July (up to Latest Practicable Date)	no trading	no trading

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 2006 Annual General Meeting of New Chinese Medicine Holdings Limited (the “Company”) will be held at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 30 August 2006 at 10:00 a.m. for the following purposes:

1. to receive and consider the audited financial statements of the Company and the reports of the directors and auditors for the year ended 31 March 2006;
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;

SPECIAL RESOLUTION

4. as special business, to consider and, if thought fit, pass the following resolution as special resolution:

“**THAT** the articles of association of the Company be and are hereby amended in the following manner:

A. Article 66

- (i) By inserting the words “voting by way of a poll is required by the rules of the Designated Stock Exchange or” after the words “decided on a show of hands unless” in the third sentence of Article 66;
- (ii) By deleting the full stop at the end of Article 66(d) and replacing therewith a semicolon and the word “or”;

NOTICE OF ANNUAL GENERAL MEETING

(iii) By inserting the following new Article 66(e):

“(e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.”

B. Article 68

By deleting the second sentence of Article 68 in its entirety and replacing therewith the following:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”

C. Article 86

By deleting the existing Article 86(5) in its entirety and replacing therewith the following new Article 86(5):

“(5) The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

By deleting the number “(4)” in the first sentence of Article 86(6) and substituting therefore the number “(5)”.

D. Article 87

(i) By deleting the existing Article 87(1) in its entirety and replacing therewith the following new Article 87 (1):

“87. (1) Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.”

(ii) By inserting the words “and shall continue to act as a Director throughout the meeting at which he retires” after the words “A retiring Director shall be eligible for re-election” in the first sentence of Article 87(2).

NOTICE OF ANNUAL GENERAL MEETING

E. Article 88

By deleting the existing Article 88 in its entirety and replacing therewith the following new Article 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

ORDINARY RESOLUTIONS

5. and, as special business to consider and, if thought fit, pass the following resolutions as 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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 5A and 5B being passed, the general mandate granted to the directors of the Company pursuant to resolution 5B 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 5A, 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.”

For and on behalf of the Board
New Chinese Medicine Holdings Limited
Wong Chun Keung
Chairman

Hong Kong, 10 July 2006

NOTICE OF ANNUAL GENERAL MEETING

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 Company's principal place of business in Hong Kong at Room 802, Tower I, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, 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.