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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

10 July 2007

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## **CHARACTERISTICS OF GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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*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 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on Thursday, 30 August 2007 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 14 of this circular, or any adjournment thereof;
“Articles”	the articles of association 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;
“Extension Mandate”	as defined in paragraph “Extend General Mandate to Issue Shares” of the Letter from the Board;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“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”	5 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“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;

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## DEFINITIONS

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“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.

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## LETTER FROM THE BOARD OF DIRECTORS

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### NEW CHINESE MEDICINE HOLDINGS LIMITED (新醫藥控股有限公司)

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8085)

*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  
Mr. Ng Tin Shui

*Independent non-Executive Directors:*

Mr. Chu Kar Wing  
Dr. Loke Yu (alias Loke Hoi Lam)  
Mr. Ku Ling Yu John

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands  
British West Indies

*Head office and principal place  
of business in Hong Kong:*

Room 802, Tower 1  
Harbour Centre  
1 Hok Cheung Street  
Hung Hom, Kowloon  
Hong Kong

10 July 2006

*To the Shareholders*

Dear Sir and Madam,

**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 ordinary resolutions relating to the grant of the Repurchase Mandate, the Issue Mandate and Extension Mandate and re-election of Directors. This circular contains the explanatory statement in compliance with the GEM Listing Rules 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.

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## **LETTER FROM THE BOARD OF DIRECTORS**

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

At the AGM, an ordinary resolution number 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 75,213,889 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 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, Shares not exceeding 150,427,778 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 number 4C 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 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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### RE-ELECTION OF DIRECTORS

In relation to resolution number 2 set out in the Notice of the AGM regarding the re-election of Directors, Mr. Ng Tin Shui will retire at the AGM pursuant to article 86(3) and Ms. Tong Pui Chi Lucia and Mr. Chu Kar Wing will retire at the AGM pursuant to article 87(1) of the Articles, and being eligible, offer themselves for re-election. Biographical details of the Retiring Directors are set out below:

#### **Mr. Ng Tin Shui**

Mr. Ng Tin Shui (“Mr. Ng”), aged 51, holds a Bachelor of Science degree in Engineering. Mr. Ng is a senior member of the American Society of Mechanical Engineers and Society of Manufacturing Engineers in the United States of America. He has over 20 years experience in manufacturing and marketing of traditional Chinese medicines in China and Hong Kong.

Mr. Ng has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the Articles. The remuneration of Mr. Ng (including other allowances) 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. Mr. Ng did not hold any directorship in other listed companies in the past three years. Mr. Ng does not hold any other position in the Company or 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. Ng for his directorship in the Company.

Save for his appointment as the executive director of the Company as set out herein, Mr. Ng 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. Ng 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.

#### **Ms. Tong Pui Chi Lucia**

Ms. Tong Pui Chi Lucia (“Ms. Tong”), aged 43, 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.

Ms. 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. The remuneration of Ms. Tong (including other allowances) is fixed at HK\$38,000 per month, which is determined by arm’s length negotiation between the parties with reference to her experience and general market conditions. Ms. Tong did not hold any directorship in other listed companies in the past three years. Ms. Tong 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 Ms. Tong for her directorship in the Company.

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## LETTER FROM THE BOARD OF DIRECTORS

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Save for her appointment as the executive director and chairlady of the remuneration committee of the Company as set out herein, Ms. 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, Ms. Tong is interested in 1,300,000 Shares (representing approximately 0.17% of the issued share capital of the Company) and 260,000 Warrants, 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. Chu Kar Wing**

Mr. Chu Kar Wing (“Mr. Chu”), aged 50, graduated from the Chinese University of Hong Kong with a degree in Social Science in 1979. Mr. Chu has over 20 years of experience in the banking industry and commerce. 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. Save as disclosed herein, Mr. Chu did not hold any directorship in other listed companies in the past three years.

Mr. Chu has been appointed for a fixed term of service with the Company, subject to retirement by rotation and other related provisions as stipulated in the Articles. The amount of director’s fee of Mr. Chu is fixed at HK\$96,000 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.

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. 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 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 14 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 1, 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 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 Shareholders present in person or in the case of a Shareholder 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 Shareholder or Shareholders present in person or in the case of a Shareholder 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 Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder 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 Shareholder or in the case of Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

### RECOMMENDATION

The Directors consider that 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,  
By order of the Board  
**New Chinese Medicine Holdings Limited**  
**Wong Chun Keung**  
*Chairman*

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## **EXPLANATORY STATEMENT**

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This is an explanatory statement given to all Shareholders relating to the Resolution number 4A 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 752,138,890 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 75,213,889 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 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 2007 (being the date of its latest audited accounts), the Directors consider that there might 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.

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## **EXPLANATORY STATEMENT**

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### **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 (47.20%), and Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung which held approximately 40,160,128 shares (5.34%) 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 52.44%, and 5.93% 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.

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## EXPLANATORY STATEMENT

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### 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>
<b>2006</b>		
July	0.062	0.024
August	0.074	0.054
September	0.650	0.050
October	0.445	0.190
November	0.199	0.139
December	0.190	0.125
<b>2007</b>		
January	0.380	0.126
February	0.270	0.218
March	0.270	0.220
April	0.700	0.250
May	0.810	0.520
June	1.500	0.660
July (up to Latest Practicable Date)	1.200	1.120

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## NOTICE OF ANNUAL GENERAL MEETING

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### NEW CHINESE MEDICINE HOLDINGS LIMITED (新醫藥控股有限公司)

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8085)

#### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2007 annual general meeting of New Chinese Medicine Holdings Limited (the “Company”) will be held at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on Thursday, 30 August 2007 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 the independent auditors for the year ended 31 March 2007;
2. to re-elect the retiring directors and to authorise the board of directors to fix the directors’ remuneration;
3. to re-appoint the independent auditors and to authorise the board of directors to fix their remuneration;
4. 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

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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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## NOTICE OF ANNUAL GENERAL MEETING

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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  
**New Chinese Medicine Holdings Limited**  
**Wong Chun Keung**  
*Chairman*

Hong Kong, 10 July 2007

*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.

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## NOTICE OF ANNUAL GENERAL MEETING

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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 1, 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.