
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 you should take, you should consult your 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 the transferee or the bank, stockbroker or other registered dealer or other agent whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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)

**SUBSCRIPTION OF 300,000,000 NEW SHARES
SUBJECT TO SHAREHOLDERS' APPROVAL**

A notice convening an extraordinary general meeting of New Chinese Medicine Holdings Limited to be held at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 18 September 2007 at 10:00 a.m. is set out on pages 23 to 24 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish. The form of proxy for use at the extraordinary general meeting or any adjourned meeting is also enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com).

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.

30 August 2007

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RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) 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.

DEFINITION

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

“Business Day”	means any day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and is not discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong throughout its normal opening hours;
“Company”	New Chinese Medicine Holdings Limited, a limited company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the GEM board of the Stock Exchange;
“Consent(s)”	including any license, consent, approval, authorization, permission, waiver, order or exemption;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the necessary resolutions in respect of the allotment and issue of the Subscription Shares;
“First Completion”	the performance by the Company and the First Subscriber of their respective obligations under the First Subscription Agreement;
“First Completion Date”	the actual date of completion of the First Subscription pursuant to the First Subscription Agreement;
“First Subscriber”	Chinese People Gas Holdings Company Limited, a company listed on the Main Board of the Stock Exchange;
“First Subscription”	the conditional subscription by the First Subscriber of the First Subscription Shares pursuant to the First Subscription Agreement;
“First Subscription Agreement”	the subscription agreement dated 13 August 2007 and the supplemental agreement dated 16 August 2007 entered into between the Company and the First Subscriber;
“First Subscription Shares”	150,000,000 new Shares to be subscribed by the First Subscriber under the First Subscription Agreement, representing approximately 19.94% of the existing issued share capital of the Company;

DEFINITION

“GEM”	means the Growth Enterprise Market operated by the Stock Exchange;
“Group”	the Company and its subsidiaries, which are principally engaged in the sales of healthcare products in Hong Kong;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	28 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange;
“PRC”	the People’s Republic of China;
“Second Completion”	the performance by the Company and the Second Subscriber of their respective obligations under the Second Subscription Agreement;
“Second Completion Date”	the actual date of completion of the Second Subscription pursuant to the Second Subscription Agreement;
“Second Subscriber”	Mr. Chu Hon Pong;
“Second Subscription”	the conditional subscription by the Second Subscriber of the Second Subscription Shares pursuant to the Second Subscription Agreement;
“Second Subscription Agreement”	the subscription agreement dated 13 August 2007 and the supplemental agreement dated 16 August 2007 entered into between the Company and the Second Subscriber;
“Second Subscription Shares”	150,000,000 new Shares to be subscribed by the Second Subscriber under the Second Subscription Agreement, representing approximately 19.94% of the existing issued share capital of the Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;

DEFINITION

“Shares”	ordinary shares of HK\$0.04 in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriptions”	the First Subscription and the Second Subscription;
“Subscription Agreements”	the First Subscription Agreement and the Second Subscription Agreement;
“Subscription Price”	HK\$0.20 per Subscription Share;
“Subscription Share(s)”	the First Subscription Shares and the Second Subscription Shares;
“%”	per cent.

LETTER FROM THE BOARD



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
Mr. Fung Cheuk Nang Clement
Ms. Tong Pui Chi Lucia
Mr. Wong Mo Wah Gordon
Mr. Ng Tin Shui

Independent Non-executive Directors:

Mr. Chu Kar Wing
Dr. 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:*

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

30 August 2007

To the Shareholders

Dear Sir or Madam,

SUBSCRIPTION OF 300,000,000 NEW SHARES
SUBJECT TO SHAREHOLDERS' APPROVAL

INTRODUCTION

The purpose of this circular is to provide you with information in relation to the resolutions to be proposed at the EGM relating to the proposed Subscriptions and to give you notice of the EGM.

LETTER FROM THE BOARD

SUBSCRIPTION OF SHARES

Introduction

It was announced on 16 August 2007 that the Directors proposed, subject to the satisfaction of the conditions as stated in the paragraph headed “Conditions of the First Subscription” and “Conditions of the Second Subscription” below, to issue 150,000,000 new Shares at HK\$0.20 per Subscription Share to each of the First Subscriber and the Second Subscriber.

THE SUBSCRIPTIONS

The Company has entered into (i) the First Subscription Agreement dated 13 August 2007 and the supplemental agreement dated 16 August 2007 with the First Subscriber; and (ii) the Second Subscription Agreement dated 13 August 2007 and the supplemental agreement dated 16 August 2007 with the Second Subscriber. Terms of the aforesaid agreements are summarised below.

THE FIRST SUBSCRIPTION AGREEMENT

Parties

- (1) The Company
- (2) The First Subscriber

The First Subscriber is Chinese People Gas Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. The First Subscriber is principally engaged in the supply of gas and gas pipeline connection business. Following the proposed name change as announced by the First Subscriber on 1 August 2007, the First Subscriber also expands into other businesses with a view for desirable revenue and cash income. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry and save for Mr. Wong Ching, an executive director of Chinese People Gas Holdings Company Limited, is interested in 37,000,000 Shares (about 4.92% of the existing share capital of the Company) as at the Latest Practicable Date, Chinese People Gas Holdings Company Limited is a party who is independent of and not connected or acting in concert with the Second Subscriber, the directors, chief executive or substantial shareholder of the Company and any of its subsidiaries or any associate of any of them. Save as disclosed herein, none of the associate of Mr. Wong Ching or the associate of the First Subscriber hold any Share as at the Latest Practicable Date.

First Subscription Shares

The First Subscriber has agreed to subscribe 150,000,000 new Shares representing approximately 19.94% of the existing issued share capital of the Company, approximately 16.62% of the enlarged issued share capital of the Company upon the First Completion and approximately 14.26% of the enlarged issued share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement.

The First Subscription Shares to be issued, when fully paid, will rank, upon issue, pari passu in all respects with the existing issued Shares.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.20 per First Subscription Share was agreed after arm's length negotiations between the Company and the First Subscriber and represents a discount of approximately 81.8% to the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on 10 August 2007, being the last full trading day before the terms of the First Subscription Agreement were fixed, and a discount of approximately 80.2% to HK\$1.01, being the average closing price for the last five trading days immediately prior to and including 10 August 2007; a discount of approximately 81.3% to HK\$1.07, being the average closing price for the last ten trading days prior to and including 10 August 2007; and a discount of approximately 82.1% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price of HK\$0.20 per First Subscription Share also represents a premium of approximately 900% to the net asset value of the Company of HK\$0.02 per Share as at 31 March 2007.

The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the First Subscription

Completion of the First Subscription is conditional upon the following conditions having been fulfilled and remaining fulfilled or waived by either party to the First Subscription Agreement (as the case may be):

1. the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in all the First Subscription Shares;
2. the passing of an ordinary resolution by Shareholders of the Company at an extraordinary general meeting of the Company approving the allotment and issue of the First Subscription Shares to the First Subscriber and the performance of all transactions contemplated thereunder;
3. all other Consents of the Stock Exchange, the Securities and Futures Commission of Hong Kong and any other applicable governmental or regulatory authorities or any other third party which are required or appropriate for the entering into and the implementation of the First Subscription Agreement having been given; and all applicable statutory and legal obligations, all applicable securities regulations and all requirements of the applicable authorities having been complied with;
4. the Shares remaining listed and traded on the Stock Exchange at all times from the date of the First Subscription Agreement up to the First Completion Date, save for any temporary suspension not exceeding 7 consecutive trading days (other than any temporary suspension relating to the clearance of any announcement in respect of the First Subscription Agreement), or such longer period as the First Subscriber may accept; and no indication being received on or before the First Completion Date from the Stock Exchange and/or the Securities and Futures Commission of Hong Kong to the effect that the listing of the Shares or the First Subscription Shares (as the case may be) on the Stock Exchange will or may be withdrawn

LETTER FROM THE BOARD

or objected to (or conditions will or may be attached thereto) as a result of the First Completion or in connection with the terms of the First Subscription Agreement;

5. the Company's warranties and representations in the First Subscription Agreement being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the First Completion; and
6. the First Subscriber's warranties and representations being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the First Completion.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the First Subscription Shares to be issued.

Pursuant to the supplemental agreement entered into between the Company and the First Subscriber, the First Subscription Agreement and the Second Subscription Agreement are inter-conditional.

Termination events

The First Subscription is subject to termination on occurrence of certain events before 4:00 p.m. (Hong Kong time) on the First Completion Date including:

1. any material breach of any of the representations and warranties; or
2. occurrence of any events which would render any such representations and warranties untrue or incorrect in any material respect; or
3. a breach by any of the parties to the First Subscription Agreement of any other provision of the First Subscription Agreement.

First Completion

First Completion is expected to take place on or before the fifth Business Day after the conditions precedent of the First Subscription Agreement have been fulfilled.

The First Subscription Agreement will lapse if the conditions precedent thereof are not satisfied by 31 October 2007, or such other date as may be agreed between the parties to the First Subscription Agreement.

The First Subscriber will not nominate any representatives to the Board by the only reason of the First Subscription Agreement.

LETTER FROM THE BOARD

THE SECOND SUBSCRIPTION AGREEMENT

Parties

- (1) The Company
- (2) The Second Subscriber

The Second Subscriber is Mr. Chu Hon Pong. Mr. Chu has over 30 years' experience in international trade, manufacturing, business and industrial management. Mr. Chu is an independent non-executive director of DVN (Holdings) Limited, a company listed on the Main Board of the Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry and save for Mr. Chu is interested in 29,800,967 Shares (about 3.96% of the existing share capital of the Company) as at the Latest Practicable Date, Mr. Chu is a party who is independent of and not connected or acting in concert with the First Subscriber, the directors, chief executive or substantial shareholder of the Company and any of its subsidiaries or any associate of any of them. As confirmed by Mr. Chu, none of the associate of Mr. Chu holds any Shares as at the Latest Practicable Date.

The Board intends to appoint Mr. Chu as an executive Director immediately upon completion of the Second Subscription Agreement.

Second Subscription Shares

The Second Subscriber has agreed to subscribe 150,000,000 new Shares representing approximately 19.94% of the existing issued share capital of the Company, approximately 16.62% of the enlarged issued share capital of the Company upon Second Completion and 14.26% of the enlarged issued share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement.

The Second Subscription Shares to be issued, when fully paid, will rank, upon issue, *pari passu* in all respects with the existing issued Shares.

Subscription Price

The Subscription Price of HK\$0.20 per Second Subscription Share was agreed after arm's length negotiations between the Company and the Second Subscriber and represents a discount of approximately 81.8% to the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on 10 August 2007, being the last full trading day before the terms of the Second Subscription Agreement were fixed, and a discount of approximately 80.2% to HK\$1.01, being the average closing price for the last five trading days immediately prior to and including 10 August 2007; discount of approximately 81.3% to HK\$1.07, being the average closing price for the last ten trading days prior to and including 10 August 2007; and a discount of approximately 82.1% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price of HK\$0.20 per Second Subscription Share also represents a premium of approximately 900% to the net asset value of the Company of HK\$0.02 per Share as at 31 March 2007.

LETTER FROM THE BOARD

The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Conditions of the Second Subscription

Completion of the Second Subscription is conditional upon the following conditions having been fulfilled and remaining fulfilled or waived by either party to the Second Subscription Agreement (as the case may be):

1. the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in all the Second Subscription Shares;
2. the passing of an ordinary resolution by Shareholders of the Company at an extraordinary general meeting of the Company approving the allotment and issue of the Second Subscription Shares to the Second Subscriber and the performance of all transactions contemplated thereunder;
3. all other Consents of the Stock Exchange, the Securities and Futures Commission of Hong Kong and any other applicable governmental or regulatory authorities or any other third party which are required or appropriate for the entering into and the implementation of the Second Subscription Agreement having been given; and all applicable statutory and legal obligations, all applicable securities regulations and all requirements of the applicable authorities having been complied with;
4. the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Second Subscription Agreement up to the Second Completion Date, save for any temporary suspension not exceeding 7 consecutive trading days (other than any temporary suspension relating to the clearance of any announcement in respect of the Second Subscription Agreement), or such longer period as the Second Subscriber may accept; and no indication being received on or before the Second Completion Date from the Stock Exchange and/or the Securities and Futures Commission of Hong Kong to the effect that the listing of the Shares or the Second Subscription Shares (as the case may be) on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the Second Completion or in connection with the terms of the Second Subscription Agreement;
5. the Company's warranties and representations in the Second Subscription Agreement being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the Second Completion; and
6. the Second Subscriber's warranties and representations being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the Second Completion.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Second Subscription Shares to be issued.

LETTER FROM THE BOARD

Pursuant to the supplemental agreement entered into between the Company and the Second Subscriber, the First Subscription Agreement and the Second Subscription Agreement are inter-conditional.

Termination events

The Second Subscription is subject to termination on occurrence of certain events before 4:00 p.m. (Hong Kong time) on the Second Completion Date including:

1. any material breach of any of the representations and warranties; or
2. occurrence of any events which would render any such representations and warranties untrue or incorrect in any material respect; or
3. a breach by any of the parties to the Second Subscription Agreement of any other provision of the Second Subscription Agreement.

Second Completion

Second Completion is expected to take place on or before the fifth Business Day after the conditions precedent of the Second Subscription Agreement have been fulfilled.

The Second Subscription Agreement will lapse if the conditions precedent thereof are not satisfied by 31 October 2007, or such other date as may be agreed between the parties to the Second Subscription Agreement.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company upon issue of the Subscription Shares are set out below:

Name of shareholder	As at the Latest Practicable Date		Immediately after completion of the Subscriptions	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Excel Point Holdings Limited and its concert parties <i>(Note 1, 2)</i>	354,980,000	47.2	354,980,000	33.7
The First Subscriber and its concert parties, including Mr. Wong Ching, the executive director of the First Subscriber <i>(Note 2)</i>	37,000,000	4.9	187,000,000	17.8
The Second Subscriber and its concert parties <i>(Note 2, 3)</i>	69,961,095	9.3	219,961,095	20.9
Public shareholders	290,197,795	38.6	290,197,795	27.6
Total	<u>752,138,890</u>	<u>100.0</u>	<u>1,052,138,890</u>	<u>100.0</u>

Notes:

1. Excel Point Holdings Limited is wholly-owned by Mr. Wong Chun Keung, a Director.
2. Excel Point Holdings Limited, the First Subscriber and the Second Subscriber are not connected persons or concert parties of each other. Upon completion of the Subscriptions, none of the First Subscriber or the Second Subscriber together with their respective concert parties would hold 30% or more of the voting rights of the Company.
3. Ms. Chu Cheong Hing Jenny, the Second Subscriber's daughter, and Mr. Pang Wing Keung, the Second Subscriber's son-in-law, held 25,331,292 Shares and 14,828,836 Shares respectively. They are parties acting in concert with the Second Subscriber but are not connected or acting in concert with Excel Point Holdings Limited and the First Subscriber.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Directors consider that the Subscriptions provide a good opportunity for the Group to raise funds to strengthen its capital base and improve its financial position to provide flexibility for the Group's future development and expansion. Taking into account the lower cost and shorter time required for the Subscriptions when compared with other means of equity fund raising exercises such as rights issue or open offer, the Directors believe that the Subscriptions are the preferred method.

Despite the Subscription Price of HK\$0.20 per Share represents a substantial discount to the current market prices of the Shares, the Directors consider that the terms of the Subscription Agreements (including the Subscription Price) are fair and reasonable after taking into account (a) for the three months ended 30 June 2007, the Group recorded an unaudited consolidated revenue of approximately HK\$7,709,000 and unaudited net loss attributable to the equity holders of HK\$848,000; (b) for the year ended 31 March 2007, the Group recorded an audited consolidated revenue of HK\$14,692,426 and audited net loss attributable to the equity holders of HK\$6,628,342; (c) the Subscription Price of HK\$0.20 represents a premium of approximately 900% to the net asset value of the Company of HK\$0.02 per Share as at 31 March 2007; and (d) it will be desirable and justifiable for the Company to raise fund through the Subscriptions which will enable the Group to be in a better position to participate in any premium investment opportunities to be identified. As the First Subscribers and the Second Subscribers are selected based on their relationships and networks in the PRC and their management expertise, the Directors are of the view that the Subscriptions will at the same time allow the Group to utilise the connections of the First Subscriber and the Second Subscriber in the PRC.

Based on the above, the Directors consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

The aggregate net proceeds of the Subscriptions, after deduction of expenses of approximately HK\$1 million which is payable by the Company, are estimated to be approximately HK\$59 million. The Company intends to apply such amount to strengthen the capital base of the Group in order to seize any investment opportunities to be identified by the Company and any remaining balance will be utilized as the Group's general working capital. As at the Latest Practicable Date, the Directors are still considering the future strategy of the Group's business activities and no suitable investment opportunities have been identified by the Directors.

FUND RAISING ACTIVITIES OF THE COMPANY

Save for the Subscriptions, the Company does not have any fund raising exercises during the 12-month period prior to the Latest Practicable Date.

EXTRAORDINARY GENERAL MEETING

A general mandate was granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 August 2006 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting. No Share has been allotted or issued under the general mandate as at the Latest Practicable Date.

LETTER FROM THE BOARD

In view of the fact that the number of Subscription Shares exceeds the number of Shares granted under the general mandate and the Subscription Prices represent a discount of 20% or more of the benchmarked price of the Shares as set out in Rule 17.42B of the Listing Rules, the Subscription Shares cannot be issued under the general mandate and the Shareholder's approval on the Subscriptions at the EGM is required.

The notice convening the EGM is set out on pages 23 to 24 of this circular. Resolutions in respect of the Subscriptions will be proposed at the EGM.

A form of proxy for the EGM is enclosed with this circular and published on the GEM website (www.hkgem.com). If you are not able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon 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, Hung Hom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

As the First Subscription Agreement and the Second Subscription Agreement are inter-conditional, both Mr. Wong Ching, being an executive director of the First Subscriber, his associates and parties acting in concert with him holding an aggregate of 37,000,000 Shares (or about 4.9% of the existing issued share capital of the Company) and Mr. Chu Hon Pong, being the Second Subscriber, his associates and parties acting in concert with him holding an aggregate of 69,961,095 Shares (or about 9.3% of the existing issued share capital of the Company) will abstain from voting at the EGM with regard to the ordinary resolutions approving the Subscription Agreements and all transactions contemplated thereunder. Pursuant to Rule 17.47(4)(e) of the Listing Rules, the abovementioned voting at the EGM will be taken by poll.

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 Shareholders presents 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 and 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

LETTER FROM THE BOARD

- (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 the same as a demand by a Shareholder.

RECOMMENDATION

The Directors consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the relevant resolutions to be proposed at the EGM.

GENERAL INFORMATION

An application will be made by the Company to the Listing Committee of the GEM for the listing of, and permission to deal in the Subscription Shares. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

The Company was listed on GEM on 7 March 2002. The principal activities of the Group are the sales of healthcare products in Hong Kong.

Yours faithfully,
By order of the Board
New Chinese Medicine Holdings Limited
Wong Chun Keung
Chairman

1. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and following completion of the Subscription Agreements as following:

HK\$

Authorised:

<u>5,000,000,000</u>	Shares as at the Latest Practicable Date	<u>200,000,000</u>
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Issued and to be issued and fully paid up or credited as fully paid up:

752,138,890	Shares in issue as at the Latest Practicable Date	30,085,556
300,000,000	Subscription Shares to be issued upon completion of the Subscriptions	12,000,000
<u>1,052,138,890</u>	Shares in issue upon completion of the Subscriptions	<u>42,085,556</u>

As at the Latest Practicable Date, the Company has 150,427,778 outstanding bonus warrants (“Warrants”) which entitle holders thereof to subscribe for 150,427,778 new Shares at an initial subscription price of HK\$0.60 per new Share, subject to adjustment, at any time during the period from 29 June 2007 to 30 June 2010 (both dates inclusive). In order to exercise his subscription rights, a holder of Warrants must complete and sign the subscription form and deliver the Warrants certificate to Tricor Standard Limited in Hong Kong together with a remittance for the relevant subscription monies.

As at the Latest Practicable Date, save for the Warrants, the Company does not have any other outstanding convertible securities, warrants, derivatives, conversion rights or subscription rights.

2. DISCLOSURE OF INTERESTS

(A) Directors’ and Chief Executive’s Interests in Shares

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under

Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

(1) *Long positions in the shares of the Company*

Name of directors	Type of interest	Number of share	Interest in the Company's share capital
Mr. Wong Chun Keung	Corporate (Note)	354,980,000	47.20%
Mr. Wong Mo Wah Gordon	Personal	7,000,000	0.93%
Mr. Fung Cheuk Nang Clement	Personal	7,000,000	0.93%
Ms. Tong Pui Chi Lucia	Personal	1,300,000	0.17%

Note:

These shares are registered in the name of Excel Point Holdings Limited, a company wholly and beneficially owned by Mr. Wong Chun Keung.

(2) *Long positions in the underlying shares of the Company*

Name of directors	Type of interest	Number of warrants and number of shares entitled pursuant to the full exercise of the warrants held as at the Latest Practicable Date
Mr. Wong Chun Keung	Corporate (Note)	70,996,000
Mr. Wong Mo Wah Gordon	Personal	1,400,000
Mr. Fung Cheuk Nang Clement	Personal	1,400,000
Ms. Tong Pui Chi Lucia	Personal	260,000

Note:

These warrants are registered in the name of Excel Point Holdings Limited, a company wholly and beneficially owned by Mr. Wong Chun Keung.

Save as disclosed above, as at Latest Practicable Date, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

As at the Latest Practicable Date, save for the interest of Mr. Wong Chun Keung through his shareholding interests in Excel Point Holdings Limited, none of the Directors has any interest in any assets which have been, since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Group, or are proposed to be acquired, disposed of or leased to any member of the Group.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the reporting period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

(B) Substantial Shareholders

Substantial Shareholders

As at the Latest Practicable Date, the interests and short positions of persons, other than a director or chief executive officer of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(1) *Long positions in the shares of the Company*

Name of shareholder	Direct/indirect interest	Approximate percentage of shareholding
Excel Point Holdings Limited (<i>Note 1</i>)	354,980,000	47.20%
Ms. Chu Cheong Hing Jenny (<i>Note 2</i>)	40,160,128	5.34%
Mr. Pang Wing Keung (<i>Note 2</i>)	40,160,128	5.34%

Notes:

- Excel Point Holdings Limited is wholly and beneficially owned by Mr. Wong Chun Keung, the chairman of the Group.
- These are joint interests of spouse held by Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung.

(2) *Long positions in the underlying shares of the Company*

Name of shareholder	Number of warrants and number of shares entitled pursuant to the full exercise of the warrants held as at the Latest Practicable Date
Excel Point Holdings Limited (<i>Note 1</i>)	70,996,000
Ms. Chu Cheong Hing Jenny (<i>Note 2</i>)	8,032,025
Mr. Pang Wing Keung (<i>Note 2</i>)	8,032,025

Notes:

1. Excel Point Holdings Limited is wholly and beneficially owned by Mr. Wong Chun Keung, the chairman of the Group.
2. These are joint interests of spouse held by Ms. Chu Cheong Hing Jenny and Mr. Pang Wing Keung.

Save as disclosed above, as at the Latest Practicable Date, the directors or chief executive officer of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

(C) Management Shareholders

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at the Latest Practicable Date, was entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with businesses of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

4. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

5. MATERIAL CHANGE

Save for the information disclosed in this circular, the Directors are not aware of any material change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited accounts of the Group as at 31 March 2007 were made up.

6. LITIGATION

As at the Latest Practicable Date, the Directors were aware that:

- (a) A writ of summons was filed by two plaintiffs against, among others, Wondergold Limited ("Wondergold"), a subsidiary of the Company, on 4 January 2005 regarding, inter alia, a claim for breach of an agreement by Wondergold and other losses and damages (including but not limited to the damages for breach of trust by Wondergold, damages for detinue and/or conversion and the net proceeds for sale of goods and the repayment of HK\$1,500,000 which was already repaid by Wondergold) alleged to be suffered by the plaintiffs. The plaintiffs also sought an injunction against Wondergold to restrain Wondergold from selling or disposing of or in any way deal with the said goods. It was adjudged and declared by the High Court of Hong Kong on 16 June 2006, the goods and those remaining unsold as pleaded in the Amended Statement of Claim as at 22 November 2004 are the property of one of the plaintiff. It was further adjudged that Wondergold has to give an account as at 22 November 2004 of all sales of the goods achieved on the premises, of the net proceeds of those sales and of the goods remaining unsold on the premises and an order for payment to one of the plaintiff, of all sum found due on the taking of the account and all further proper accounts, inquiries and directions as pleaded in the Amended Statement of Claim; damages for detinue and/or conversion to be assessed; and costs of the High Court action. On 8 August 2006, Wondergold's monthly profit and loss accounts were presented to the plaintiff's lawyer. As at the Latest Practicable Date, no further action was taken by the two plaintiffs. The directors consider that no further provision in respect of the claim is necessary.
- (b) A writ of summons was filed by Brilliant Wealth Investment Limited in the District Court against Wondergold on 20 September 2005 for arrears of rent, rates, management fees, air-conditioning charges and mesne profits in the sum of HK\$568,371.55 and for damages to be assessed. It was adjudged by the District Court of Hong Kong on 6 March 2006 that Wondergold has to pay the plaintiff the sum of HK\$568,371.55 together with interest thereon, which had been fully provided for in Wondergold's financial statements. As at the Latest Practicable Date, no further action was taken by the plaintiff.

Save as disclosed above and as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance were pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years which will continue thereafter until terminated by either party by giving to the other not less than three months prior written notice. Each of the independent non-executive directors has entered into a service agreement with the Company which shall expire on 30 June 2008. The agreement may be terminated by either party by giving to the other not less than one month prior written notice.

8. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The principal bankers of the Company are Hong Kong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited.
- (e) The secretary and qualified accountant of the Company is Mr. Law Kwok Chung, CPA, FCCA and ACA.
- (f) The compliance officer of the Company is Mr. Wong Mo Wah Gordon.
- (g) The Company has established an audit committee with written terms of reference in compliance with the relevant GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting system and internal control procedures of the Group. The audit committee of the Company comprises the three independent non-executive Directors, namely, Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John. The chairman of the audit committee is Dr. Loke Hoi Lam.
- (h) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, only the following contracts that are or may be material, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries:

- (a) a deed of settlement dated 24 November 2005 (the "Deed of Settlement") entered into by the Company and Mr. Ng Siu Fung (the "Creditor"), pursuant to which the Creditor irrevocably agreed that a remaining indebtedness of HK\$12,229,742.70 shall be settled by the issuance of a redeemable convertible bond by the Company to the Creditor in the aggregate principal amount of HK\$10,000,000 with a term of 5 years;

- (b) a subscription agreement dated 24 November 2005 (the “CB Agreement”) entered into by the Company and the Creditor, pursuant to which the Company agreed to issue and the Creditor agreed to subscribe for a redeemable convertible bond in the aggregate principal amount of HK\$10,000,000 with a term of 5 years;
- (c) the First Subscription Agreement; and
- (d) the Second Subscription Agreement

Save as disclosed above, no contracts were entered by into the Company or its subsidiaries which were not in the ordinary course of business and are or may be material in the two years immediately preceding the date of this circular and up to the Latest Practicable Date.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. from Monday to Friday (except for public holidays) at the head office and principal place of business of the Company at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong up to and including 17 September 2007:

- (1) the memorandum and articles of association of the Company;
- (2) the annual reports of the Company for the two years ended 31 March 2006 and 31 March 2007;
- (3) the Company’s circular dated 13 December 2005 in relation to the Deed of Settlement and CB Agreement;
- (4) the Company’s circular dated 8 June 2007 in relation to the proposed bonus issue of listed warrants;
- (5) the Deed of Settlement;
- (6) the CB Agreement;
- (7) the First Subscription Agreement;
- (8) the Second Subscription Agreement; and
- (9) this circular.

NOTICE OF EXTRAORDINARY 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 IS HEREBY GIVEN that the extraordinary 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 Tuesday, 18 September 2007 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“**THAT** (i) the First Subscription Agreement (as defined in the circular dated 30 August 2007 despatched to the shareholders of the Company (the “Circular”)), a copy of which has been produced to this meeting marked “A” and signed by the Chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; (ii) the allotment and issue of the First Subscription Shares (as defined in the Circular) to the First Subscriber pursuant to the First Subscription Agreement (as defined in the Circular) be and is hereby approved; and (iii) the directors of the Company be and are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry and implement the First Subscription Agreement (as defined in the Circular) and all the transactions contemplated thereunder into full effect.”

“**THAT** (i) the Second Subscription Agreement (as defined in the circular dated 30 August 2007 despatched to the shareholders of the Company (the “Circular”)), a copy of which has been produced to this meeting marked “B” and signed by the Chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; (ii) the allotment and issue of the Second Subscription Shares (as defined in the Circular) to the Second Subscriber pursuant to the Second Subscription Agreement (as defined in the Circular) be and is hereby approved; and (iii) the directors of the Company be and are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry and implement the Second Subscription Agreement (as defined in the Circular) and all the transactions contemplated thereunder into full effect.”

By order of the Board
New Chinese Medicine Holdings Limited
Wong Chun Keung
Chairman

Hong Kong, 30 August 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at 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 appointed for holding the meeting (or any adjournment thereof).
3. A form of proxy for use in connection with the EGM is enclosed and such form of proxy is also published on the GEM website (www.hkgem.com).
4. Completion and deposit of the form of proxy will not preclude members from attending and voting at the meeting or any adjournment thereof should they so wish, and in such event, the form of proxy will be deemed to be revoked.
5. Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names are stated in the registered of members of the Company in respect of the joint holding.