
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.

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.

**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)

**REFRESHMENT OF THE SCHEME MANDATE LIMIT
OF THE SHARE OPTION SCHEME**

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 Thursday, 8 November 2007 at 10:00 a.m. is set out on pages 6 to 7 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.

24 October 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 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.

DEFINITIONS

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

“Board”	the board of Directors;
“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;
“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 Proposed Refreshment;
“GEM”	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;
“Latest Practicable Date”	22 October 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;
“Proposed Refreshment”	the proposed refreshment of the limit in respect of the granting of share options under the Share Option Scheme and all other share option scheme(s) up to 10% of the total number of Shares in issue as at the date of approval of such refreshment by passing of an ordinary resolution by the Shareholders at the EGM;
“Scheme Mandate Limit”	the maximum number of Shares that may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option schemes;
“Share(s)”	ordinary share(s) of HK\$0.04 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share;
“Share Option Scheme”	the share option scheme adopted by the Company on 1 February 2002;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	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. An Jinping
Mr. Li Hequo
Mr. Chu Hon Pong
Ms. Tong Pui Chi Lucia
Mr. Wong Mo Wah Gordon

Registered office:

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

Independent non-executive Directors:

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

Head office and principal

place of business:

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

24 October 2007

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF THE SCHEME MANDATE LIMITED OF THE SHARE OPTION SCHEME

INTRODUCTION

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

PROPOSED REFRESHMENT

The Board proposes to refresh the limit in respect of the granting of share options under the Share Option Scheme and all other share option scheme(s) up to 10% of the total number of Shares in issue as at the date of approval of such refreshment by passing of an ordinary resolution by the Shareholders at

LETTER FROM THE BOARD

the EGM. Under the limit of the existing Share Option Scheme, the Directors were authorised to grant options to subscribe for up to 46,000,000 Shares, representing 10% of the Shares in issue immediately following completion of the initial public offering of the Company. As at the Latest Practicable Date, the Scheme Mandate Limit has been fully utilized. All share options were exercised by the option holders during the year ended 31 March 2007 and there was no option outstanding as at the Latest Practicable Date. In order to provide the Company with greater flexibility in granting share options to eligible persons (including Directors and employees of the Company) under the Share Option Scheme as incentives or rewards for their contribution to the Group, the Board decides to seek the approval from the Shareholders at the EGM to refresh the limit in respect of the granting of share options under the Share Option Scheme and all other share option scheme(s) up to 10% of the total number of Shares in issue as at the date of approval of such refreshment by passing of an ordinary resolution by the Shareholders at the EGM. The Directors consider that the Proposed Refreshment is in the interest of the Company and the Shareholders as a whole.

Based on the 1,052,138,890 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased and issued prior to the EGM, upon the approval of the Proposed Refreshment, the Directors will be authorised to issue options to subscribe for a total of 105,213,889 Shares, representing 10% of the total number of Shares in issue.

Save for the Share Option Scheme, the Company has no other share option schemes as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has 150,427,778 outstanding bonus warrants which entitle holders thereof to subscribe for 196,210,145 new Shares at a subscription price of HK\$0.46 per new Share, subject to adjustment, at any time during the period from 29 June 2007 to 30 June 2010 (both dates inclusive). As at the Latest Practicable Date, save for the bonus warrants, the Company does not have any other outstanding convertible securities, warrants, derivatives, conversion rights or subscription rights.

The Proposed Refreshment is conditional upon:

1. the passing of an ordinary resolution at the EGM to approve the Proposed Refreshment by the Shareholders; and
2. the GEM Listing Committee granting approval for the listing of, and the permission to deal in, any new Shares to be issued pursuant to the exercise of share options which may be granted under the Share Option Scheme and all other share option scheme(s), up to 10% of the Shares in issue as at the date of approval of the resolution at the EGM.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the Share Option Scheme and all other share option scheme(s), up to 10% of the Shares in issue as at the date of approval of the resolution at the EGM. 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.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 6 to 7 of this circular. Resolutions in respect of the Proposed Refreshment 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, Hunghom, 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.

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
- (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 Proposed Refreshment is 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.

LETTER FROM THE BOARD

GENERAL INFORMATION

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,
For and on behalf of the Board
Wong Chun Keung
Chairman

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 Thursday, 8 November 2007 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“THAT

- (a) subject to and conditional upon the Listing Committee of the Stock Exchange (as defined in the circular dated 24 October 2007 despatched to the shareholders of the Company (the “Circular”)) granting approval for the listing of, and permission to deal in, the new shares of the Company to be issued pursuant to the exercise of share options which may be granted under the Scheme Mandate Limit (as defined in the Circular), the refreshment of the limit in respect of the granting of share options under the Share Option Scheme (as defined in the Circular) and all other share option scheme(s) up to 10% of the total number of shares of the Company in issue as at the date of the passing of this resolution be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised to do all such acts and execute all such documents to effect the Proposed Refreshment (as defined in the Circular).”

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

Hong Kong, 24 October 2007

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).

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.