
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in New Chinese Medicine Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**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/Warrant Code: 8359)

PROPOSED CHANGE OF AUDITORS

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 Monday, 21 April 2008 at 10:00 a.m. is set out on pages 5 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 publication and on the website of the Company at www.ncm.com.hk.

3 April 2008

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristic of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Page</i>
Definition	1
Letter from the Board	2
Notice of EGM	5

DEFINITIONS

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

“Articles”	the articles of association of the Company;
“Board”	the board of Directors;
“Change of Auditors”	the change of auditors of the Group involving the proposed appointment of NCN as new auditors of the Group to fill the vacancy following the resignation of HLB and subject to the Shareholders’ approval at the EGM;
“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;
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and approve the proposed Change of Auditors;
“GEM”	the Growth Enterprises 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;
“HLB”	HLB Hodgson Impey Cheng;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“NCN”	NCN CPA Limited, being the proposed new auditors of the Company;
“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.

LETTER FROM THE BOARD OF DIRECTORS



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8085/Warrant Code: 8359)

Executive Directors:

Mr. Liu Jing *Chairman*
Mr. Chu Hon Pong *Vice Chairman*
Mr. Li Heguo *Chief Executive Officer*
Mr. An Jinping
Mr. Li Junhong
Ms. Tong Pui Chi Lucia
Mr. Law Kwok Chung

Non-executive Director:

Dr. Neil Kai Gu

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 in Hong Kong:*

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

3 April 2008

To the Shareholders

Dear Sir and Madam,

PROPOSED CHANGE OF AUDITORS

INTRODUCTION

Reference is made to the announcement of the Company dated 31 March 2008 in relation to the proposed Change of Auditors. The purpose of this circular is to provide you with (i) details of the proposed Change of Auditors; and (ii) the notice of EGM.

PROPOSED CHANGE OF AUDITORS

As announced in the announcement of the Company dated 31 March 2008, HLB have resigned as auditors of the Group with effect from 31 March 2008. The Board proposes to appoint NCN, as the new auditors of the Group to fill the vacancy following the resignation of HLB. Pursuant to the Articles, such appointment has to be approved by the Shareholders at the EGM.

LETTER FROM THE BOARD OF DIRECTORS

After carrying out their annual consideration, HLB have decided to resign as auditors of the Group. The Board was informed by HLB that the factors taken into account in reaching such a conclusion included the professional risks associated with the audit and the level of audit fees.

HLB confirmed that from their perspective there were no matters in addition to those noted above that need to be brought to the attention of the Shareholders and creditors of the Group. Moreover, the Board was not aware of any matters, including any disagreement or any unresolved issues between the Group and HLB that should be brought to the attention of the Shareholders and creditors of the Group in relation to the resignation of HLB. No audit works have been commenced by HLB in respect of the audit of the Group's financial statements for the year ended 31 March 2008.

RESPONSIBILITY STATEMENTS

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:

- (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.

EGM

Set out on page 5 of this circular is a notice convening the EGM to consider and, if thought fit, to approve the ordinary resolution in respect of the proposed Change of Auditors. A form of proxy for use at the EGM is enclosed herewith and published on the GEM website (www.hkgem.com). 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, Hungghom, 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 any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD OF DIRECTORS

PROCEDURES FOR DEMANDING A POLL

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

- (a) by the chairman of such meeting; or
- (b) by at least three 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 (including the independent Director and independent non-executive Directors) consider that the proposed Change of Auditors is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the ordinary resolution approving the proposed Change of Auditors at the EGM.

Yours faithfully,
By order of the Board
New Chinese Medicine Holdings Limited
Liu Jing
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/Warrant Code: 8359)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an 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 Monday, 21 April 2008 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“**THAT** NCN CPA Limited be and is hereby appointed as auditors of the Company and its subsidiaries to fill the vacancy following the resignation of HLB Hodgson Impey Cheng and to hold office until the conclusion of the next annual general meeting of the Company and the board of directors of the Company be authorised to fix their remuneration.”

By order of the Board
New Chinese Medicine Holdings Limited
Liu Jing
Chairman

Hong Kong, 3 April 2008

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.