
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

This circular, for which the directors (the “Directors”) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**NEW CHINESE MEDICINE HOLDINGS LIMITED****(新 醫 藥 控 股 有 限 公 司)***(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8085)

(Warrant Code: 8359)

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

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company at www.ncm.com.hk.

2 June 2008

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

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

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

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

DEFINITIONS

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

“AGM”	an annual general meeting of the Company to be held at Room 802, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on Friday, 18 July 2008 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 16 to 19 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 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;
“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”	29 May 2008, 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;

DEFINITIONS

“Retiring Directors”	The Directors who will retire and, being eligible, will offer themselves for re-election at the AGM pursuant to the Articles;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	ordinary share(s) of HK\$0.04 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
“%”	per cent.

LETTER FROM THE BOARD OF DIRECTORS



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8085)

(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 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
Hungghom, Kowloon
Hong Kong

2 June 2008

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

LETTER FROM THE BOARD OF DIRECTORS

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.

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 105,378,613 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 210,757,227 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.

LETTER FROM THE BOARD OF DIRECTORS

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. Liu Jing, Mr. Chu Hon Pong, Mr. Li Heguo, Mr. An Jinping, Mr. Li Junhong, Mr. Law Kwok Chung and Dr. Neil Kai Gu will retire at the AGM pursuant to article 86(3) and Dr. Loke Hoi Lam 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. Liu Jing

Mr. Liu Jing, aged 47, holds an international Executive Master of Business Administration degree from the Peking University. He is currently the Chairman of the Zhongmin group, the Publisher of China Philanthropy Times (公益時報), the Vice President of the China Association of Social Worker, the Standing Vice Chairman of the China Committee of Corporate Citizenship and the Vice Chairman of Lottery Committee. Mr. Liu has been working in the Ministry of Civil Affairs of the People's Republic of China over 26 years, during which he held duties in various departments, including the General Office, the City Welfare Department, Central and Public Welfare Department (中福公司), the Government Offices Administration, and the Press Department. He has over 16 years experience in operational management, of which over 12 years involving in top management for large enterprises. Mr. Liu has substantial experience in investment, media, sales and marketing, import and export trade, real estate development, project management and tourism.

Mr. Liu 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. Liu (including other allowances) is fixed at HK\$100,000 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. Liu for his directorship in the Company. Mr. Liu was the Chairman and Executive Director of Chinese People Holdings Company Limited, a company listed on the Main Board of the Stock Exchange, during the period from April 2005 to December 2007. Save as disclosed above, Mr. Liu did not hold any directorship in other listed companies in the past three years. Save as disclosed above, Mr. Liu does not hold any other position in the Company or any of its subsidiaries.

Save for his appointment as the chairman and executive director of the Company as set out herein, Mr. Liu does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. As at the Latest Practicable Date, Mr. Liu does not have any interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

Mr. Chu Hon Pong

Mr. Chu Hon Pong, aged 58, holds a Master Degree of Business Administration from Stevens Institute of Technology in New Jersey, the United States of America. He is the Chairman of American Dream Parks & Entertainment Group. His businesses covered land and property development and trade of petroleum in the Greater China. He has over 30 years' experience in direct investment, international trade, manufacturing, business and industrial management in the Greater China, Vietnam and the United States of America. He has been the personal assistant to Mr. Robert Miller, the Chairman of Search Investment Holdings Limited and was designated as Chief Executive Officer and Chairman to a listed Company and certain corporations in Hong Kong and PRC. In the early 80's, he was engaged in business in Mainland China and was appointed as the factory manager in a joint venture steel factory, namely Sino Master Steel Company Limited, in Shenzhen, PRC. In the 90's, he was the founder of Vietnam Duty Free Industry.

Mr. Chu 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. Chu (including other allowances) is fixed at HK\$100,000 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. Chu for his directorship in the Company. Mr. Chu is an independent non-executive director of DVN (Holdings) Limited, a company listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Chu did not hold any directorship in other listed companies in the past three years. Save as disclosed above, Mr. Chu does not hold any other position in the Company or any of its subsidiaries.

Save for his appointment as the vice chairman and executive director of the Company as set out herein, Mr. Chu does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Chu is personally interested in 155,150,967 shares of the Company, representing approximately 14.72% of the total issued share capital of the Company, and 560,000 bonus warrants as at the Latest Practicable Date. Save as disclosed above, Mr. Chu does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

Mr. Li Heguo

Mr. Li Heguo, aged 42, holds a Bachelor Degree and a Master Degree in Economic from Peking University. Mr. Li was the President and General Manager of Beijing Heng-Feng Real Estate Development Company Limited, the Secretary to General Manager of the China Bo-An Group, the General Manager of Beijing Enterprises Company Limited of the China Bo-An Group of Companies and Lecturer of the International Economic in Peking University. He has wealthy experience in land and real estate development and management of syndicates.

Mr. Li 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. Li (including other allowances) is fixed at HK\$60,000 per month, which is determined by arm's length negotiation

LETTER FROM THE BOARD OF DIRECTORS

between the parties with reference to his experience and general market conditions. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. Li for his directorship in the Company. Mr. Li did not hold any directorship in other listed companies in the past three years. Save as disclosed above, Mr. Li does not hold any other position in the Company or any of its subsidiaries.

Save for his appointment as the chief executive officer and executive director of the Company as set out herein, Mr. Li does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Li is personally interested in 1,000,000 bonus warrants of the Company as at the Latest Practicable Date and has been granted share option on 16 November 2007 to subscribe for 7,500,000 Shares of the Company at a price of HK\$1.10 per Share. Save as disclosed above, Mr. Li does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

Mr. An Jinping

Mr. An Jinping, aged 59, was the Funeral Affairs Officer of the Social Affairs Department of Ministry of Civil Affairs of the People's Republic of China and Vice President and General Secretary of the China Funeral Association. He was the Secretary of the Social Force Company of the Chinese People's Liberation Army and Assistant Political Administrator of the Headquarter of Technical Reconnaissance Squadron, Beijing Military Area Command. He has substantial experience in formulating policy for funeral business for the country and managing the operations of the trade.

Mr. An has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The remuneration of Mr. An (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. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. An for his directorship in the Company. Mr. An did not hold any directorship in other listed companies in the past three years. Save as disclosed above, Mr. An does not hold any other position in the Company or any of its subsidiaries.

Save for his appointment as the executive director of the Company as set out herein, Mr. An does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. An is personally interested in 1,000,000 bonus warrants of the Company as at the Latest Practicable Date. Save as disclosed above, Mr. An does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

Mr. Li Junhong

Mr. Li Junhong, aged 41, holds a Bachelor degree in Accounting from Central University of Finance and Economics and an international Executive Master of Business Administration degree from the Peking University. Mr. Li has over 18 years experience in auditing, accounting, merger and acquisition consultancy and management consultancy with international and local accountants firms and private companies. He was a partner in Tin Wah CPAs in Beijing. He had also involved in several engagements on the IPO of H-Shares of China enterprises. Mr. Li is a member of The Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, administration and management in senior level, merger and acquisition, and listing and public offer activities.

Mr. Li has entered into a continuous service contract with the Company, subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company. The remuneration of Mr. Li (including other allowances) is fixed at HK\$40,000 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. Li for his directorship in the Company. Mr. Li did not hold any directorship in other listed companies in the past three years. Save as disclosed above, Mr. Li does not hold any other position in the Company or any of its subsidiaries.

Save for his appointment as the executive director of the Company as set out herein, Mr. Li does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Li is personally interested in 1,000,000 bonus warrants of the Company as at the Latest Practicable Date. Save as disclosed above, Mr. Li does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

Mr. Law Kwok Chung

Mr. Law Kwok Chung, aged 50, holds a Bachelor degree in Commerce and a Master degree of Business Administration. Mr. Law has over 20 years of experience in accounting, auditing and finance for private and public companies in investment, medical and healthcare, construction and manufacturing industries in Hong Kong and overseas. He is an associate member of Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. Law 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. Law (including other allowances) is fixed at HK\$40,000 per month, which is determined by arm's length negotiation between the parties with reference to his experience and general market conditions. Save as disclosed herein, there are no other benefits (including bonus) provided to Mr. Law for his directorship in the Company. Mr. Law did not hold any directorship in other listed companies in the past three years. Mr. Law is the qualified accountant and company secretary of the Company. Save as disclosed above, Mr. Law does not hold any other position in the Company or any of its subsidiaries.

LETTER FROM THE BOARD OF DIRECTORS

Save for his appointment as the executive director, qualified accountant and company secretary of the Company as set out herein, Mr. Law does not have any relationship with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Law is personally interested in 300,000 shares of the Company, representing approximately 0.03% of the total issued share capital of the Company, and 60,000 bonus warrants of the Company as at the Latest Practicable Date. Save as disclosed above, Mr. Law does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

Dr. Neil Kai Gu

Dr. Neil Kai Gu, aged 47, is CEO and member of the Board of Director at CASI Foundation, brings a wealth of knowledge and passion to the organization and to CASI's families. His desire for positively impacting the lives of adoptive families and orphaned children worldwide prompted his interest in humanitarian endeavors. One of Dr. Gu's greatest contributions is his significant business knowledge and experience in Asian affairs and his close working relationships with many of its top officials. In addition to his work with CASI, he is currently the Chairman/CEO of JinGu Group USA LLC, an international investment company, also the CEO of Boise, Idaho based business consulting firm Lucky Star International LLC, Co-founder of CASI Investment Holding Limited in Hong Kong and a visiting professor at Boise State University in Boise, Idaho. Dr. Gu holds a Master degree from Brigham Young University and a Doctor of Musical Arts and Education degree from the University of Hartford. He spent twenty years as a professor of music in his life. In addition to his vast experience in the international business arena, he is also a world-renowned violist.

Dr. Gu 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 Dr. Gu is fixed at HK\$240,000 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. Dr. Gu does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's fee, there are no other benefits or bonus provided to Dr. Gu for his directorship in the Company.

Save for his appointment as the non-executive director of the Company as set out herein, Dr. Gu does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. As at the Latest Practicable Date, Dr. Gu 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

Dr. Loke Yu (alias Loke Hoi Lam)

Dr. Loke Yu (alias Loke Hoi Lam), aged 58, has over 30 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered

LETTER FROM THE BOARD OF DIRECTORS

Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and the Hong Kong Institute of Directors. He is also an Associate member of the Hong Kong Institute of Chartered Secretaries and a member of the Malaysian Institute of Accountants. He is the Qualified Accountant and Company Secretary of Minth Group Limited and also serves as an independent non-executive director of several companies listed on the Stock Exchange of Hong Kong Limited.

Dr. Loke 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 Dr. Loke 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. Dr. Loke does not hold any position in any subsidiary of the Company. Save as disclosed herein, except for the director's fee, there are no other benefits or bonus provided to Dr. Loke for his directorship in the Company.

Save for his appointment as the independent non-executive director, chairman of the audit committee and member of the remuneration committee of the Company as set out herein, Dr. Loke does not have any relationships with any directors, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company. Dr. Loke has been granted share option on 16 November 2007 to subscribe for 1,000,000 Shares of the Company at a price of HK\$1.10 per Share as at the Latest Practicable Date. Save as disclosed above, Dr. Loke does not have any other interests in the 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 paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules.

ANNUAL GENERAL MEETING

The Notice of the AGM is set out on pages 16 to 19 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.

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

LETTER FROM THE BOARD OF DIRECTORS

- (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
Liu Jing
Chairman

EXPLANATORY STATEMENT

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 1,053,786,138 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 105,378,613 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 2008 (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.

EXPLANATORY STATEMENT

6. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the GEM Listing Rules) of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of Shares held by him/her to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control, of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Company, Excel Point Holdings Limited, which held approximately 354,980,000 shares (33.69%), Mr. Chu Hon Pong which held approximately 155,150,967 shares (14.72%), and Chinese People Holdings Company Limited which held approximately 150,000,000 shares (14.23%) 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, Mr. Chu Hon Pong and Chinese People Holdings Company Limited in the Company would be increased to approximately 37.43%, 16.36% and 15.82% respectively of the issued share capital of the Company. The increase shareholdings of Excel Point Holdings Limited would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The increase shareholdings of Mr. Chu Hon Pong and Chinese People Holdings Company Limited would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The Company may not purchase Shares on GEM if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

8. SHARE PURCHASE MADE BY THE COMPANY

No purchases of Shares have been made by the Company since the listing of its Shares on GEM on 7 March 2002.

EXPLANATORY STATEMENT

9. SHARE PRICES

The highest and lowest prices at which the Shares have traded on GEM during each of the previous twelve months are as follows:

Months	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2007		
May	0.81	0.52
June	1.50	0.66
July	1.20	1.05
August (14-16 August trading suspended)	1.20	0.80
September	1.30	1.00
October	1.20	0.93
November	1.20	0.98
December (11-12 and 19-31 December trading suspended)	1.20	1.00
2008		
January (2-14 January trading suspended)	1.70	0.90
February	1.14	0.99
March	1.03	0.90
April	1.05	0.88
May (up to Latest Practicable Date)	0.99	0.80

NOTICE OF ANNUAL GENERAL MEETING



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8085)

(Warrant Code: 8359)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2008 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 Friday, 18 July 2008 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 2008;
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;

NOTICE OF ANNUAL GENERAL MEETING

- (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
- (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);

NOTICE OF ANNUAL GENERAL MEETING

- (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;
 - (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
Liu Jing
Chairman

Hong Kong, 2 June 2008

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
2. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Shares as if he is solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members in respect of such Share shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the meeting is enclosed with the document.
4. The form of proxy and power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be delivered to the Company's principal place of business in Hong Kong at Room 802, Tower 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.