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香港藥業

HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

香港藥業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 182)

**FURTHER ANNOUNCEMENT REGARDING
VERY SUBSTANTIAL ACQUISITION
FORMATION OF TWO JOINT VENTURE COMPANIES**

The Company refers to the Announcement dated 21 May 2007 in respect of the proposed acquisition of the entire issued capital of Wind Power by the Company. The Company has been informed by the Vendor that on 6 July 2007 CWP Development (a wholly-owned subsidiary of Wind Power) and Shenzhen KWC (an independent third party) entered into the Liaoning JV Contract to jointly establish the Liaoning JV at Fuxin, Liaoning province. On the same date, Top Well (a wholly-owned subsidiary of Wind Power) and Beijing NK (an independent third party) entered into the Jilin JV Contract to jointly establish the Jilin JV at Baicheng City, Jilin province, the PRC. Both joint venture companies are to undertake wind farm projects in the PRC.

The registered capital of the Liaoning JV and the Jilin JV shall be RMB150 million (approximately HK\$154.29 million). The Wind Power Group will hold a 50% equity interest in the both the Liaoning JV and the Jilin JV, with the remaining 50% equity interest in the Liaoning JV be held by Shenzhen KWC and the remaining 50% equity interest in the Jilin JV be held by Beijing NK.

Subject to completion of the Acquisition, the Company intends to use the Group's internally available financial resources to finance the establishment of the two joint venture companies of the Wind Power Group. The Acquisition constitutes a very substantial acquisition for the Company and is subject to approval from the Shareholders at the SGM. The proposed establishment of the Liaoning JV and the Jilin JV by the Wind Power Group will not affect the Acquisition under the relevant S&P Agreement.

The Company refers to the Announcement dated 21 May 2007 in respect of the proposed acquisition of the entire issued capital of Wind Power by the Company.

THE LIAONING JV

The Company has been informed by the Vendor that on 6 July 2007, CWP Development (a wholly-owned subsidiary of Wind Power) and Shenzhen KWC entered into the Liaoning JV Contract to jointly establish the Liaoning JV at Fuxin, Liaoning province, the PRC to undertake wind farm projects in the PRC.

Pursuant to the Liaoning JV Contract, both parties will jointly establish a sino-foreign equity joint venture with limited liability at Fuxin, Liaoning province, the PRC under the name of 遼寧彰武協合風力發電有限公司 to develop wind farm projects at the PRC.

Name

遼寧彰武協合風力發電有限公司

The joint venture parties

(a) CWP Development; and

(b) Shenzhen KWC

The Company understands from the Vendor that two directors of the Wind Power Group have an aggregate interest of 73% in a company, which in turn holds an approximately 18% interest in Shenzhen KWC.

To the best of the Director's knowledge, information and belief after having made all reasonable enquiry, Shenzhen KWC is an investment company incorporated in the PRC and it and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Registered capital and total investment of the Liaoning JV

Registered capital: RMB150 million (approximately HK\$154.29 million)

Total investment: RMB450 million (approximately HK\$462.87 million)

Each of CWP Development and Shenzhen KWC shall hold a 50% equity interest in the Liaoning JV and contribute RMB75 million (approximately HK\$77.15 million) to the registered capital of the Liaoning JV in cash.

The remaining part of the total investment of the Liaoning JV of RMB300 million can be in the form of external debts raised by the Liaoning JV and/or shareholders' loans from the joint venture partners. Apart from the capital contribution mentioned above, CWP Development does not have any further commitment to make any further capital contribution to the Liaoning JV (both in form of equity or loan).

Each of CWP Development and Shenzhen KWC shall contribute to the registered capital of the Liaoning JV in accordance with the following schedule:

- (i) within 90 days from the grant of the business license of the Liaoning JV, each of CWP Development and Shenzhen KWC shall contribute RMB11.25 million (approximately HK\$11.57 million); and
- (ii) within 180 days from the grant of the business license of the Liaoning JV, each of CWP Development and Shenzhen KWC shall contribute RMB63.75 million (approximately HK\$65.57 million).

Scope of business

Pursuant to the Liaoning JV Contract, the scope of business of the Liaoning JV will be the development, construction, and operation of wind power electricity facilities, as well as providing consultancy services, training, technical support, research and development and engineering services in respect of the wind power projects.

It is intended that the Liaoning JV will undertake wind farm projects at Fuxin, Liaoning province, the PRC with an initial annual target of 100 million KWh of electricity to be generated.

Term of the Liaoning JV

The Liaoning JV shall have an initial term of 30 years commencing from the establishment date of the Liaoning JV.

THE JILIN JV

The Company has been informed by the Vendor that on 6 July 2007, Top Well (a wholly-owned subsidiary of Wind Power) and Beijing NK entered into the Jilin JV Contract to jointly establish the Jilin JV at Baicheng City, Jilin province, the PRC to undertake wind farm projects in the PRC.

Pursuant to the Jilin JV Contract, both parties will jointly establish a sino-foreign equity joint venture with limited liability at Baicheng City, Jilin province, the PRC under the name of Jilin CWP-Milestone Wind Power Investment Limited (吉林里程協合風力發電投資有限公司) to develop wind farm projects at the PRC.

Name

Jilin CWP-Milestone Wind Power Investment Limited (吉林里程協合風力發電投資有限公司)

The joint venture parties

- (a) Top Well; and
- (b) Beijing NK

To the best of the Director's knowledge, information and belief after having made all reasonable enquiry, Beijing NK is an investment company incorporated in the PRC and it and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Registered capital and total investment of the Jilin JV

Registered capital: RMB150 million (approximately HK\$154.29 million)

Total investment: RMB450 million (approximately HK\$462.87 million)

Each of Top Well and Beijing NK shall hold a 50% equity interest in the Jilin JV and contribute RMB75 million (approximately HK\$77.15 million) to the registered capital of the Jilin JV in cash.

The remaining part of the total investment of the Jilin JV of RMB300 million can be in the form of external debts raised by the Jilin JV and/or shareholders' loans from the joint venture partners. Apart from the capital contribution mentioned above, Top Well does not have any further commitment to make any further capital contribution to the Jilin JV (both in form of equity or loan).

Each of Top Well and Beijing NK shall contribute to the registered capital of the Jilin JV in accordance with the following schedule:

- (i) within 30 days from the grant of the business license of the Jilin JV, each of Top Well and Beijing NK shall contribute RMB37.5 million (approximately HK\$38.57 million); and
- (ii) within 90 days from the grant of the business license of the Jilin JV, each of Top Well and Beijing NK shall contribute RMB37.5 million (approximately HK\$38.57 million).

Scope of business

Pursuant to the Jilin JV Contract, the scope of business of the Jilin JV will be the development, construction, and operation of wind power electricity facilities, as well as providing consultancy services, training, technical support, research and development and engineering services in respect of the wind power projects.

It is intended that the Jilin JV will undertake wind farm projects at Baicheng City, Jilin province, the PRC with an initial annual target of 100 million KWh of electricity to be generated.

Term of the Jilin JV

The Jilin JV shall have an initial term of 30 years commencing from the establishment date of the Jilin JV.

REASONS FOR THE ESTABLISHMENT OF THE JOINT VENTURE COMPANIES

Wind Power Group is principally engaged in the generation and sale of electricity by wind power in the PRC. The Company understands from the Vendor that the establishment of the Liaoning JV pursuant to the Liaoning JV Contract and the Jilin JV pursuant to the Jilin JV Contract will allow the Wind Power Group to further develop its wind power business in the PRC.

THE ACQUISITION

As set out in the Announcement, on 29 April 2007, the Company and the Vendor entered into the S&P Agreement. Pursuant to the S&P Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of Wind Power subject to the terms and conditions of the S&P Agreement. Please refer to the announcement dated 21 May 2007 for the details of the Acquisition.

The wind farm projects proposed to be undertaken by the Liaoning JV and the Jilin JV are new to the Wind Power Group and have not been disclosed in the Announcement. Subject to completion of the Acquisition, the Company intends to use the Group's internally available financial resources to finance the establishment of the two said joint venture companies of the Wind Power Group. The Acquisition constitutes a very substantial acquisition for the Company and is subject to approval from the Shareholders at the SGM. The establishment of the Liaoning JV and the Jilin JV shall not affect the proposed Acquisition under the S&P Agreement and the terms and conditions of the S&P Agreement remain the same.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony, Mr. Chan Kam Kwan, Jason, Mr. Wong Fan, Frank, and Mr. Yeung Heung Yeung (who are executive Directors), Mr. Kelvin Edward Flynn (who is a non-executive Director), and Mr. Ho Tak Man, Billy, Mr. Yap Fat Suan and Dr. Wong Yau Kar, David (who are independent non-executive Directors).

DEFINITIONS

In this announcement, capitalized terms have the meanings as defined in the Announcement or the following meanings:

“Announcement”	the announcement of the Company made by the Company dated 21 May 2007 in respect of the Acquisition
“Beijing NK”	北京磐谷創業投資有限責任公司, a company incorporated in the PRC with limited liability
“CWP Development”	CWP Development Limited(香港中國風電發展有限公司), a company incorporated in Hong Kong with limited liability and it is a wholly-owned subsidiary of Wind Power

“Jilin JV”	Jilin CWP-Milestone Wind Power Investment Limited(吉林里程協合風力發電投資有限公司), a sino-foreign equity joint venture with limited liability to be established by Top Well and Beijing NK at Baicheng City, Jilin province, the PRC
“Jilin JV Contract”	the agreement dated 6 July 2007 entered into between Top Well and Beijing NK relating to the proposed establishment of the Jilin JV
“KWh”	Kilowatt-hour
“Liaoning JV”	遼寧彰武協合風力發電有限公司, a sino-foreign equity joint venture with limited liability to be established by CWP Development and Shenzhen KWC at Fuxin, Liaoning province, the PRC
“Liaoning JV Contract”	the agreement dated 6 July 2007 entered into between CWP Development and Shenzhen KWC relating to the proposed establishment of the Liaoning JV
“Shenzhen KWC”	深圳市經華馳科技投資有限公司, a company incorporated in the PRC with limited liability
“Top Well”	Top Well Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and it is a wholly-owned subsidiary of Wind Power

By order of the Board
Hong Kong Pharmaceutical Holdings Limited
Ko Chun Shun, Johnson
Chairman

6 July 2007, Hong Kong

* *for identification purposes only*