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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)

**PLACING OF EXISTING SHARES
AND
SUBSCRIPTION OF NEW SHARES**

PLACING AGENT

UOBKayHian

UOB Kay Hian (Hong Kong) Limited

**FURTHER ANNOUNCEMENT REGARDING
VERY SUBSTANTIAL ACQUISITION
SHAREHOLDERS' APPROVAL**

**FORMATION OF JOINT VENTURE
AND
RESUMPTION OF TRADING**

On 30 July 2007, the Placing Agreement was entered into, pursuant to which, the Placing Agent has agreed to place, on a best effort basis, up to 460,000,000 existing Shares held by Gain Alpha at the Placing Price of HK\$1.20 per Share. Under the Subscription Agreement, Gain Alpha will, thereafter subscribe for the same number of Placing Shares at the Subscription Price of HK\$1.20 per Share (equivalent to the Placing Price). Immediately prior to the Placing, on 30 July 2007, Gain Alpha converted 162,962,963 Preference Shares held by it into 200,000,000 Shares at the prevailing conversion price at HK\$0.022 per Share on 30 July 2007. 460,000,000 Placing Shares represent approximately 13.94% of the issued Shares as at the date of this announcement (after the Conversion) and approximately 12.23% after completion of the Subscription.

The Subscription Shares will be issued under the General Mandate. It is expected that the Subscription will complete within 14 days from the date of the Placing Agreement. The issue of the Subscription Shares to Gain Alpha (a substantial shareholder of the Company) constitutes an exempt connected transaction for the Company under Rule 14A.31(3)(d) of the Listing Rules. The Subscription is conditional upon the completion of the Placing Agreement and the granting of approval by the Stock Exchange for the listing of and permission to deal in the Subscription Shares. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The net proceeds from the Subscription are estimated to be approximately HK\$536 million. It is the intention of the Company to use such net proceeds for the development of the wind power business of the Group, including acquisition and development of wind farms and wind power related businesses, and/or establishment of new wind power related businesses.

The Company also refers to the Announcement dated 21 May 2007 and the circular dated 13 July 2007 in respect of the proposed acquisition of the entire issued share capital of Wind Power by the Company. The Company has been informed by the Vendor that on 31 July 2007, CWP (a wholly-owned subsidiary of Wind Power) and Beijing Mainstreets entered into the JV Contract to jointly establish the JV at 二連浩特市 in Inner Mongolia Autonomous Region, the PRC to undertake wind farm projects at the PRC.

Subject to completion of the Acquisition, the Company intends to use the Group's internally available financial resources to finance the establishment of the JV of the Wind Power Group. The Acquisition constitutes a very substantial acquisition for the Company and the Acquisition was approved by the Shareholders unanimously by show of hands in the SGM held on 30 July 2007. The proposed establishment of the JV by the Wind Power Group will not affect the Acquisition under the relevant S&P Agreement.

Save for the Acquisition which has been announced by the Company in the Announcement and the entering into of the Placing Agreement and the Subscription Agreement, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, and neither is the Board aware of any matter discloseable under the general obligation of disclosure imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 1 August 2007 following the publication of this announcement.

THE PLACING AGREEMENT

Date : 30 July 2007

Parties : (1) Gain Alpha; and
(2) the Placing Agent

The Placing Agent is a securities company in Hong Kong. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Gain Alpha is a substantial Shareholder holding approximately 65.45% of the issued share capital of the Company as at the date of this announcement. Gain Alpha converted 162,962,963 Preference Shares into 200,000,000 Shares at the prevailing conversion price of HK\$0.022 per Share on 30 July 2007. Gain Alpha also holds 647,037,037 Preference Shares as at the date of this announcement.

Major terms of the Placing are summarized as follows:

- Placees : Not less than six investors who are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons and are not acting in concert with any connected persons of the Group.
- Number of Placing Shares : Up to 460,000,000 Shares (on a best-effort basis) representing (i) approximately 13.94% of the existing issued share capital of the Company as at the date of this announcement (after the Conversion) and (ii) approximately 12.23% of the issued share capital of the Company after completion of the Subscription.
- Placing Price : HK\$1.20 per Share, which was determined after arm's length negotiations between the Company and the Placing Agent and represents (i) a discount of approximately 11.11% to the closing price per Share of HK\$1.35 on 30 July 2007, being the date of the Placing Agreement; and (ii) a discount of approximately 1.96% to the average closing price per Share of approximately HK\$1.224 for the last five trading days up to and including 30 July 2007 (trading in the Shares was suspended on 31 July 2007). The Placing Price was arrived at after arm's length negotiations among the Company, Gain Alpha and the Placing Agent by reference to the trading prices of the Shares from 24 July 2007 to 30 July 2007 (the closing prices ranging from HK\$1.14 per Share to HK\$1.35 per Share).
- Placing commission : 2.75% of the amount equal to the Placing Price multiplied by the number of Placing Shares.

It is expected that the Placing Agreement will take place on or before 3 August 2007.

The Subscription Agreement

Date : 30 July 2007

Issuer : the Company

Subscriber : Gain Alpha (an investment holding company)

Number of Subscription Shares : Up to 460,000,000 Shares (equal to the number of Placing Shares placed) representing (i) approximately 13.94% of the existing issued share capital of the Company as at the date of this announcement (after the Conversion) and (ii) approximately 12.23% of the issued share capital of the Company after completion of the Subscription.

Subscription Price : HK\$1.20 per new Share (equal to the Placing Price)

Completion of the Subscription is conditional upon fulfillment of (i) completion of the Placing Agreement and (ii) granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription shall take place on the second business day after the fulfillment of the conditions set out above, provided that, such date shall not be later than 31 August 2007 (or such later date as Gain Alpha and the Company may agree).

COST AND EXPENSES

The Company will be responsible for all cost and expenses incurred in relation to the execution of the Placing Agreement and the Subscription Agreement if both the Placing Agreement and the Subscription Agreement complete. In case the Subscription Agreement does not complete, Gain Alpha will be responsible for all cost and expenses incurred in relation to the execution of the Placing Agreement.

RANKING

All the Subscription Shares, when fully paid for and issued, will rank pari passu in all respects among themselves and with the other Shares in issue on the date of allotment of the Subscription Shares pursuant to the Subscription Agreement.

LISTING APPLICATION

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

EFFECT OF THE PLACING, CONVERSION AND SUBSCRIPTION

The following table sets out the shareholding structure of the Company as at the date of this announcement and the shareholding structures of the Company after completion of the Placing, the Conversion and the Subscription:

	Existing shareholding (after completion of the Conversion)		Immediately after completion of the Placing and the Conversion but before completion of the Subscription		Immediately after completion of the Placing, the Conversion and the Subscription	
Gain Alpha and its associates	2,160,000,000	65.45%	1,700,000,000	51.51%	2,160,000,000	57.44%
Placees	0	0.00%	460,000,000	13.94%	460,000,000	12.23%
Public Shareholders	1,140,379,669	34.55%	1,140,379,669	34.55%	1,140,379,669	30.33%
Total	<u>3,300,379,669</u>	<u>100.00%</u>	<u>3,300,379,669</u>	<u>100.00%</u>	<u>3,760,379,669</u>	<u>100.00%</u>

Note: No placees are or will become (as a result of the Placing) connected persons of the Company and thus all placees are Public Shareholders.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the management and operation of a chain of traditional Chinese medicine and health food retail outlets in Hong Kong under the trading name of Nam Pei Hong and a medical clinic in Wan Chai, Hong Kong under the name of NPH Chinese Medical Centre. As set out in the Announcement, the Company entered into a sale and purchase agreement to acquire for the entire issue share capital of Wind Power which, through its subsidiaries and associates, is principally engaged in the operation of, management of and investment in wind power electricity generating facilities in the PRC. Certain subsidiaries and associate of Wind Power also plan to engage in the development, manufacture and sale of wind power electricity generating facilities.

In view of the market conditions, the Directors consider that the placing of up to 460,000,000 Placing Shares, through the placing and the top-up subscription arrangements under the Placing Agreement and the Subscription Agreement, represents a good opportunity to raise capital to strengthen the working capital position of the Group and to broaden the shareholders base and capital base of the Company. The Directors (including the independent non-executive directors) are of the view that the terms of the Placing and Subscription are fair and reasonable and in the interests of the Shareholders.

The net proceeds from the Subscription are estimated to be HK\$536 million (representing a net placing price of approximately HK\$1.165 per Placing Share). It is the intention of the Company to use such net proceeds for the development of the wind power business of the Group, including acquisition and development of wind farms and wind power related businesses, and/or establishment of new wind power related businesses.

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE 12 MONTHS BEFORE THE DATE OF THIS ANNOUNCEMENT

Pursuant to a subscription agreement dated 7 September 2005, the Company issued 810,000,000 Shares and 2,160,000,000 Preference Shares to Gain Alpha in December 2006 at a total consideration of HK\$21,870,000 and HK\$58,320,000 respectively. Details of such issue have been set out in the circular of the Company dated 29 July 2006. Part of the net proceeds amounting to HK\$45.5 million from the above issue has been used by the Group for the Group's restructuring with the remaining net proceeds of HK\$34.69 million is used by the Group as general working capital purpose.

Pursuant to a placing agreement dated 22 May 2007 entered into between Gain Alpha and a placing agent, the placing agent has placed 800,000,000 Shares held by Gain Alpha at the placing price of HK\$0.5 per Share. Under a subscription agreement dated 22 May 2007 entered into between the Company and Gain Alpha, Gain Alpha has subscribed for 800,000,000 new Shares at the subscription price of HK\$0.5 per Share. Details of the placing and subscription were set out in the announcement of the Company dated 23 May 2007. The net proceeds from the Subscription were approximately HK\$387 million which are planned to be used for the development of wind power business of the Group. As at the date of this announcement, the net proceeds have not been utilized.

Save for the above, the Company has not conducted any equity fund raising activities in the past twelve months.

LISTING RULES REQUIRMENTS

As set out above in this announcement, Gain Alpha is a connected person of the Company. Issue of the Subscription Shares will be made under the General Mandate. As completion of the Subscription is expected to take place within 14 days from the date of the Placing Agreement, the Subscription constitutes an exempt connected transaction under Rule 14A.31(3)(d) of the Listing Rules. If the Subscription does not complete within 14 days from the date of the Placing Agreement, the Company will comply with the independent shareholders' approval requirement under Listing Rules in respect of the Subscription..

FORMATION OF THE JV

The Company refers to the Announcement dated 21 May 2007 and the circular dated 13 July 2007 in respect of the proposed Acquisition of the entire issued share capital of Wind Power by the Company.

THE JV

The Company has been informed by the Vendor that on 31 July 2007, CWP (a wholly-owned subsidiary of Wind Power) and Beijing Mainstreets entered into the JV Contract to jointly establish the JV at Inner Mongolia Autonomous Region, the PRC to undertake wind farm projects in the PRC.

Pursuant to the JV Contract, both parties will jointly establish a sino-foreign equity joint venture with limited liability at 二連浩特市, Inner Mongolia Autonomous Region, the PRC under the name of The Inner Mongolia Union Wind Power Limited (內蒙古聯合風能投資有限公司) to develop wind farm projects at the PRC.

Name

The Inner Mongolia Union Wind Power Limited (內蒙古聯合風能投資有限公司)

The joint venture parties

- (a) CWP; and
- (b) Beijing Mainstreets

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, Beijing Mainstreets is a 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 JV

Registered capital: RMB76 million (approximately HK\$78.3 million)

Total investment: RMB230 million (approximately HK\$236.9 million)

Each of Beijing Mainstreets and CWP shall hold respectively 51% and 49% equity interest in the JV and contribute RMB38.76 million (approximately HK\$39.9 million) and RMB37.24 million (approximately HK\$38.4 million) respectively to the registered capital of the JV in cash.

The remaining part of the total investment of the JV of RMB154 million can be in the form of external debts raised by the JV and/or shareholders' loans from the joint venture partners. Apart from the capital contribution mentioned above, CWP does not have any further commitment to make any further capital contribution to the JV (both in form of equity or loan).

Each of CWP and Beijing Mainstreets shall contribute to the registered capital of the JV in accordance with the following schedule:

- (i) Within 30 days from the grant of the business license of the JV, each of Beijing Mainstreets and CWP shall contribute RMB19.38 million (approximately HK\$20 million) and RMB 18.62 million (approximately HK\$19.2 million) respectively; and
- (ii) within 45 days from the grant of the business license of the JV, each of Beijing Mainstreets and CWP shall contribute RMB19.38 million (approximately HK\$20 million) and RMB 18.62 million (approximately HK\$19.2 million) respectively.

Scope of business

Pursuant to the JV Contract, the scope of business of the 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.

As set out in the Announcement and the circular dated 13 July 2007, Century Concord Holdings Limited (a member of the Wind Power Group) entered into a cooperative development agreement with 內蒙古自治區二連浩特市人民政府 on 10 October 2006. Pursuant to an agreement entered into among Century Concord Holdings Limited, CWP and Beijing Mainstreets on 31 July 2007, Century Concord Holdings Limited has appointed CWP to establish the JV with Beijing Mainstreets at 二連浩特市, Inner Mongolia Autonomous Region, the PRC to undertake the wind farm project under the above cooperative development agreement dated 10 October 2006.

Pursuant to the said cooperative development agreement and the understanding with 內蒙古自治區二連浩特市人民政府, the JV, after its establishment, will be responsible for the development of the wind farm project under the said cooperative development agreement with the assistance and facilitation of 內蒙古自治區二連浩特市人民政府. It is intended that the JV will undertake wind farm projects at 二連浩特市, Inner Mongolia Autonomous Region, the PRC with an initial annual target of 50.4 million KWh of electricity to be generated.

Term of the JV

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

INFORMATION ON BEIJING MAINSTREETS

Beijing Mainstreets is a company incorporated in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange. Beijing Mainstreets, through its subsidiaries, is engaged in the development and management of real estate properties and other investments.

REASONS FOR THE ESTABLISHMENT OF THE JV

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 JV pursuant to the 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 and the circular dated 13 July 2007 for the details of the Acquisition.

The Wind Power Group has entered into joint venture agreements from time to time with a view to pursuing its business development of wind farms in the PRC. Subject to completion of the Acquisition, the Company intends to use the Group's internally available financial resources to finance the establishment of the JV of the Wind Power Group. The Acquisition constitutes a very substantial acquisition for the Company. In the SGM held on 30 July 2007, the Acquisition was approved by the Shareholders unanimously by show of hands. Completion of the Acquisition is still subject to the satisfaction of some conditions precedent under the S&P Agreement. The establishment of the 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.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted there was increase in the price and the trading volume of the Shares on 30 July 2007 and wishes to state that the Board is not aware of any reasons for such increase.

Save for the Acquisition which has been announced by the Company in the Announcement and the entering into of the Placing Agreement and the Subscription Agreement, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, and neither is the Board aware of any matter discloseable under the general obligation of disclosure imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the Directors individually and jointly accept responsibility for the accuracy of this statement.

GENERAL

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 1 August 2007 following the publication of this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Ko Chun Shun, Johnson, Mr. Liu Shunxing, 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:

“Acquisition”	the proposed acquisition of the entire issued share capital of China Wind Power Holdings Limited by the Company, the details of which have been set out in the announcement of the Company dated 21 May 2007
”Announcement”	the announcement of the Company made by the Company dated 21 May 2007 in respect of the Acquisition
“Beijing Mainstreets”	Beijing Mainstreets Investment Group Corporation (北京綿世投資集團股份有限公司), a company incorporated in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange
“Board”	the board of Directors

“Company”	Hong Kong Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability, and the Shares of which are listed on the main board of the Stock Exchange
“Conversion”	conversion of the Preference Shares into 200,000,000 Shares by Gain Alpha
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“CWP”	CWP Investment Limited (中國風電投資有限公司), a company incorporated in Hong Kong with limited liability and it is a wholly owned subsidiary of Wind Power
“Directors”	director(s) of the Company
“ Gain Alpha”	Gain Alpha Finance Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned beneficially owned by Mr Ko Chun Shun, Johnson, the Chairman of the board of Directors
“General Mandate”	existing available general mandate granted to the board of Directors at the special general meeting held on 29 June 2007
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV”	The Inner Mongolia Union Wind Power Limited (內蒙古聯合風能投資有限公司), a sino-foreign equity joint venture with limited liability to be established by CWP and Beijing Mainstreets at 二連浩特市, Inner Mongolia Autonomous Region, the PRC
“JV Contract”	the agreement dated 31 July 2007 entered into between CWP and Beijing Mainstreets relating to the proposed establishment of the JV
“KWh”	Kilowatt-hour
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares under the Placing Agreement
“Placing Agent”	UOB Kay Hian (Hong Kong) Limited
“Placing Agreement”	the Placing Agreement entered into between Gain Alpha and the Placing Agent on 30 July 2007
“Placing Price”	HK\$1.20 per Placing Share
“Placing Shares”	an aggregate of up to 460,000,000 Shares to be placed by the Placing Agent under the Placing Agreement
“Preference Shares”	preference shares of the Company of HK\$0.01 each
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of up to 460,000,000 new Shares by Gain Alpha pursuant the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between Gain Alpha and the Company dated 30 July 2007 pursuant to which Gain Alpha will subscribe for such number of new Shares equal to the number of Placing Shares (up to 460,000,000 new Shares) at the Subscription Price of HK\$1.20 per Share (equivalent to the Placing Price)
“Subscription Price”	HK\$1.20 per Subscription Share
“Subscription Share(s)”	Up to 460,000,000 subscription shares to be subscribed by Gain Alpha pursuant to the Subscription Agreement

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

31 July 2007, Hong Kong

* *for identification purposes only*