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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in Hong Kong Pharmaceutical Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation.

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香港藥業

## HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 182)**

### SUBSCRIPTION OF NEW SHARES — CONNECTED TRANSACTION

#### PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SECURITIES

**Financial adviser to the Company**

**OSK Asia Capital Limited**

**Independent financial adviser to**

**the Independent Board Committee and the Independent Shareholders**

**COMMERZBANK** 

**Commerzbank AG Hong Kong Branch**

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A letter from the board of directors of Hong Kong Pharmaceutical Holdings Limited is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 10 of this circular. A letter from Commerzbank AG Hong Kong Branch, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 26 of this circular.

A notice convening a special general meeting of Hong Kong Pharmaceutical Holdings Limited to be held at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 29 June 2007 at 10:00 a.m. is set out on page 33 to 36 of this circular. A form of proxy for use at the special general meeting is enclosed. Whether or not you intend to attend and vote at the special general meeting or any adjourned meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

13 June 2007

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following terms have the meanings as set out below:*

“Acquisition”	the proposed acquisition of the entire issued share capital of Wind Power, the details of which have been set out in the announcement of the Company dated 21 May 2007
“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
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Conversion”	conversion of 1,350,000,000 Preference Shares into 1,350,000,000 Shares by Gain Alpha
“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
“General Mandate”	existing available general mandate granted to the Board at the annual general meeting of the Company held on 16 April 2007
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Messrs. Ho Tak Man, Billy, Yap Fat Suan and Dr. Wong Yau Kar, David, to advise the Independent Shareholders on the Subscription and the proposed refreshment of the general mandate
“Independent Financial Adviser”	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders other than Gain Alpha and its associates

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## DEFINITIONS

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“Latest Practicable Date”	11 June 2007 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 the Company and the Placing Agent on 22 May 2007
“Placing Price”	HK\$0.50 per Placing Share
“Placing Shares”	an aggregate of up to 800,000,000 Shares to be placed by the Placing Agent under the Placing Agreement
“Preference Shares”	preference shares of the Company of HK\$0.01 each
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held to seek Independent Shareholders’ approval for the Subscription and the proposed refreshment of the general mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of 800,000,000 new Shares by Gain Alpha pursuant to a subscription agreement entered into between the Company and Gain Alpha on 22 May 2006
“Subscription Price”	HK\$0.50 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be issued by the Company under the Subscription Agreement
“Wind Power”	China Wind Power Holdings Limited, a limited liability company incorporated in the British Virgin Islands

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## LETTER FROM THE BOARD

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香港藥業

### HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 182)**

*Executive Directors:*

Mr. Ko Chun Shun, Johnson (*Chairman*)  
Mr. Chan Kam Kwan, Jason  
Mr. Tsoi Tong Hoo, Tony  
Mr. Wong Fan, Frank  
Mr. Yeung Heung Yeung

*Non-executive Director:*

Mr. Kelvin Edward Flynn

*Independent non-executive Directors:*

Mr. Ho Tak Man, Billy  
Dr. Wong Yau Kar, David  
Mr. Yap Fat Suan

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Units 4306-7  
Far East Finance Center  
16 Harcourt Road  
Admiralty  
Hong Kong

13 June 2007

*To the Shareholders*

Dear Sir or Madam,

### SUBSCRIPTION OF NEW SHARES — CONNECTED TRANSACTION

#### PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SECURITIES

#### INTRODUCTION

On 22 May 2007, the Company announced that the Placing Agreement was entered into, pursuant to which, the Placing Agent has, on behalf of Gain Alpha, placed 800,000,000 Shares at the Placing Price of HK\$0.50 per Share. Under the Subscription Agreement, Gain Alpha will subscribe for 800,000,000 Subscription Shares, equivalent to the number of Shares it has sold under the Placing Agreement, at HK\$0.50 per Share (equals to the Placing Price) under the Subscription Agreement.

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## LETTER FROM THE BOARD

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The issue of the Subscription Shares is subject to approval of the Independent Shareholders as required under Rule 13.36(1)(a)(i) of the Listing Rules. As the Subscription Shares cannot be issued to Gain Alpha within 14 days after the date of the Placing Agreement, the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules. The Subscription is conditional upon, inter alia, approval of the Independent Shareholders and the granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares. Gain Alpha and its associates will abstain from voting at the SGM to be held to approve the Subscription.

The purpose of this circular is to provide you with details of the Subscription the advice and recommendation from the Independent Board Committee and the Independent Financial Adviser in this regard.

### THE SUBSCRIPTION AGREEMENT

Date	:	22 May 2007
Issuer	:	the Company
Subscriber	:	Gain Alpha (an investment holding company)
Number of Subscription Shares	:	800,000,000 Shares (equal to the number of Placing Shares placed) representing (i) approximately 34.78% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 25.80% of the issued share capital of the Company after completion of the Subscription
Subscription Price	:	HK\$0.50 per new Share (equal to the Placing Price)

Gain Alpha is a company wholly-owned by Mr Ko Chun Shun, Johnson, the Chairman of the Board. Gain Alpha is a substantial Shareholder holding approximately 50.42% of the issued share capital of the Company as at the Latest Practicable Date. Gain Alpha also held 810,000,000 Preference Shares as at the Latest Practicable Date.

Completion of the Subscription is conditional upon fulfillment of (i) completion of the Placing Agreement; (ii) approval of the Independent Shareholders for the Subscription; and (iii) 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).

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## LETTER FROM THE BOARD

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### 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 or 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 circular and the illustrative shareholding structure of the Company after completion of the Subscription:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Placing, the Conversion and the Subscription</b>	
	<i>Number of Shares</i>	<i>Percentage</i>	<i>Number of Shares</i>	<i>Percentage</i>
Gain Alpha and its associates	1,160,000,000	50.42%	1,960,000,000	63.22%
Public Shareholders (including the placees under the Placing)	<u>1,140,379,669</u>	<u>49.58%</u>	<u>1,140,379,669</u>	<u>36.78%</u>
Total	<u><u>2,300,379,669</u></u>	<u><u>100.00%</u></u>	<u><u>3,100,379,669</u></u>	<u><u>100.00%</u></u>

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## LETTER FROM THE BOARD

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The Company refers to the announcement of the Company dated 21 May 2007 in respect of the Acquisition. The Acquisition will involve, among other things, issue of convertible notes with an aggregate principal amount of HK\$100,000,000 convertible into 1,000,000,000 new Shares (based on the initial conversion price, subject to adjustment) upon completion of the Acquisition. Completion of the Acquisition is conditional upon, among other things, obtaining approval of the Shareholders. The Subscription is also conditional upon, among other things, approval of the Independent Shareholders. The Company has convened the SGM to be held on 29 June 2007. The Company also refers to an announcement of the Company dated 7 June 2007, it is proposed that the circular in respect of the Acquisition will only be despatched to the Shareholders on or before 13 July 2007. Accordingly, resolution for approving the Acquisition will not be proposed at the SGM but at another general meeting of the Company to be convened and held after the date of the SGM. Under the Subscription Agreement, completion of the Subscription shall take place on the second business day after all the relevant conditions precedent have been satisfied. Completion of the Acquisition shall, pursuant to its relevant sale and purchase agreement, take place on the third business day after all the relevant conditions precedent are satisfied or waived. Based on the above timing, the Company expects that the Subscription will take place before completion of the Acquisition and the issue of the convertible notes. The Company does not expect the shareholding interest of Gain Alpha in the Company to be fall to 50% or below before completion of the Subscription.

### **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 of the Company dated 21 May 2007, the Company entered into a sale and purchase agreement to acquire for the entire issue share capital of Wind Power which, though 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 Subscription (formed part of the top-up Placing arrangement 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 are of the view that the terms of the Placing and Subscription are fair and reasonable and in the interests of the Shareholders. Shareholding of the existing public Shareholders will be diluted as a result of the Subscription from approximately 49.58% to approximately 36.78%. If the Subscription does not proceed, all proceeds from the Placing will be retained by Gain Alpha.



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## LETTER FROM THE BOARD

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The net proceeds from the Subscription are estimated to be HK\$387 million (representing a net placing price of approximately HK\$0.484 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 LATEST PRACTICABLE DATE**

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 being used by the Group as general working capital purpose. Save for the above, the Company has not conducted any equity fund raising activities in the past twelve months.

### **REFRESHMENT OF GENERAL MANDATE**

The General Mandate granted to the Directors at the annual general meeting held on 16 April 2007 authorizes the Directors to allot and issue up to 190,075,933 new Shares. No Shares have been issued under the General Mandate granted to the Directors. After the Conversion, such number of new Shares which may be allotted and issued under the General Mandate only represented approximately 8.3% of the issued ordinary share capital of the Company as at the Latest Practicable Date. The Company proposes to refresh the general mandate at the SGM with a view to providing the Company with maximum flexibility for possible future fund raising. The refreshed general mandate, if granted by the Independent Shareholders, shall give the Directors a general authority to issue and allot new Shares of up to 20% of the number of Shares in issue as at the date of the SGM subject to the relevant requirements under the Listing Rules and shall continue in force until the earlier 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 any applicable law or the bye-laws of the Company to be held; or (iii) the date when it is revoked or varied by ordinary resolution of the Shareholders in general meeting. As at the Latest Practicable Date, the total number of Shares in issue was 2,300,379,669 Shares. Assuming that there are no changes to the number of issued Shares between the Latest Practicable Date and the date of the SGM, the refreshed general mandate will give the Directors a general authority to issue and allot 460,075,933 Shares, representing 20% of the total issued Shares as at the Latest Practicable Date.

Under Rule 13.36(4) of the Listing Rules, the proposed refreshment of the general mandate is subject to approval of the Independent Shareholders. Gain Alpha and its associates will abstain from voting in favour of the ordinary resolution to be proposed at the SGM in this regard.

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## LETTER FROM THE BOARD

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### **SPECIAL GENERAL MEETING**

As set out above in this circular, Gain Alpha is the controlling Shareholder and thus a connected person of the Company. Issue of the Subscription Shares will not be made under the General Mandate. Such issue is subject to the approval of the Independent Shareholders as required under Rule 13.36(1)(a)(i) of the Listing Rules. As completion of the Subscription is not expected to take place within 14 days from the date of the Placing Agreement, the Subscription constitutes a non-exempt connected transaction for the Company and thus is subject to all the relevant reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, completion of the Subscription has been made conditional on, among other things, the approval of the Independent Shareholders.

The Company will convene and hold the SGM with a view to seeking approval from the Independent Shareholders in respect of the Subscription and the proposed refreshment of the general mandate. Gain Alpha and its associates will abstain from voting in respect of the resolution to be proposed at the SGM with regard to the Subscription and will abstain from voting in favour in respect of the resolution with regard to the proposed refreshment of the general mandate. Both ordinary resolutions will be voted by poll.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrars of the Company in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

### **RECOMMENDATION**

The Independent Board Committee, having considered the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms of the Subscription are fair and reasonable and the Subscription and the proposed refreshment of the general mandate are in the best interests of the Company and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Subscription Agreement and the transaction thereunder and (ii) the proposed refreshment of the general mandate.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the letters from the Independent Board Committee and the Independent Financial Adviser, and the appendix to this circular.

By Order of the Board  
**Ko Chun Shun, Johnson**  
*Chairman*



香港藥業

**HONG KONG PHARMACEUTICAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 182)**

13 June 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES — CONNECTED TRANSACTION**

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ISSUE NEW SECURITIES**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Subscription, details of which are set out in the letter from the Board contained in the Company's circular dated 13 June 2007 to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from the Independent Financial Adviser, containing its advice to us and the Independent Shareholders regarding the fairness and reasonableness of the terms of the Subscription and the proposed refreshment of the general mandate as set out on pages 11 to 26 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 3 to 9 of the Circular.

Having considered the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Subscription and the proposed refreshment of the general mandate are fair and reasonable and the Subscription and the proposed refreshment of the general mandate are in the best interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to approve (i) the Subscription Agreement and the transaction thereunder and (ii) the proposed refreshment of general mandate to be proposed at the SGM.

Yours faithfully,

**Ho Tak Man, Billy**

**Yap Fat Suan**

**Wong Yau Kar, David**

*Independent Board Committee of*

*Hong Kong Pharmaceutical Holdings Limited*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the proposed refreshment of the general mandate for the purpose of inclusion in this circular.*

德 國 商 業 銀 行

**COMMERZBANK** 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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HONG KONG

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13 June 2007

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs

### **CONNECTED TRANSACTION — SUBSCRIPTION OF NEW SHARES; PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee under the Top-up Placing (as defined below) and the Independent Shareholders in connection with (i) the Subscription pursuant to the Subscription Agreement under the Top-up Placing (as defined below) and (ii) the proposed refreshment of the Company's general mandate granted to the Board at the Company's annual general meeting held on 16 April 2007 (the "Existing General Mandate") to issue Shares. Details of the terms and conditions of the Subscription Agreement as well as the refreshment of the Existing General Mandate are set out in the letter from the Board as contained in the circular to the Shareholders dated 13 June 2007 (the "Circular") of which this letter forms a part. Unless otherwise defined herein, terms used in this letter shall have the same meanings as defined in the Circular.

On 22 May 2007, Gain Alpha, the controlling Shareholder, entered into the Placing Agreement and the Subscription Agreement to effect a "top-up" placing arrangement (the "Top-up Placing"). Pursuant to the Placing Agreement, the Placing Agent has, as at the Latest Practicable Date, placed 800,000,000 Shares held by Gain Alpha to not less than six independent investors at the Placing Price of HK\$0.50, and after completion of the Placing, Gain Alpha will subsequently subscribe for 800,000,000 Subscription Shares from the Company at the same price (before deduction of the relevant expenses relating to the Placing and the Subscription) pursuant to the Subscription Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The issue of the Subscription Shares will not be made under the Existing General Mandate but under a specific mandate which will be subject to the approval of the Shareholders at the SGM. As such, completion of the Subscription will not be able to take place within 14 days from the date of the Placing Agreement. By virtue of Gain Alpha being a connected person under the Listing Rules, the Subscription under the Top-up Placing by Gain Alpha constitutes a non-exempt connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, Gain Alpha and its associates are required to abstain from voting at the SGM on the resolution relating the Subscription and the Subscription is subject to the Independent Shareholders' approval at the SGM by way of poll.

The Board also proposed that the Existing General Mandate will be refreshed at the SGM to authorise the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM passing the relevant resolutions. Since the refreshment of the Existing General Mandate will be made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate is subject to approval of the Independent Shareholders, and Gain Alpha and its associates, will abstain from voting in favour of the resolution relating to the proposed refreshment of the Existing General Mandate.

The Board currently comprises 9 Directors, with Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony, Mr. Chan Kam Kwan, Jason, Mr. Wong Fan, Frank, and Mr. Yeung Heung Yeung as the executive Directors; Mr. Kelvin Edward Flynn as the non-executive Director; and Mr. Ho Tak Man, Billy, Mr. Yap Fat Suan and Dr. Wong Yau Kar, David as the independent non-executive Directors. Since the Subscription and the proposed refreshment of the Existing General Mandate are subject to the approval of the Independent Shareholders, the Independent Board Committee comprising all of the independent non-executive Directors has been formed for the purpose of making recommendation to the Independent Shareholders as to how they should vote on the relevant resolutions. We, Commerzbank AG Hong Kong Branch, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Subscription Agreement and the refreshment of the Existing General Mandate as to whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Commerzbank AG Hong Kong Branch is not associated with the Company or its substantial Shareholders and accordingly, is considered eligible to give independent advice on the Subscription. Apart from a normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information and facts supplied to us by the Company are true, complete and accurate in all material respects and we have relied on the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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same. Also, we have relied on the representations made by the Directors that having made all due enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular misleading. In addition, we have reviewed, inter alia, the Subscription Agreement and the financial information of the Company, including the published annual report of the Company and unaudited financial statements for the year ended 31 March 2006 and unaudited accounts for the six months ended 30 September 2006 and the circular of the Company dated 29 July 2006. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Subscription Agreement and the transactions contemplated therein and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Subscription and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

#### 1. Background of the Group

##### *Background information*

The Company has listed on the Stock Exchange since 1991 and was initially engaged in the management and operation of a traditional Chinese medicine and health food retail outlets chain 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 stated in the circular to the Shareholders dated 29 July 2006, the Group experienced financial difficulties for several years as a result of, including, (i) the slow economic conditions and poor retail market in Hong Kong following the financial crisis in 1997; (ii) the outbreak of the Severe Acute Respiratory Syndrome in 2003; (iii) the Group’s investment in businesses in the PRC that were not integrated with and did not offer any

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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economy of scale, cost savings or additional business opportunities to the Group; (iv) the involvement of certain members of the Group in legal disputes that caused strain on the Group's financial resources and distracted the attention of the Group's management; and (v) the lack of control over the PRC pharmacy operations arising from a dispute with the local joint venture partners, all of which have adverse impact on the profitability and operating performance of the Group and caused the lack of working capital for the Group to fund and expand its businesses, resulting in the Group being dragged into severe financial difficulties. In September 2004, a winding petition was filed against the Company. Two provisional liquidators in respect of the Company were respectively appointed by the High Court of Hong Kong and the Supreme Court of Bermuda in October 2004.

In mid 2006, the Company underwent a restructuring involving, among other things, a capital restructuring, a debt restructuring, a subscription of new Shares and Preference Shares by Gain Alpha (the existing controlling Shareholder) and a group reorganization (collectively, the "Restructuring") was approved by the Shareholders. As a result of the Restructuring, Gain Alpha has become the new controlling Shareholder and a new management team has also been introduced to monitor the daily operations of the Company. As stated in the Company's announcement dated 21 May 2007 (the "Acquisition Announcement"), after a thorough review of the Group's existing operations and development strategy by the new management team, it was considered that further business diversification would be essential for the continuous development of the Group and the Acquisition thus provided the Group with an unique opportunity to become one of the "first-movers" in Hong Kong to be engaged in the wind power business in the PRC, a sector which is encouraged by the PRC government and in line with the PRC's national policy on environmental protection and generation of "clean energy".

The financial difficulties faced by the Group and subsequently the Restructuring which was intended to revitalize its business operations have led to a long period of suspension in the trading of the Shares from 5 August 2004 to 6 December 2006. Details of the Restructuring were contained in the circular to the Shareholders dated 29 July 2006.



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Financial Position of the Group*

We set out below the key financial information of the Company for each of the three years ended 31 March 2004, 2005 and 2006 and each of the six-month periods ended 30 September 2005 and 2006 as extracted from the Company's respective annual and interim reports:

Consolidated Profit and Loss Accounts	For the year ended 31 March			For the six months ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue					
— Sale of Sum yung and other pharmaceutical products	116,491	52,289	47,691	20,886	21,683
— Sale of biotechnological and transgenic products	23,069	8,625	—	—	—
— Rental income from investment property	2,286	1,261	123	—	47
— Corporate and others	1,288	1,467	19,155	4,664	823
<i>Total</i>	<u>143,134</u>	<u>63,642</u>	<u>66,969</u>	<u>25,550</u>	<u>22,553</u>
<i>Segment operating profit/(loss)</i>					
— Sale of Sum yung and other pharmaceutical products	(1,171)	151	(430)	(2)	(1,830)
— Sale of biotechnological and transgenic products	(48,742)	(960)	—	—	—
— Rental income from investment property	4,971	(4,815)	(15)	(6)	(107)
— Corporate and others	(38,447)	8,175	15,053	2,867	(37,176)
<i>Total</i>	<u>(83,389)</u>	<u>2,551</u>	<u>14,608</u>	<u>2,859</u>	<u>(39,113)</u>
<i>Net profit/(loss) for the year/period</i>	<u>(91,914)</u>	<u>(3,723)</u>	<u>9,413</u>	<u>666</u>	<u>(39,445)</u>
<b>Consolidated Balance Sheet</b>					
Total Assets	138,983	26,276	31,175	29,815	31,906
Total Liabilities	<u>(222,431)</u>	<u>(113,447)</u>	<u>(108,933)</u>	<u>(116,320)</u>	<u>(149,109)</u>
<i>Net Liabilities</i>	<u>(83,448)</u>	<u>(87,171)</u>	<u>(77,758)</u>	<u>(86,505)</u>	<u>(117,203)</u>
<i>Cash and cash equivalent</i>	<u>4,624</u>	<u>3,174</u>	<u>751</u>	<u>2,263</u>	<u>1,245</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given the continuous decline in revenue derived from the Group's core business of traditional Chinese medicine from approximately HK\$116.49 million for the year ended 31 March 2004 to approximately HK\$52.29 million for the year ended 31 March 2005 and approximately HK\$47.69 million for the year ended 31 March 2006, the Group's existing management team has considered that, as disclosed in the Acquisition Announcement, it is important and is also the interests of the Company and the Shareholders to diversify the Group's business into new businesses with attractive prospects so as to broaden the Group's revenue base, thereby improving the profitability and the financial performance of the Group.

### *The Group's recent expansion in the wind power electricity generation business*

Due to the rapid growth in the PRC's economy in the recent decades, there has been a strong demand for energy supply in the PRC. Unlike the use of crude oil, natural gas and coal, wind power is an ample, renewable and clean energy source and energy generated by it involves a low level of greenhouse gas emission. Given the increasing concerns over the environmental pollution caused by traditional methods of power generation, as disclosed in the Acquisition Announcement, the Directors believe that there will be an increase in the demand for electricity generated by wind power in the PRC. Furthermore, in recent years, the PRC government has promulgated preferential policies such as tax concessions to promote the development of wind power facilities in the PRC as a means to encourage the application of renewable energy (such as wind power) to reduce emission of greenhouse gases, whilst at the same time, continue to expand the national power output capacity to meet the growing domestic power demand.

In view of the growing market demand for renewable energy in the PRC, coupled with Directors' intention to diversify the Group's existing business, on 29 April 2007, the Company and the shareholder (the "Vendor") of China Wind Power Holdings Limited (the "Wind Power", or together with its subsidiaries and associates, the "Wind Power Group") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which, the Company has conditionally agreed to acquire the entire issued share capital of Wind Power (the "Acquisition") for a consideration between HK\$100 million and HK\$200 million (the "Consideration"), depending on the audited consolidated net profit of the Wind Power Group for the periods agreed between the Vendor and the Company. The Consideration will be satisfied by the issue of the notes convertible into new Shares (the "Convertible Notes") at an initial conversion price of HK\$0.1 per Share, subject to adjustment.

The Wind Power Group is principally engaged in the operation, management and investment in wind power electricity generating facility, and derives its income from the generation and sale of electricity generated by wind power in the PRC. The Wind Power Group also plans to engage in the development, manufacture and sale of wind power electricity generating facilities.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion of the Acquisition (but before the completion of the Subscription), the shareholding structure of the Group is illustrated as follows:

***The shareholding structure of the Company assuming the Consideration is at the minimum of HK\$100 million***

	As at the		Immediately after conversion of the Convertible Notes in full and the Conversion (see below) but before the Subscription and the conversion of the Preference Shares		Immediately after conversion of the Convertible Notes in full, the Conversion (see below) and conversion of the Preference Shares in full but before the Subscription	
	Latest Practicable Date					
	Shares	%	Shares	%	Shares	%
Gain Alpha and its associates ( <i>Note 1</i> )	1,160,000,000	50.42%	1,160,000,000	35.15%	1,970,000,000	47.93%
The Vendor	—	—	1,000,000,000	30.30%	1,000,000,000	24.33%
The Placees	800,000,000	34.78%	800,000,000	24.24%	800,000,000	19.46%
Public Shareholders	340,379,669	14.80%	340,379,669	10.31%	340,379,669	8.28%
Total	<u>2,300,379,669</u>	<u>100.00%</u>	<u>3,300,379,669</u>	<u>100.00%</u>	<u>4,110,379,669</u>	<u>100.00%</u>

***The shareholding structure of the Company assuming the Consideration is at the maximum of HK\$200 million***

	As at the		Immediately after conversion of the Convertible Notes in full and the Conversion (see below) but before the Subscription and the conversion of the Preference Shares		Immediately after conversion of the Convertible Notes in full, the Conversion (see below) and the Preference Shares in full but before the Subscription	
	Latest Practicable Date					
	Shares	%	Shares	%	Shares	%
Gain Alpha and its associates ( <i>Note 1</i> )	1,160,000,000	50.42%	1,160,000,000	26.97%	1,970,000,000	38.55%
The Vendor	—	—	2,000,000,000	46.51%	2,000,000,000	39.14%
Placees	800,000,000	34.78%	800,000,000	18.60%	800,000,000	15.65%
Public Shareholders	340,379,669	14.80%	340,379,669	7.92%	340,379,669	6.66%
Total	<u>2,300,379,669</u>	<u>100.00%</u>	<u>4,300,379,669</u>	<u>100.00%</u>	<u>5,110,379,669</u>	<u>100.00%</u>

*Note 1:* As at the Latest Practicable Date, Gain Alpha had an outstanding of 810,000,000 non-redeemable convertible Preference Shares which are convertible into 810,000,000 Shares

### 2. Major terms of the Placing Agreement and the Subscription Agreement

Major terms and conditions of the Placing Agreement and the Subscription Agreement are summarised below:

#### *Major terms of the Placing Agreement*

##### *(i) The Placees*

The Placing Agent had procured, as at the Latest Practicable Date, not less than six investors who (including their respective ultimate beneficial owners), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons and are not acting in concert with any connected persons of the Group.

##### *(ii) Number of Placing Shares*

- As at the Latest Practicable Date, the Placing Agent had placed the 800,000,000 Placing Shares owned by Gain Alpha to not less than six independent investors at the Placing Price and Gain Alpha had also converted 1,350,000,000 Preference Shares into 1,350,000,000 new Shares (the "Conversion"). The Placing Shares represent:
- approximately 34.78% of the issued share capital of the Company as at the Latest Practicable Date;
- approximately 25.80% of the issued share capital of the Company immediately after completion of the Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Placing Price*

The Placing Price of HK\$0.50 was determined after arm's length negotiation between the Company and the Placing Agent.

*(iv) Placing Commission*

The placing commission amounted to 3% of the gross proceeds from the Placing.

***The Subscription Agreement***

Under the Subscription Agreement, the Company will issue 800,000,000 Subscription Shares to Gain Alpha at the Subscription Price of HK\$0.50, which is equal to the Placing Price before deduction of the relevant expenses in relation to the Placing and the Subscription. Since the Subscription Shares will not be issued under the General Mandate but under a specific mandate, the Subscription will require approval by the Independent Shareholders at the SGM. The Subscription Agreement is conditional on:

- (i) completion of the Placing Agreement;
- (ii) approval of the Independent Shareholders at the SGM;
- (iii) granting of the approval by the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

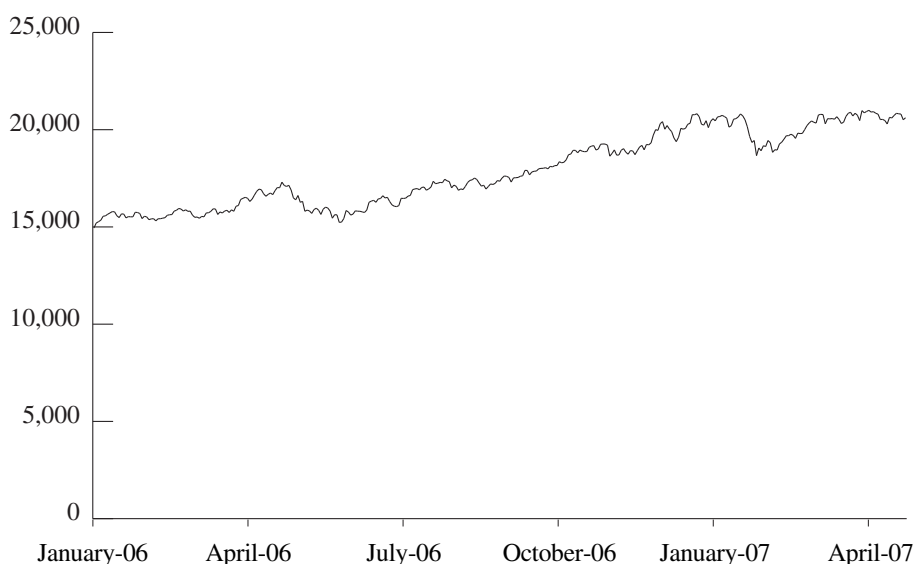
Completion of the Subscription will take place on the second business day after fulfillment of the above conditions precedent and shall not be later than 31 August 2007 (unless otherwise agreed between Gain Alpha and the Company).

### 3. Reasons for the Placing and the Subscription

#### *Favourable market sentiment*

Since 2006, the capital market in Hong Kong has become active and the Hang Seng Index rose from 14,945 on 3 January 2006, being the first trading day in 2006 to 20,615 as at the Latest Practicable Date, representing an increase of approximately 37.94%. Having taken into account the current market sentiments and, particularly the financial position of the Company, the Directors consider that the Top-up Placing will provide the Group with a good opportunity to raise capital to strengthen its working capital position and to broaden its shareholder and capital bases.

**Hang Seng Index**



*Source: Bloomberg*

In view of the continuous decline in the Company's traditional Chinese medicine business, we concur with the Directors that it is uncertain as to whether the Group's business will be able to "turn-around" solely from its existing business operations and internal resources. As stated in the Circular, the net proceeds from the Subscription of approximately HK\$387 million will be used entirely for the development of the Group's wind power business, including acquisition and development of wind farms and wind power related business and/or establishment of other new sources of power generation and related businesses. Having considered the recent corporate development of the Company and the requirement for additional working capital to expand its wind power business, we are of the view that the Subscription is in the interests of the Company and the Shareholders at a whole.

### *Other fund raising alternatives*

According to the unaudited pro forma consolidated balance sheet (the “Pro forma Balance Sheet”) of the Group based on the unaudited consolidated balance sheet of the Group as at 30 September 2005 as adjusted by the effect of the Restructuring as disclosed in the Company’s circular dated 29 July 2006, the adjusted consolidated unaudited total assets, total liabilities and net assets amounted to approximately HK\$48.07 million, HK\$14.22 million and HK\$33.85 million respectively, resulting in an adjusted gearing ratio (defined as total liabilities over total assets) of approximately 0.30. Based on the Pro forma Balance Sheet, the Group’s current assets mainly comprised cash of approximately HK\$36.92 million and other assets, including inventories and other debtors, deposits and prepayment in an aggregate amount of approximately HK\$9.98 million. Considering the Group’s lack of securable assets and the fact that the financial results of the wind power business are yet to be reflected in the Group’s future financial statements, we concur with the Directors that it will be difficult for the Company to obtain further capital from debt financing through bank borrowings at terms that are favourable to the Company. Since the Top-up Placing is comparably more cost and time efficient and has less market uncertainty for the Company as compared to other equity financing methods such as open offer and rights issue, we consider that the Subscription under Top-up Placing is an appropriate fund raising means for the Company under the current circumstances.

#### **4. Fund-raising activities in the past 12 months**

The Company did not conduct any fund-raising activities during the past twelve months, except the subscription agreement dated 7 September 2005 which the Company entered into under the Restructuring, pursuant to which, the Company issued 810,000,000 new Shares and 2,160,000,000 Preference Shares to Gain Alpha in December 2006 at a consideration of HK\$21.87 million and HK\$58.32 million respectively (as detailed in the circular to the Shareholders dated 29 July 2006).

Despite the fact that an aggregate of approximately HK\$80.19 million had been injected into the Company pursuant to the Restructuring, approximately HK\$45.50 million has been used by the Group for the purpose of implementing the Restructuring, and the remaining net proceeds of approximately HK\$34.69 million are being applied for general working capital purpose. As a result, there would not be sufficient capital for the development of the Group’s wind power business which is capital intensive.

### 5. The Subscription Price

#### *Historical performance of the Company's share price*

The Subscription Price of HK\$0.50, before deduction of the relevant expenses relating to the Placing and the Subscription, is the same as the Placing Price and represents:

- (i) a discount of approximately 41.86% to the closing price of HK\$0.86 per Share on the last trading day on 22 May 2007 before the suspension of trading in the Shares, pending the release of the announcement dated 23 May 2007 (the “Last Trading Day Before Suspension”) (trading in the Shares was suspended from 30 April to 21 May 2007);
- (ii) a discount of approximately 19.22% to the average closing price of HK\$0.619 per Share for the last 5 trading days up to and include the Last Trading Day Before Suspension;
- (iii) a discount of approximately 11.03% to the average closing price of HK\$0.562 per Share for the last 10 trading days before the Last Trading Day Before Suspension;
- (iv) a premium of approximately 7.53% over the average closing price of HK\$0.465 per Share for the last 30 trading days before the Last Trading Day Before Suspension;

#### *Comparison with recent share placements*

In assessing the fairness and reasonableness of the terms of the Top-up Placing, we have reviewed and compared the Subscription Price (which is the same as the Placing Price before deduction of the relevant expenses relating to the Placing and the Subscription) with other top-up placements raising gross proceeds between HK\$200 million and HK\$1,000 million conducted by other companies listed on the main board of the Stock Exchange (the “Comparable Companies”) from 1 May to the Last Trading Day Before Suspension.

The following table sets out, among other things, the premium/(discount) represented by the placing/subscription price over/to the average closing price of the shares for the five trading days prior to the suspension in trading of the shares of the Comparable Companies, pending the release of their respective announcements relating to their top-up placements.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Name of Comparable Companies	Stock Code	Placing Price (HK\$)	Number of Placing Shares (Shares)	Gross fund raised (HK\$' 000)	Closing price of the shares on the last trading day prior to the suspension in trading of the shares (HK\$)	Average closing price of the shares for the five trading days prior to the suspension in trading of the shares (HK\$)	Premium/ (Discount) of the placing price over/to the closing price of shares on the last trading day prior to the suspension in trading of the shares	Premium/ (Discount) of the placing price over/to the closing price of shares on the last five trading days prior to the suspension in trading of the shares
								%	%
22 May 2007	The Company	182	0.50	800,000,000	400,000	0.86	0.619	(41.86)%	(19.22)%
22 May 2007	Century City International Holdings Limited	355	0.325	1,600,000,000	520,000	0.35	0.341	(7.14)%	(4.70)%
17 May 2007	Chu Kong Shipping Development Company Limited	560	2.15	150,000,000	322,500	2.58	2.328	(16.67)%	(7.65)%
2 May 2007	Oriental Investment Corporation Limited	735	0.905	640,000,000	579,200	0.95	0.912	(4.74)%	(0.77)%
2 May 2007	Catic International Corporation Limited	232	0.34	720,000,000	244,800	0.415	0.403	(18.07)%	(15.63)%

*Source: Stock Exchange*

As shown above, the placing prices of the Comparable Companies ranged from (i) a discount of approximately 4.74% to 18.07% when compared to the closing price on the last trading day of the Comparable Companies prior to the suspension in trading of their shares; and (ii) a discount of approximately 0.77% to 15.63% when compared to the average closing share prices of the Comparable Companies for the last five trading days prior to the suspension in trading of their shares. The Subscription Price of HK\$0.50 represents a discount of approximately 41.86% and 19.22% to the closing price of the Last Trading Day Before Suspension and the average closing price of HK\$0.619 per Share for the last five trading days up to and including the Last Trading Day Before Suspension, respectively, which are above the respective ranges of the Comparable Companies.

In assessing the fairness and reasonableness of the Subscription Price under the Top-up Placing, we have taken into account the additional risk born by the investors in investing in the Shares which made the Company not directly comparable with the Comparable Companies. The additional risks included, among others, (i) the Company has just

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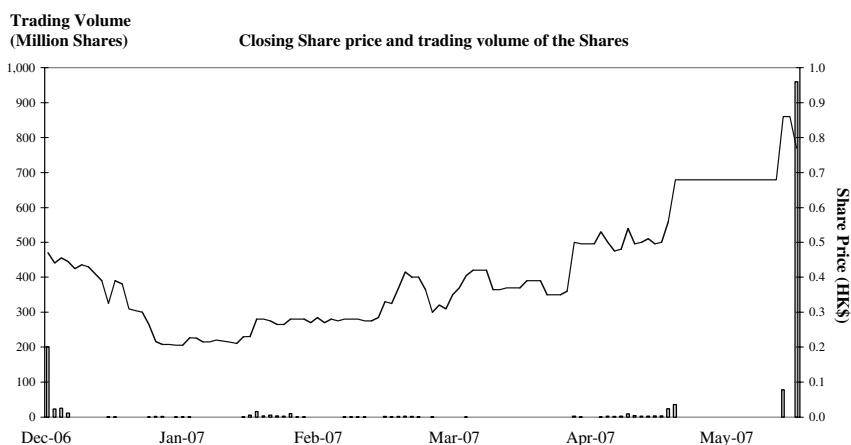
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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undergone the Restructuring and is still in the early stage in establishing its new engagement in the wind power business; (ii) the use of wind power to generate electricity in the PRC is still at its infant stage as stated in the Acquisition Announcement and (iii) the short operating history of the Wind Power Group (the Wind Power Group was only established in January 2006 as disclosed in the Acquisition Announcement). These risk factors have imposed uncertainties as to the success of the Group's wind power business and as to the investors' investment in the Shares, which were reflected in the deeper discount of the Placing Price (being the same as the Subscription Price before deduction of the relevant expenses relating to the Placing and the Subscription) to the above-mentioned relevant trading prices of the Shares than those of the Comparable Companies.

### *Comparison against the Review Period (as defined below)*

Set out below is the chart showing the closing prices and trading volume of the Shares traded on the Stock Exchange from 7 December 2006 (being the first date of resumption of trading in the Shares since 5 August 2004), up to and including the Last Trading Day Before Suspension (the "Review Period"):



During the Review Period, the closing prices of the Shares were on an overall upward trend and ranged from HK\$0.21 to HK\$0.86 with an average of approximately HK\$0.417 per Share. The Subscription Price represents (i) a price towards the upper end of the range which the Shares were traded during the Review Period and (ii) a premium of approximately 19.9% over the average closing price of HK\$0.417 since commencement of the trading in the Shares on 7 December 2006.

Given the above, we are of the view that the Subscription Price is fair and reasonable in so far as the Independent Shareholders are concerned.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 8. Impact on the Group's financial position

As mentioned above, upon completion of the Restructuring, the Group was estimated to have an adjusted gearing ratio of approximately 0.30. It is expected that upon completion of the Subscription, the working capital of the Group will be increased substantially by approximately HK\$387 million and the gearing ratio will be improved substantially. In view of the positive impact on the Group's financial position by the Subscription, we are of the opinion that the Subscription is in the interests of the Company and the Shareholders as a whole.

## 9. Shareholding Structure

Impact of the Placing, the Conversion and the Subscription on the Company's shareholding

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and after completion of the Placing, the Conversion and the Subscription:

	As at the date of the Acquisition Announcement		As at the Latest Practicable Date (after completion of the Placing and the Conversion but before the Subscription)		Immediately after completion of the Placing, the Conversion and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gain Alpha and its associates ( <i>Note 1</i> )	610,000,000	64.18%	1,160,000,000	50.42%	1,960,000,000	63.22%
Placees ( <i>Note 2</i> )	—	—	800,000,000	34.78%	800,000,000	25.80%
Public Shareholders	340,379,669	35.82%	340,379,669	14.80%	340,379,669	10.98%
	<u>950,379,669</u>	<u>100.00%</u>	<u>2,300,379,669</u>	<u>100.00%</u>	<u>3,100,379,669</u>	<u>100.00%</u>

*Note 1:* Up to the Latest Practicable Date, Gain Alpha had converted 1,350,000,000 Preference Shares into 1,350,000,000 new Shares

*Note 2:* No placees are (as a result of the Placing) connected persons of the Company

Upon completion of the Subscription, the shareholding of the public Shareholders (excluding the placees) will be decreased from approximately 14.80% to 10.98%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite the significant dilution to the shareholding of the public Shareholders, we are of the view that the dilution can be compensated by the benefits that the Subscription will bring to the Group in terms of fulfilling capital requirement of the Group in expanding its wind power business and therefore, the extent of dilution to the shareholding of the public Shareholders as a result of the Subscription is acceptable.

### REASONS FOR THE PROPOSED REFRESHMENT OF THE EXISTING GENERAL MANDATE

Although the Company had not utilised the Existing General Mandate as at the Latest Practicable Date, the Directors are of the view that refreshment of the Existing General Mandate will significantly increase the number of Shares to be allotted and issued under the general mandate of the Company to approximately 460.08 million (based on the total number of issued Shares of 2,300,379,669 as at the Latest Practicable Date and assuming that no additional Shares will be issued up to and including the date of the SGM) from 190,075,933 Shares under the Existing General Mandate, thereby providing additional financial flexibility to the Company in the event when the Company requires further capital for its future development in the wind power business. In view of the difficulty for the Company to incur debt financing due to the reasons mentioned above, we consider that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Subscription Agreement and the refreshment of the Existing General Mandate are fair and reasonable and the Subscription and the refreshment of the Existing General Mandate are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Subscription and the refreshment of the Existing General Mandate at the SGM to be held on 29 June 2007.

Yours faithfully,  
for and on behalf of

Commerzbank AG Hong Kong Branch

**Kenneth Chan**

*Head of Corporate Finance — Asia Pacific*

**Gaston Lam**

*Corporate Finance — Asia Pacific*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Director’s interests in Shares

As at the Latest Practicable Date, the following Directors had the interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Long positions in Shares

Name of director	Number of Shares held			Total
	Personal interests	Family interests	Corporate interests	
Mr Ko Chun Shun, Johnson	—	—	1,960,000,000	1,960,000,000

Note:

Mr Ko Chun Shun, Johnson is deemed to be interested in (i) 1,160,000,000 Shares held by Gain Alpha and (ii) 800,000,000 Subscription Shares agreed to be subscribed for by Gain Alpha under the Subscription Agreement. Gain Alpha is wholly-owned by Mr Ko Chun Shun, Johnson.

**(b) Long position in underlying Shares**

<b>Name of director</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Total</b>
Mr Ko Chun Shun, Johnson	—	—	810,000,000	810,000,000

*Note:*

Gain Alpha held 810,000,000 Preference Shares as at the Latest Practicable Date which were convertible into 810,000,000 new Shares based on their prevailing conversion price, subject to adjustment.

**(ii) Directors' other interests**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 March 2006, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Company subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any company or business which competes or may compete, directly or indirectly, with the businesses of the Group.

(iii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, not being a Director or chief executive of the Company, had interests and/or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Long positions in Shares

	Number of Shares interested
Gain Alpha	1,960,000,000

*Note:*

Gain Alpha’s interest in the Shares as at the Latest Practicable Date included in (i) 1,160,000,000 Shares held by Gain Alpha and (ii) the 800,000,000 Subscription Shares agreed to be subscribed for by Gain Alpha under the Subscription Agreement.

(b) Long positions in underlying Shares

	Number of underlying Shares interested
Gain Alpha	810,000,000

*Note:*

Gain Alpha held 810,000,000 Preference Shares as at the Latest Practicable Date which were convertible into 810,000,000 new Shares based on their prevailing conversion price, subject to adjustment. Mr. Ko Chun Shun, Johnson is the director of Gain Alpha.

As at the Latest Practicable Date, the following corporation (not being a member of the Group, a Director or the chief executive of the Company) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the following member of the Group:

Name of subsidiary	Name of shareholder	Percentage of interests in subsidiary
Jilin Province Tian He Wind Power Equipment Company Limited (吉林省天合風電設備有限公司) (Note 1)	吉林省天成風電設備有限公司	10%

*Note 1:* Jilin Province Tian He Wind Power Equipment Company Limited is a 90%-owned subsidiary of Wind Power. Wind Power will become a subsidiary of the Company upon completion of the Acquisition which is subject to a number of conditions including, inter alia, approval from the Independent Shareholders and approval from the Stock Exchange for the listing of the Shares which may be issued upon conversion of the convertible notes to be issued by the Company upon and after completion of the Acquisition.

Save as disclosed herein, as at the Latest Practicable Date, no person had any interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. RIGHT TO DEMAND POLL

A resolution put to the vote of a meeting of the Company 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 the Shareholder being a corporation by its duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) any Shareholder or the Shareholders present in person or in the case of the Shareholder being a corporation by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or



- (d) any Shareholder or the Shareholders present in person or in the case of the Shareholder being a corporation by its duly authorised corporate representative or by proxy and holding the Shares in the Company conferring a right to vote at the meeting being the 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 the Shares conferring that right.

A demand by a person as proxy for the Shareholder or in the case of the Shareholder being a corporation by its authorised corporate representative shall be deemed to be the same as a demand by the Shareholder.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Company were made up.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Commerzbank AG Hong Kong Branch	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO

Commerzbank AG Hong Kong Branch has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Commerzbank AG Hong Kong Branch did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Commerzbank AG Hong Kong Branch did not have any direct or indirect interests in any assets which have been, since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## **6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Placing Agreement; and
- (b) the Subscription Agreement.

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## NOTICE OF THE SGM

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香港藥業

### HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 182)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Hong Kong Pharmaceutical Holdings Limited (the “**Company**”) will be held at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 29 June 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

#### **ORDINARY RESOLUTIONS**

(1) **“THAT:**

- (a) the subscription agreement dated 22 May 2007 (the “Subscription Agreement”) entered into by the Company and Gain Alpha Finance Limited (“Gain Alpha”), pursuant to which the Company will allot and issue 800,000,000 ordinary shares in the capital of the Company of HK\$0.01 each to Gain Alpha or its nominee at HK\$0.50 per share subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the shares to be issued under the Subscription Agreement (details of the Subscription Agreement were set out in the Company’s circular dated 13 June 2007 and a copy of the agreement and the circular having been provided to the meeting marked “A” and “B” respectively and initialed for the purposes of identification by the chairman of the meeting) be and it is hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second director, a duly authorized representative of the director or the secretary of the Company and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any and all matters contemplated thereunder or ancillary thereto.”

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## NOTICE OF THE SGM

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(2) “**THAT:**

- (a) the directors of the Company be and are hereby granted an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company and to allot, issue or grant securities convertible into such shares, options, warrants or similar rights to subscribe for any shares in the Company or such convertible securities and to make or grant offers, agreements and options in respect thereof;
- (b) such mandate shall not extend beyond the Relevant Period save that the Directors may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue;
  - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;
  - (iii) the exercise of the subscription rights under any 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; or
  - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company;

shall not exceed 20 percent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution up to:

- (i) the conclusion of the next annual general meeting of the Company;

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## NOTICE OF THE SGM

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; or
- (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;

whichever is the earliest; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By order of the Board  
**Chan Kam Kwan, Jason**  
*Company Secretary*

Hong Kong, 13 June 2007

*Principal place of business in Hong Kong:*

Units 4306-7

Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead in accordance with the bye-laws of the Company. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified true copy of that power or attorney of authority must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

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## NOTICE OF THE SGM

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3. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register.
4. As required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the ordinary resolutions will be conducted by poll.
5. As at the date hereof 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).