THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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 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).

香港葯業

HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

香港葯業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 182)

VERY SUBSTANTIAL ACQUISITION

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

PROPOSED CHANGE OF COMPANY NAME

AND

RE-ELECTION OF DIRECTOR

Financial adviser to the Company

OSK Asia Capital Limited

A letter from the board of directors of Hong Kong Pharmaceutical Holdings Limited is set out on pages 5 to 31 of this circular.

A notice convening the special general meeting ("SGM(1)") of Hong Kong Pharmaceutical Holdings Limited to be held at 10:00 a.m. on 30 July 2007, Monday, at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for approving the very substantial acquisition, the increase in authorised share capital and the re-election of Director is set out on pages 182 to 183 of this circular. A notice convening the special general meeting ("SGM(2)") of Hong Kong Pharmaceutical Holdings Limited to be held at 10:00 a.m. on 6 August 2007, Monday, at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for approving the change of company name is set out on pages 184 to 185 of this circular. The respective forms of proxy for use at the SGM(1) and SGM(2) are enclosed. Whether or not you intend to attend and vote at the SGM(1) and/or SGM(2) or any adjourned meeting(s) in person, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon and return them to the Hong Kong branch share registrar and transfer office of the Company, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the respective time appointed for holding the SGM(1) and SGM(2) or any adjourned meeting(s). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the SGM(1) and/or SGM(2) or any adjourned meeting(s) should you so wish.

13 July 2007

* *for identification purposes only*

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

"Acquisition"	the acquisition of the entire issued share capital of Wind Power under the S&P Agreement
"Announcement"	the announcement of the Company dated 21 May 2007 in respect of the Acquisition
"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Audited Net Profit"	the audited consolidated net profit of Wind Power for the First Completed Year under HKFRS
"Board"	the board of the Directors
"Bye-laws"	the bye-laws of the Company
"Chang Tu"	昌圖遼能協鑫風力發電有限公司 (Chang Tu Liao Neng Xie Xin Wind Power Company Limited), a limited liability company established in the PRC
"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 1,350,000,000 Preference Shares into 1,350,000,000 Shares by Gain Alpha
"Conversion Shares"	new Shares falling to be issued by the Company upon exercise of the 1st Tranche Convertible Notes and/or the 2nd Tranche Convertible Note
"Convertible Notes"	the 1st Tranche Convertible Notes and the 2nd Tranche Convertible Note
"Directors"	directors of the Company
"Enlarged Group"	the Company and its subsidiaries after completion of the S&P Agreement, including Wind Power and the relevant members of the Wind Power Group

"First Completed Year"	the 1-year period immediately after completion of the S&P Agreement
"Gain Alpha"	Gain Alpha Finance Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr Ko Chun Shun, Johnson, the chairman of the Board
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	11 July 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 of Hong Kong Limited
"Moratorium Period"	in respect of the 1st Tranche Convertible Note (I), the 18-month period immediately after completion of the S&P Agreement; in respect of the 2nd Tranche Convertible Note, which will be issued to the Vendor where the Wind Power Group makes an audited net profit of not less than HK$50,000,000 for the 2008 Period, the three-month period after the issue of the 2nd Tranche Convertible Note
"MW"	Megawatt (1,000,000 watts), the commonly used unit of power in quantifying electricity generation
"PRC"	the People's Republic of China
"PRC Member Companies"	those companies established in the PRC in which Wind Power has invested, directly or indirectly (as shown in the group chart set out in the paragraph headed "Information on the Wind Power Group" below in this circular)

"Preference Shares"	preference shares of the Company of HK$0.01 each
"Prohibited Businesses"	the business carried out by any member of the Wind Power Group at anytime during the Reference Period
"Reference Period"	the one-year period immediately prior to the completion of the S&P Agreement
"Restructuring"	the restructuring of the Group carried out in 2006 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 as set out in the Company's circular dated 29 July 2006
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the conditional sale and purchase agreement entered into between the Company and the Vendor in respect of the Acquisition
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(1)"	the special general meeting to be convened and held by the Company for the purposes of seeking approval from the Shareholders for the Acquisition, the proposed increase in the authorised ordinary share capital of the Company and the re-election of Director, or any adjournment thereof (as the case may be)
"SGM(2)"	the special general meeting to be convened and held by the Company for the purpose of seeking approval from the Shareholders for the proposed change of company name, or any adjournment thereof (as the case may be)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option(s)"	Options granted, or which may be granted, pursuant to the terms of the share option scheme of the Company, to subscribe for new Shares

"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the 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 2007
"Takeovers Code"	the Code on Takeovers and Mergers
"Wind Power"	China Wind Power Holdings Limited, a limited liability company incorporated in the British Virgin Islands
"Wind Power Group"	Wind Power and its subsidiaries and associates
"Vendor"	China Wind Power Investment Limited, a limited liability company incorporated in the British Virgin Islands, the vendor under the S&P Agreement
"1st Tranche Convertible Notes"	the convertible notes with an aggregate principal amount of HK$100,000,000 to be issued by the Company to the Vendor upon completion of the S&P Agreement to satisfy the minimum consideration for the Acquisition, including the 1st Tranche Convertible Note (I) with a principal amount of HK$70,000,000 and the 1st Tranche Convertible Note (II) with a principal amount of HK$30,000,000
"2nd Tranche Convertible Note"	the convertible note which may in certain circumstances be issued by the Company to the Vendor to satisfy any remaining consideration payable in respect of the Acquisition
"2008 Period"	the period starting from the completion date of the S&P Agreement to 31 March 2008

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)

Executive Directors:
Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Liu Shunxing *(Chief Executive Officer)*
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
Mr. Yap Fat Suan
Dr. Wong Yau Kar, David

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
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 July 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL PROPOSED CHANGE OF COMPANY NAME AND RE-ELECTION OF DIRECTOR

INTRODUCTION

On 29 April 2007, the Company and the Vendor entered into the S&P Agreement, pursuant to which, 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. The minimum consideration for the Acquisition is HK$100,000,000 and the maximum consideration is HK$200,000,000 depending on the audited net profit of the Wind Power Group for the agreed periods (the 2008 Period and the First Completed Year) after completion of the S&P Agreement. The consideration will be settled by the issue of the

* *for identification purposes only*

Convertible Notes. The Convertible Notes may be converted, in whole or in part, into new Shares at the conversion price of HK$0.10 per Share, subject to usual adjustment. If the maximum amount of the Convertible Notes are issued, 2,000,000,000 Conversion Shares may fall to be issued upon conversion of the Convertible Notes in full, subject to usual adjustment to the conversion price.

The Wind Power Group is principally engaged in the operation, management and investment in wind power electricity generating facilities in the PRC. The Wind Power Group also plans to engage in the development, manufacture and sale of wind power electricity generating facilities. Given the growth opportunities of wind power in the PRC and the established structure and relationships of the Wind Power Group in the market, the Directors consider that the Acquisition will allow the Group to diversify its income and business risks by investing in the growing green power industry in the PRC. The Directors consider that the terms of the S&P agreement are fair and reasonable and the Acquisition is in the best interests of the Company and the Shareholders as a whole.

The Board intends to put forward a proposal to the Shareholders to increase the authorised ordinary share capital of the Company from HK$60,000,000, divided into 6,000,000,000 Shares, to HK$100,000,000, divided into 10,000,000,000 Shares, by the addition of HK$40,000,000, divided into 4,000,000,000 new Shares which (when issued) will rank pari passu in all respects with all the existing Shares. The proposed increase in authorised share capital is subject to Shareholders' approval.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and therefore is subject to approval by the Shareholders at the SGM(1) under Rule 14.49 of the Listing Rules. As at the Latest Practicable Date, neither the Vendor nor any of its associates held any Shares. No Shareholders are required to abstain from voting in respect of the resolution to approve the S&P Agreement and the Acquisition at the SGM(1).

The Board proposes to change the name of the Company to "China WindPower Group Limited" and to adopt the Chinese name "中國風電集團有限公司" (for identification purposes only). Please refer to the paragraph headed "Proposed change of company name" below.

The Board also proposes to re-elect Mr Liu Shunxing as an executive Director at the SGM(1). Please refer to the paragraph headed "Information on Director standing for re-election" below.

The purpose of this circular is to give you further information regarding the Acquisition, the S&P Agreement, the proposed increase in the authorised share capital of the Company, the proposed change of company name and the proposed re-election of Director.

THE S&P AGREEMENT

Date and parties

Date: 29 April 2007

Parties: the Company, as purchaser

the Vendor, as vendor, the beneficial owner of the entire issued share capital of Wind Power

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiry, (i) the Vendor is an investment holding company and (ii) the Vendor and its ultimate beneficial shareholders are third parties independent of the Company and the connected persons of the Company.

The Acquisition

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. Wind Power will become a wholly-owned subsidiary of the Company upon completion of the Acquisition.

Consideration

Upon completion of the S&P Agreement, the Company shall issue the 1st Tranche Convertible Notes with an aggregate principal amount of HK$100,000,000 to the Vendor.

If the Wind Power Group makes an audited net profit of not less than HK$50,000,000 for the 2008 Period under HKFRS, the Company shall issue the 2nd Tranche Convertible Note of a principal amount of HK$100,000,000 to the Vendor as soon as the relevant audited financial statements of the Wind Power Group are issued.

In the case where the Wind Power Group does not make an audited net profit of not less than HK$50,000,000 for the 2008 Period under HKFRS, then if and only if the Wind Power Group makes any audited net profits for the First Completed Year under HKFRS, the Company shall issue the 2nd Tranche Convertible Note to the Vendor as soon as the relevant audited financial statements of the Wind Power Group are issued of a principal amount equal to the result of the following formula:

the lower of the Audited Net Profit or HK$50,000,000 ÷ HK$50,000,000 x HK$100,000,000

The consideration was agreed after arm's length negotiation between the Company and the Vendor, in particular with reference to the prospects of the Wind Power Group and the minimum net asset value of the Wind Power Group of not less than HK$75,000,000, which is a condition precedent to the completion of the S&P Agreement. The minimum consideration represents an approximately 33.3% premium over such minimum net asset value of the Wind Power Group. As at 31 March 2007, the audited net assets of the Wind Power Group (before deducting minority interests) were approximately RMB40.7 million (equivalent to approximately HK$41.5 million). Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net assets of the Wind Power Group to HK$75,000,000 (based on the audited net asset value of the Wind Power Group as at 31 March 2007) as agreed by the parties to the S&P Agreement in writing by injecting capital to Wind Power. The Company also considers it prudent to have part of the consideration linked to the actual level of profits made by the Wind Power Group after completion of the S&P Agreement. If the Wind Power Group fails to make any profit for the 2008 Period or the First Completed Year, the Company will not have to pay any extra consideration apart from the minimum consideration of HK$100,000,000 payable on completion of the S&P Agreement. If the Wind Power Group makes an audited net profit of not less than HK$50,000,000 for the 2008 Period or the First Completed Year, then the Company will have to pay the maximum total consideration of HK$200,000,000 representing a price-to-earnings ratio of not more than 4 times.

The Company has agreed and undertaken to use its utmost reasonable endeavours to procure the audited financial statements of the Wind Power Group for the First Completed Year be issued within three months from the period end date of the First Completed Year.

Conditions precedent

Completion of the S&P Agreement shall be subject to the satisfaction or waiver (where applicable) of the following conditions precedent:

1. the passing of a resolution by the Shareholders at the SGM(1) approving the increase in the authorised share capital of the Company to an amount sufficient for the issue and allotment of the new Shares falling to be issued upon conversion of the Convertible Notes in accordance with the relevant requirements under the Listing Rules;

2. the passing of a resolution by the Shareholders at the SGM(1) approving the S&P Agreement and the underlying transactions, including the Acquisition and the issue of the Conversion Shares upon exercise of the conversion rights under the Convertible Notes in accordance with the relevant requirements under the Listing Rules;

3. the obtaining of approval from the Stock Exchange for the listing of and permission to deal in all of the Shares falling to be issued upon conversion of the Convertible Notes and, if necessary, the issue of the Convertible Notes;

4. the audited net asset value of the Wind Power Group being not less than HK$75,000,000 as at 31 December 2006 under HKFRS (or any other later date as may be agreed in writing between the Company and the Vendor) or should the audited net asset value of the Wind Power Group as at such date be less than HK$75,000,000 under HKFRS, the Vendor having injected the shortfall out of its own resources to the Wind Power Group so that the adjusted net asset value of the Wind Power Group will reach HK$75,000,000;

5. all the three cooperative development agreements (as described below in the paragraph headed "Information on the Wind Power Group") continuing to be effective and not being void, terminated or cancelled;

6. the delivery of a PRC legal opinion to the reasonable satisfaction of the Company in respect of the legality and validity of (i) the establishment and valid existence of the PRC Member Companies and their major assets and materials contracts, (ii) the licences, permits and approvals necessary for the operations of the PRC Member Companies, their major assets and material contracts, and (iii) the three cooperative development

agreements and the underlying projects, the S&P Agreement and the transactions contemplated thereunder;

7. the Vendor having satisfied all its relevant undertakings and obligations under the S&P Agreement;

8. the representations, warranties and undertakings given by the Vendor pursuant to the S&P Agreement remaining true and accurate and not misleading in any material respect as of the date of completion of the S&P Agreement and at any time during the period between the date of the S&P Agreement and the completion date of the S&P Agreement by reference to the facts and circumstances then subsisting; and

9. all necessary consents being granted by third parties (including governmental or official authorities) and there being no statute, regulation or decision which would prohibit, restrict or materially delay the Acquisition or operation of any member companies of the Wind Power Group after completion of the S&P Agreement.

Completion of the S&P Agreement shall take place on the third business day after all the above conditions are satisfied or waived by the Company (except for conditions 1 to 3 and 9 which cannot be waived) (or such later date as the Company and the Vendor may agree in writing). As at the date of this circular, the Company has no intention to waive any of the above conditions.

In the event that any or all of the conditions stated above are not fulfilled or waived, on or before 30 September 2007, the obligations of the parties under the S&P Agreement shall forthwith cease to be of any further effect and that the Company shall not be bound to continue the Acquisition save and except for liabilities of the parties arising from antecedent breaches.

Non-compete undertakings

The Vendor has undertaken to the Company that, except with the written consent of the Company, it will not and will procure that any companies controlled (directly or indirectly) by it will not:

1. for the period of two years after completion of the S&P Agreement, within any country or place in which the Wind Power Group has conducted the Prohibited Business, either on its own account or in conjunction with or on behalf of any person, firm or company carry on or be engaged, concerned or interested, directly or indirectly, whether as shareholder, director, employee, partner, agent or otherwise in the Prohibited Business (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on a recognised stock exchange);

2. for the period of two years after completion of the S&P Agreement, either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from Wind Power Group of any person, firm, company or organisation who shall at any time within the Reference Period have been a customer, identified prospective customer, representative, agent, or correspondent of the Wind Power Group or in the habit of dealing with the Wind Power Group or enter into any contract for sale and purchase or accept business from any such person, firm, company or organisation in a business area in which directly completes with the Wind Power Group;

3. for the period of two years after the completion of the S&P Agreement, either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit, entice away or attempt to employ, solicit or entice away from the Wind Power Group any person who at any time during the Reference Period shall have been an officer, manager, consultant or employee of the Wind Power Group whether or not such person would commit a breach of contract by reason of leaving such employment;

4. at any time after the signing of the S&P Agreement make use of or disclose or divulge to any person (other than to officers or employees of the Wind Power Group whose province is to know the same) any information (other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction) relating to the Wind Power Group, the identity of its customers and suppliers, its products, finance, contractual arrangements, business or methods of business and shall use its best endeavours to prevent the publication or disclosure of any such information;

5. if, in connection with the business or affairs of the Wind Power Group, it shall have obtained trade secrets or other confidential information belonging to any third party under an agreement purporting to bind the Wind Power Group which contained restrictions on disclosure, without the previous written consent of the Board, at any time infringe or take any action which would or might result in an infringement of such restrictions; and

6. at any time after the signing of the S&P Agreement, in relation to any trade, business or company, use a name or trade mark including the names or related words or symbols of any member of the Wind Power Group or confusingly similar thereto in such a way as to be capable of or likely to be reasonably confused with the name or any trade mark of any member of the Wind Power Group and shall use its best endeavours to procure that no such name or trade mark shall be used by any person, firm or company with which it is connected.

The Convertible Notes

The principal terms of the 1st Tranche Convertible Notes and the 2nd Tranche Convertible Note are the same and are summarized below:

Maturity date/redemption:	The date falling on the fifth anniversary of the issue of the 1st Tranche Convertible Notes. Upon maturity, any outstanding principal amount of the Convertible Notes should be redeemed in cash at their principal value. The Company does not have a right to redeem the Convertible Notes prior to the maturity date. The Convertible Notes do not confer on their holder(s) any right to require the Company to redeem the Convertible Notes at any time prior to the maturity date, except when any event of default occurs.
Interest:	The Convertible Notes shall bear interest at 1% per annum payable yearly in arrears.
Transferability:	The Convertible Notes will not be listed on any stock exchange but can be assigned or transferred in whole or in part subject to the terms thereof. The Company is granted a right of first refusal in respect of the transfer of the Convertible Notes.
Conversion:	The Convertible Notes may be converted, in whole or in part, into new Shares at the conversion price of HK$0.10 per Share, subject to usual adjustment provisions in respect of the occurrence of various adjusting events, such as share consolidation, share sub-division, share re-classification, capitalisation issue, capital distribution, rights issue or other similar events, or issue of new securities carrying rights to convert into, exchange for or subscribe for any new Shares for cash or other forms of consideration where the total effective consideration per Share receivable for such securities is less than 95% of the closing price per Share on the trading day immediately preceding the relevant announcement date, in whole or in part at any time after issue of the Convertible Notes up to the fifth anniversary of the issue of the 1st Tranche Convertible Notes.

Every adjustment to the conversion price shall be certified in writing by an approved merchant bank. Whenever the conversion price is adjusted, the Company shall as soon as possible but not later than two business days after the relevant adjustment has been determined give notice of the same to the holder(s) of the Convertible Notes.

If any adjustment triggering events take place in the period between the issue of the 1st Tranche Convertible Notes and the issue of the 2nd Tranche Convertible Note, the conversion price of the 2nd Tranche Convertible Note shall be adjusted in respect of such adjustment triggering events upon issue of that note.

Pursuant to the terms and conditions of the Convertible Notes, no conversion can take place if immediately after conversion (i) the Company will not be able to meet the minimum public float requirement under the Listing Rules from time to time or (ii) the holder of the Convertible Notes together with the parties acting in concert with it will hold or control such amount of the Company's voting rights at general meetings as may trigger a mandatory general offer under the Takeovers Code (whether or not a waiver of the mandatory general offer obligation has been granted).

If the maximum amount of the Convertible Notes are issued, 2,000,000,000 new Conversion Shares may fall to be issued upon conversion of the Convertible Notes in full based on the initial conversion price representing approximately 64.5% of the existing number of Shares as at the Latest Practicable Date. The Conversion Shares shall rank pari passu in all respect with the then Shares in issue. Please refer to the paragraph headed "Shareholding in the Company" for the shareholding percentages that the Conversion Shares represent under various illustrative scenarios. The Company will make an application seeking the Stock Exchange's approval for the listing of, and permission to deal in, the Conversion Shares.

The initial conversion price of HK$0.10 per Conversion Share represents:

- a discount of approximately 85.3% to the closing price of HK$0.68 per Share as quoted on the Stock Exchange on 27 April 2007 (being the last trading day immediately prior to the suspension of trading in the Shares on 30 April 2007);
- a discount of approximately 80.9% to the average closing price of HK$0.5235 per Share for the 10 consecutive trading days up to and including 27 April 2007;
- a discount of approximately 77.8% to the average closing price of approximately HK$0.4503 per Share for the 30 consecutive trading days up to and including 27 April 2007;
- a discount of approximately 89.6% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 88% to the average closing price of HK$0.835 per Share for the 10 consecutive trading days up to and including Latest Practicable Date;
- a discount of approximately 87.1% to the average closing price of approximately HK$0.778 per Share for the 30 consecutive trading days up to and including Latest Practicable Date;
- a premium of approximately 51.5% over the pro forma unaudited net assets (before deducting any minority interests) of the Enlarged Group per Share of approximately HK$0.066 (assuming the consideration of the Acquisition is HK$100 million and be settled by the 1st Tranche Convertible Notes); and a discount of approximately 7.4% to the pro forma unaudited net assets (before deducting any minority interests) of the Enlarged Group per Share of approximately HK$0.108 (assuming the consideration of the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount) (based on the proforma consolidated balance sheet of the Enlarged Group set out in this circular and the existing number of Shares in issue as enlarged by the conversion of the Convertible Notes and Preference Shares in full);

- a price-to-earnings ratio of approximately 4.46 times based on the audited diluted earnings per Share of HK$0.0224 for the year ended 31 March 2007.

The initial conversion price was agreed between the Company and Vendor after arm's length negotiation with reference to (i) the fully-diluted net asset value per Share, (ii) the fully-diluted earnings per Share for the 12-month period ending August 2007 and (iii) the 18-month lock-up arrangement in respect of the Convertible Notes and the Conversion Shares (as described below). Based on the existing number of Shares in issue as enlarged by the conversion of the Preference Shares in full, the diluted earnings per Share for the 12-month period ending August 2007 is HK$0.0016 per Share.

Non-disposal undertakings

The Vendor has undertaken to the Company that, without the prior written consent of the Company, it will not itself, and procure that none of its nominees and companies controlled by it (whether individually or collectively with other persons, directly or indirectly) will, during the relevant Moratorium Period,

(a) (i) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) of Conversion Shares converted under the relevant Convertible Notes or any interests therein or create any mortgage or pledge or any other third party rights; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Conversion Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Conversion Shares or such other securities, in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above; and

(b) (i) offer, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the relevant Convertible Notes or create any mortgage or pledge or any other third party rights thereon; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such relevant Convertible Notes.

The above lock-up arrangements are applicable to the 1st Tranche Convertible Note (I), with the Moratorium Period of 18 months immediately after the completion of the S&P Agreement. The 1st Tranche Convertible Note (II) and the relevant Conversion Shares are not subject to any lock-up. The above lock-up arrangements also apply to the 2nd Tranche Convertible Note where it is issued in circumstances where the Wind Power Group makes an audited net profit of not less than HK$50,000,000 for the 2008 Period, with the Moratorium Period of three months after the issue of such 2nd Tranche Convertible Note. If the 2nd Tranche Convertible Note is issued in circumstances where the Wind Power Group has not made an audited net profit of not less than HK$50,000,000 for the 2008 Period but has made an audited profit for the First Completed Year, such 2nd Tranche Convertible Note and the relevant Conversion Shares are not subject to any lock-up.

Charge

Upon completion of the S&P Agreement, the Vendor will execute a first fixed charge over the 1st Tranche Convertible Note (I) with a principal amount of HK$70,000,000 in favour of the Company to secure any potential liabilities or obligations which may arise out of any possible breach of any of the terms of the S&P Agreement by the Vendor and/or any representation, undertaking or warranty made by the Vendor being untrue or incorrect in any material respect; and any costs and expenses incurred by the Company in connection with the enforcement of its rights in respect thereof.

SHAREHOLDING IN THE COMPANY

As at the Latest Practicable Date, Gain Alpha held an approximately 63.22% interest in the Shares of the Company and owned 810,000,000 Preference Shares which may be converted into 994,090,909 new Shares at the prevailing conversion price of HK$0.022 per new Share. The table below sets out the existing shareholding structure of the Company and the illustrative shareholding structures assuming that the Convertible Notes and/or the Preference Shares were converted in full.

(I) In the case where only the minimum amount of Convertible Notes are issued.

	As at the Latest Practicable Date and immediately after completion of the S&P Agreement but before conversion of any Convertible Notes		After conversion of the Convertible Notes in full but before conversion of any existing Preference Shares		After conversion of the Convertible Notes and the existing Preference Shares in full	
	Number of Shares	*Percentage*	*Number of Shares*	*Percentage*	*Number of Shares*	*Percentage*
Gain Alpha *(note)*	1,960,000,000	63.22%	1,960,000,000	47.80%	2,954,090,909	57.99%
The Vendor	—	0.00%	1,000,000,000	24.39%	1,000,000,000	19.63%
Public Shareholders	1,140,379,669	36.78%	1,140,379,669	27.81%	1,140,379,669	22.38%
	3,100,379,669	100.00%	4,100,379,669	100.00%	5,094,470,578	100.00%

(II) In the case where the maximum amount of Convertible Notes are issued.

	As at the Latest Practicable Date and immediately after completion of the S&P Agreement but before conversion of any Convertible Notes		After conversion of the Convertible Notes in full but before conversion of any existing Preference Shares		After conversion of the Convertible Notes and the existing Preference Shares in full	
	Number of Shares	*Percentage*	*Number of Shares*	*Percentage*	*Number of Shares*	*Percentage*
Gain Alpha *(note)*	1,960,000,000	63.22%	1,960,000,000	38.43%	2,954,090,909	48.47%
The Vendor	—	0.00%	2,000,000,000	39.21%	2,000,000,000	32.82%
Public Shareholders	1,140,379,669	36.78%	1,140,379,669	22.36%	1,140,379,669	18.71%
	3,100,379,669	100.00%	5,100,379,669	100.00%	6,094,470,578	100.00%

Note: Pursuant to a subscription agreement entered into between Gain Alpha and the Company on 22 May 2007, Gain Alpha has subscribed for 800,000,000 new Shares. Please refer to announcement and circular of the Company dated 23 May 2007 and 13 June 2007 respectively.

The above shareholding table is for illustrative purposes only and does not indicate that such shareholding scenarios may occur. Under the terms and conditions of the Convertible Notes that no conversion may take place if the conversion will result in (i) insufficient public float as required under the Listing Rules or (ii) the holder of the Convertible Notes together with the parties acting in concert with it will hold or control such amount of the Company's voting rights at general meetings as may trigger a mandatory general offer under the Takeovers Code (whether or not a waiver of the mandatory general offer obligation has been granted). The holder of the Preference Shares is also precluded from exercising the conversion rights attaching to the Preference Shares if such conversion would result in less than 25% of the Company's issued share capital being in public hands.

Subject to completion of the S&P Agreement, the Company will make monthly announcements (the "Monthly Announcement") on the website of the Stock Exchange for so long as any Convertible Notes are outstanding. A Monthly Announcement will be made on or before the fifth business day following the end of each calendar month and will include the following information in table form:

(i) whether there has been any conversion of the Convertible Notes during the relevant month. If yes, the relevant Monthly Announcement will set out details of the conversion(s), including the conversion date, number of new Shares issued and the conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect will be made;

(ii) the outstanding principal amount of the Convertible Notes after the conversion, if any;

(iii) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and

(iv) the total issued share capital of the Company as at the commencement of the relevant month and as at the last day of the relevant month.

In addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as stated in the immediately preceding Monthly Announcement or any subsequent announcement made by the the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable, but in any event no later than the fifth business day thereafter, issue an announcement on the website of the Stock Exchange which will set out the information stated in (i) to (iv) above for the period commencing from the date of the immediately preceding Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date of the conversion triggering such announcement.

Further, if the Company forms the view that the issue of any Shares pursuant to a conversion of the Convertible Notes will trigger a disclosure requirement under Rule 13.09 of the Listing Rules, the Company shall, notwithstanding the above, issue an announcement accordingly.

INFORMATION ON THE GROUP

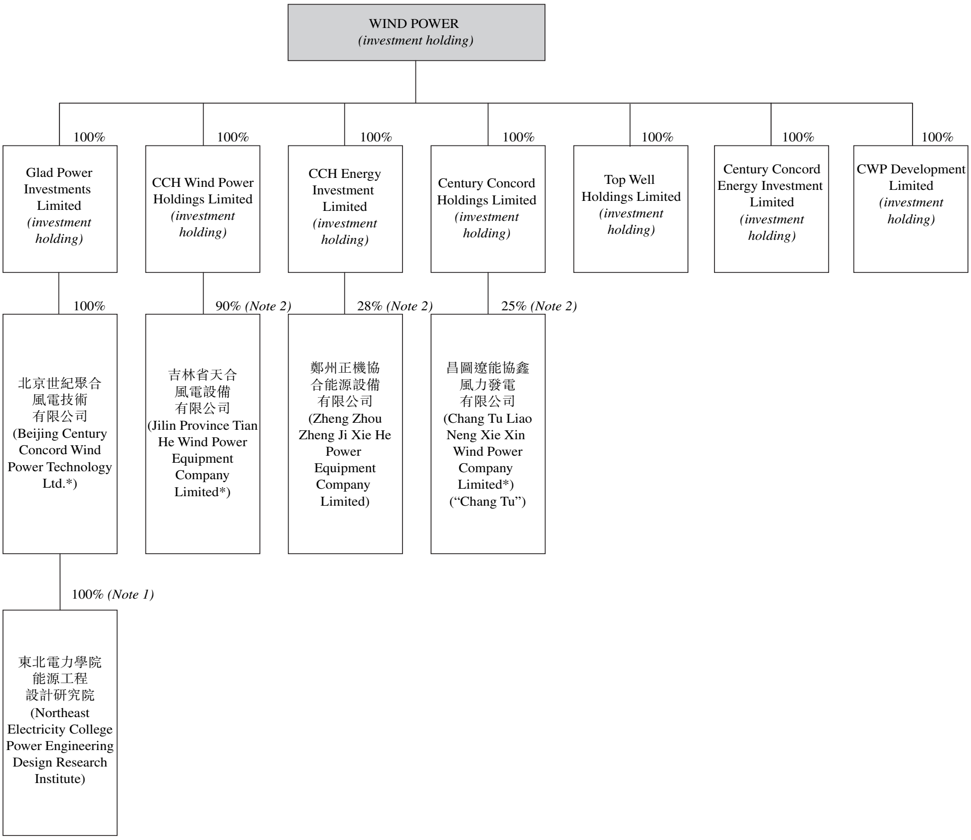
The Group is principally engaged in the management and operation of a chain of traditional Chinese medicine and health food retail outlets in Hong Kong under the trading name of Nam Pei Hong and a medical clinic in Wan Chai, Hong Kong under the name of NPH Chinese Medical Centre. The Company also plans to utilize the net proceeds from the Subscription to develop wind power business, either through the Wind Power Group or the Group's other investment or any other way, including acquisition and development of wind farms and wind power related businesses. As of 31 March 2007, the audited net assets of the Group amounted to approximately HK$17.46 million. The audited net profit of the Group for each of the two years ended 31 March 2007 were as follows:

	Financial year ended 31 March	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	33,598	9,413
Profit after taxation	33,598	9,413
Profit attributable to equity holders of the Company	33,598	9,413

INFORMATION ON THE WIND POWER GROUP

The Wind Power Group is principally engaged in the operation, management and investment in wind power electricity generating facilities in the PRC. The Wind Power Group also plans to engage in the development, manufacture and sale of wind power electricity generating facilities.

The chart below shows the group structure of the principal members of the Wind Power Group:



Notes:

1. The acquisition of the entire equity interest in 東北電力學院能源工程設計研究院 by 北京世紀聚合風電技術有限公司 (Beijing Century Concord Wind Power Technology Ltd.) has yet to complete. The consideration payable by 北京世紀聚合風電技術有限公司 (Beijing Century Concord Wind Power Technology Ltd.) in respect of such acquisition is RMB5,000,000. Completion of such acquisition is not a condition precedent to the completion of the S&P Agreement.

2. None of the remaining shareholders of those companies are related to the Vendor, the Company or their respective connected persons.

The table below sets out the licensed activities of each major operating company of the Wind Power Group in the PRC.

Name	Licensed activities
Beijing Century Concord Wind Power Technology Ltd.	Research and development of wind power technology and provision of technology transfer, services, consulting and training
Jilin Province Tian He Wind Power Equipment Company Limited	Manufacture of wind power generation equipment and provision of after-sale services
Zheng Zhou Zheng Ji Xie He Power Equipment Company Limited	Research, development, production, sale and provision of after-sale services in respect of (i) mechanical and electrical technology, skills and equipment and (ii) new technology, new skill sets, new products and new equipment
Chang Tu Liao Neng Xie Xin Wind Power Company Limited	Planning, design, construction, management of wind farms and sale of electricity generated in accordance with the relevant PRC regulations; research, development and utilization of wind power technology

The Wind Power Group was established in January 2006. Chang Tu is presently the major operating associate of the Wind Power Group. Chang Tu commenced the construction of its wind power facilities in Liaoning province, the PRC in April 2006 and commenced operations in December 2006. All electricity generated by Chang Tu's facilities is sold to 遼寧省電力有限公司 (Liaoning Provincial Electric Power Company Limited), an electricity company in the PRC, pursuant to an agreement entered into between them. The wind farm owned by Chang Tu has an expected electricity generating capacity of about 50 MW and is one of the biggest wind farms in Liaoning province, the PRC.

Other members of the Wind Power Group are in the stage of starting up their business activities. It is expected that the remaining companies within the Wind Power Group will commence business operations later this year.

The Wind Power Group has also entered three cooperative development agreements, pursuant to which the Wind Power Group is carrying out certain feasibility tests in respect of the possible establishment of new wind power generating facilities in three different cities in

Inner Mongolia Autonomous Region, the PRC. Details of the three cooperative development agreements are summarized as follows:

Date	Parties	Projects
1. 18 July 2006	內蒙古自治區錫林郭勒盟正藍旗人民政府and Top Well Holdings Limited	Two wind farm projects at 錫林郭勒盟正藍旗 in Inner Mongolia Autonomous Region, the PRC with a total planned capacity of 1,200 MW to be built in stages. The first stage of the project is expected to build a wind farm with a capacity of 45 MW.
2. 18 August 2006	內蒙古自治區錫林郭勒盟太仆寺旗人民政府and Century Concord Holdings Limited	One wind farm project at 錫林郭勒盟太仆寺旗 in Inner Mongolia Autonomous Region, the PRC with a total planned capacity of 800 MW to be built in stages. The first stage of the project is expected to build a wind farm with a capacity of 45 MW.
3. 10 October 2006	內蒙古自治區二連浩特市人民政府 and Century Concord Holdings Limited	One wind farm project at 二連浩特市 in Inner Mongolia Autonomous Region, the PRC with a total planned capacity of 500 MW to be built in stages. The first stage of the project is expected to build a wind farm with a capacity of 45 MW.

Subject to the results of the feasibility tests being satisfactory, the Wind Power Group will be given the priority rights to invest in the relevant wind power projects.

On 6 June 2007, Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. entered into (i) a framework agreement to jointly establish joint venture companies to develop wind farm projects in the PRC and (ii) a joint venture contract to jointly establish a joint venture at 太仆寺旗 in Inner Mongolia Autonomous Region, the PRC to undertake the wind farm project under the number 2 cooperative development agreement set out above.

The registered capital of the joint venture shall be RMB136 million. Each of Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. shall hold a 50% equity interest in the joint venture and contribute RMB68 million to the registered capital of the joint venture in cash.

The proposed establishment of the joint venture will not affect the Acquisition under the S&P Agreement.

Please refer to the paragraph headed "Financial information on the Wind Power Group" below in this letter and the accountants' report on the Wind Power Group set out in Appendix II to this circular for details of the financial information on the Wind Power Group.

Information on the joint venture companies established by the Wind Power Group

1. The Company has been informed by the Vendor that on 6 June 2007, Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. entered into (i) a framework agreement to establish joint venture companies to develop wind farm projects in the PRC and (ii) a joint venture contract to jointly establish a joint venture at 太仆寺旗 in Inner Mongolia Autonomous Region, the PRC to undertake one of the wind farm projects under the framework agreement.

   The registered capital of the joint venture shall be RMB136 million. Each of Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. shall hold a 50% equity interest in the joint venture and contribute RMB68 million to the registered capital of the joint venture in cash.

   The proposed establishment of the joint venture will not affect the Acquisition under the S&P Agreement.

2. The Company has been informed by the Vendor that on 6 July 2007, CWP Development Limited and 深圳市經華馳科技投資有限公司 entered into a joint venture contract to jointly establish a joint venture at Fuxin, Liaoning province to undertake wind farm projects in the PRC.

   The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 深圳市經華馳科技投資有限公司.

   The proposed establishment of the joint venture will not affect the Acquisition under the S&P Agreement.

3. The Company has been informed by the Vendor that on 6 July 2007, Top Well Holdings Limited and 北京磐谷創業投資有限責任公司entered into a joint venture contract to jointly establish a joint venture at Baicheng City, Jilin province, the PRC to undertake wind farm projects in the PRC.

   The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 北京磐谷創業投資有限責任公司.

   The proposed establishment of the joint venture will not affect the Acquisition under the S&P Agreement.

Financial information on the Wind Power Group

Wind Power is an investment company and was established on 6 September 2006. Apart from the associated companies, Glad Power Investments Limited a wholly-owned subsidiary of Wind Power, is the earliest established company among the companies now comprising the Wind Power Group. Glad Power Investments Limited was incorporated on 3 January 2006.

The audited results of the Wind Power Group for the period ended 31 December 2006 and the three months ended 31 March 2007 are summarised as follows:

	Period from 3 January 2006 to 31 December 2006	**Period from 3 January 2006 to 31 March 2006**	**Three months ended 31 March 2007**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(unaudited)	(audited)
Revenue	—	—	—
(Loss)/profit before income tax	(905)	(2)	348
(Loss)/profit after income tax	(905)	(2)	348
(Loss)/profit attributable to equity holder of Wind Power	(905)	(2)	349

The Wind Power Group did not record any revenue for the period ended 31 December 2006 and the three months ended 31 March 2007 as no operating subsidiaries of the Wind Power Group have commenced operations during the periods.

As at 31 March 2007, consolidated net asset value (before deducting any minority interests) of the Wind Power Group was approximately RMB40.7 million (equivalent to approximately HK$41.5 million). Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net assets of the Wind Power Group to HK$75,000,000 (based on the audited net asset value (before deducting any minority interests) of the Wind Power Group as at 31 March 2007) by injecting capital to Wind Power.

Chang Tu is the major operating associate of the Wind Power Group. The results of Chang Tu for the year ended 31 December 2006 and the three months ended 31 March 2007 are summarized below:

	For the year ended 31 December 2006 *RMB'000*	**For the three months ended 31 march 2007** *RMB'000*
Revenue	2,046	11,505
Gross profit	924	5,073
(Loss)/profit before and after taxation	(2,667)	2,237

For further details, please refer to the accountants' report on the Wind Power Group which is set out in Appendix II to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Net assets

The Company recorded audited consolidated net assets as at 31 March 2007 of approximately HK$17.46 million. As shown in the section headed "Financial information on the Enlarged Group" in Appendix III to this circular, had completion of the Acquisition been taken place on 31 March 2007, (i) the pro forma net assets of the Enlarged Group would have been approximately HK$335.7 million, representing an increase of approximately 19.2 times (assuming the consideration for the Acquisition is HK$100 million and be settled by the 1st Tranche Convertible Notes); and (ii) the pro forma net assets of the Enlarged Group would have been approximately HK$657.9 million, representing an increase of approximately 37.7 times (assuming the consideration for the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount).

Shareholders should refer to Appendix III to this circular for details of the bases and assumptions adopted for the preparation of the pro forma financial statements of the Enlarged Group.

Earnings

The Group recorded an audited consolidated profit of approximately HK$33.6 million for the year ended 31 March 2007. Had completion of the Acquisition taken place on 1 April 2006, (i) the pro forma net profit of the Enlarged Group for the year ended 31 March 2007 would have been approximately HK$21.4 million (assuming the consideration for the Acquisition is $100 million and be settled by the 1st Tranche Convertible Notes); and (ii) the pro forma net profit of the Enlarged Group for the year ended 31 March 2007 would have been approximately HK$14.2 million (assuming the consideration for the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount).

Shareholders should refer to Appendix III to this circular for details of the bases and assumptions adopted for the preparation of the pro forma financial statements of the Enlarged Group.

Working capital

As stated in the paragraph headed "Working capital" in Appendix III to this circular, the Directors are of the opinion that, taking into account the net proceeds from the Subscription and the present internal resources, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months following the date of this circular. It is not expected that the Enlarged Group shall rely on any external financing to support its working capital for the 12 months following the date of this circular.

Gearing position

As at 31 March 2007, the Group had approximately HK$10.8 million convertible Preference Shares which were classified as non-current liabilities on the Group's balance sheet. The Group had no bank or other borrowings outstanding as at 31 March 2007.

The total outstanding borrowings of the Enlarged Group would be approximately HK$61.5 million had the Acquisition been completed on 31 March 2007 (assuming the consideration for the Acquisition is HK$100 million and be settled by the 1st Tranche Convertible Notes) or HK$121.8 million (assuming the consideration for the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount), whilst the total assets of the Enlarged Group would increase to approximately HK$426.3 million (assuming the consideration for the Acquisition is HK$100 million and be settled by the 1st Tranche Convertible Notes) or HK$808.8 million (assuming the consideration for the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount). Based on the above pro forma financial information, the pro forma gearing ratio (loan-to-equity ratio) of the Enlarged Group would be approximately 15.5% (assuming the consideration for the Acquisition is HK$100 million and be settled by the 1st Tranche Convertible Notes) or 15.6% (assuming the consideration for the Acquisition is HK$200 million and be settled by the 1st and 2nd Tranche Convertible Notes of the same principal amount).

Shareholders should refer to Appendix III to this circular for details of the bases and assumptions adopted for the preparation of the pro forma financial statements of the Enlarged Group.

INFORMATION ABOUT THE MANAGEMENT OF THE COMPANY

As at the Latest Practicable Date, 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).

There is no provision under the S&P Agreement that gives the Vendor or the Wind Power Group right to appoint their respective representatives as Directors. No existing Director is going to resign as a result of the Acquisition. The management of the Group will work closely with the management of the Wind Power Group with a view to effectively tapping into this new business area of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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. Due to certain financial problems of the Group, trading in the Shares was suspended from 5 August 2004 to 6 December 2006. In September 2004, a winding petition was filed against the Company. In October 2004, a provisional liquidator in respect of the Company was appointed by the High Court of Hong Kong. In October 2005, provisional liquidators in respect of the Company were appointed by the Supreme Court of Bermuda. In August 2006, the Shareholders of the Company approved the Restructuring proposal 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 reorganisation. Shareholders may refer to the circular of the Company dated 29 July 2006 for the details of such various restructurings.

After the Restructuring of the Group, the existing management of the Group has thoroughly reviewed the operations and development strategy of the Group. Whilst the Group will continue to carry out its existing traditional Chinese medicine business, the existing management of the Company considers it also in the best interests of the Company and the Shareholders as a whole to diversify the Group's business into new businesses with attractive prospects.

As described above, the Wind Power Group is principally engaged in the generation and sale of electricity by wind power in the PRC. Wind power is an ample, renewable and clean energy source. Unlike the use of oil, natural gas and coal, wind power generation involves a low level of greenhouse gas emissions. In view of the limited supply of fossil fuels, the growing environmental concerns in respect of traditional methods of power production and the expected continued growth in demand for electricity in China in tandem with China's growing economy, the Company believes that demand for electricity generated by wind power will continue to grow in China. According to certain statistics published by the State Electricity Regulatory Commission of the PRC, the amount of electricity generated in the PRC increased by 13.5% in 2006. Of the electricity generated in the PRC in 2006, approximately 83.17% of the electricity was generated by burning fossil fuels, approximately 1.92% was generated from nuclear power and approximately 14.7% from hydro power. The State Electricity Regulatory Commission of the PRC estimated that the amount of electricity generated in the PRC will continue to grow by around 11% in 2007. The Company understands that the use of wind power to generate electricity in China is still at an early stage of implementation. The PRC government has promulgated preferential policies, such as tax benefits, to promote the development of wind power facilities in the PRC. As stated in an article published by the State Electricity Regulatory Commission of the PRC, it is also a policy of the PRC to reduce the emission of greenhouse gases whilst continuing to increase national electricity output.

The Wind Power Group has a 25% interest in Chang Tu which owns one of the biggest wind power generating facilities in Liaoning province, the PRC. The wind generating facilities of Chang Tu are currently operating and are expected to provide Chang Tu with a stable income source. In addition, the Wind Power Group also has entered into cooperative development agreements with the municipal governments of three cities in Inner Mongolia Autonomous Region, the PRC. Pursuant to such cooperative development agreements, subject to satisfactory test results the Wind Power Group has the priority rights to invest in wind power generation facilities in such cities. According to the information published by the State Electricity Regulatory Commission of the PRC, Inner Mongolia was the province which had the highest growth rate in electricity generation in the PRC in 2006. The Company believes that such cooperative development agreements provide the Wind Power Group with exciting business growth opportunities.

Given the growth opportunities of wind power in the PRC and the established structure and relationships of the Wind Power Group in the market, the Directors consider that the Acquisition will allow the Group to diversify its income and business risk by investing in the growing green power industry in the PRC. The Directors consider that the terms of the S&P agreement are fair and reasonable and that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised ordinary share capital of the Company from HK$60,000,000, divided into 6,000,000,000 Shares, to HK$100,000,000, divided into 10,000,000,000 Shares, by the addition of HK$40,000,000, divided into 4,000,000,000 new Shares which (when issued) will rank pari passu in all respects with all the existing Shares. The authorised preference share capital of the Company will remain unchanged at HK$25,000,000, divided into 2,500,000,000 Preference Shares.

As at the Latest Practicable Date, 3,100,379,669 Shares and 810,000,000 Preference Shares were in issue. The aggregate number of (i) the 3,100,379,669 Shares in issue, (ii) the 994,090,909 new Shares which may be issued by the Company (at the prevailing conversion price as at the Latest Practicable Date) upon full conversion of the Preference Shares and (iii) the maximum number of 2,000,000,000 Conversion Shares which may be issued (at the initial conversion price) represents approximately 101.6% of the authorised ordinary share capital of the Company as at the Latest Practicable Date. The increase in authorised share capital is necessary for the Acquisition and will facilitate the Company being able to carry out any future equity-related fund-raising or other share transactions when the right opportunity arises and is in the interests of the Company and the Shareholders as a whole.

The proposed increase in the authorised share capital of the Company is subject to approval of the Shareholders at the SGM(1). Under Bermuda laws the Company is required to file a memorandum of increase in the authorised share capital together with a certified resolution in respect thereof with the Bermuda Registrar of Companies within 30 days of the effective date of the increase.

The Company will continue to evaluate its funding requirements and business needs from time to time and may consider issuing new securities, including but not limited to new Shares. Save as aforesaid and save for the issuing of new Shares pursuant to the exercise of any share options granted or which may be granted under the share option scheme adopted by the Company on 16 April 2007, and save for Shares falling to be issued on the conversion of the Preference Shares and the Convertible Notes which may be issued, the Company has no present plan or intention to issue any Shares.

PROPOSED CHANGE OF COMPANY NAME

To reflect the business development of the Group, the Board proposes to change the name of the Company to "China WindPower Group Limited" and to adopt the Chinese name "中國風電集團有限公司" (for identification purposes only). The proposed change of name of the Company will be subject to (i) approval of the Shareholders by the passing of a special resolution at the SGM(2); and (ii) the Registrar of Companies in Bermuda granting approval for the change of name of the Company, and shall take effect from the date on which the approval for the change of name of the Company being granted by the Registrar of Companies in Bermuda. Upon the proposed change of name of the Company becoming effective, the Company will carry out the necessary filing procedures with the Registrar of Companies in Bermuda.

The proposed change of name of the Company will not affect any of the rights of the existing Shareholders. All existing share certificates in issue bearing the present name of the Company will continue to be evidence of title to the Shares and will remain valid for trading, settlement and delivery for the same number of Shares after the change of name of the Company. Any issue of share certificates thereafter will be in the new name of the Company. There will be arrangement for free exchange of the existing share certificates of the Company for new share certificates printed in the new name of the Company. Once the change of name becomes effective, Shareholders may, if they so wish, during the period of one month, deliver existing share certificates in respect of the shares of the Company held by them to the Company's branch registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, to exchange at the expense of the Company, for the new share certificates bearing the new name of the Company. After the expiry of such one month period, share certificates of the Company will be accepted for exchange at the expense of the Shareholders. Such exchanges will incur a fee of HK$2.5 (or such higher amount as may from time to time be charged) for each of such certificate to be issued. An announcement will be made should the change of name of the Company become effective.

INFORMATION ON DIRECTOR STANDING FOR RE-ELECTION

Mr. Liu Shunxing was appointed as executive Director and the Chief Executive Officer of the Company on 13 July 2007. The following is the information as required to be disclosed under the Listing Rules on Director standing for re-election at the SGM(1):

Mr. Liu Shunxing (劉順興), aged 45, has a master degree of energy source economy management from the management college of Harbin Institute of Technology. Mr. Liu is a member of China Energy Research Institute and the deputy director of the China Special Interest Committee of Thermoelectricity. He once worked in National Development and Reform Commission and once was the vice-president of China Energy Conservation Investment Corporation for eight years. Mr. Liu is familiar with the business of wind power and has directly commanded and successfully implemented investment and construction of three wind power plants. He has rich experiences in development, investment, construction and operation of clean and renewable energy source projects. Mr. Liu is also a director of Wind Power and a director of certain members of the Wind Power Group. Mr. Liu does not hold any shares in any members of the Wind Power Group or the Vendor.

Mr. Liu has not entered into any service contract with the Company in respect of his directorship in the Company and there is no fixed or proposed length of service. The Company did not have any written or verbal agreement with Mr. Liu in respect of his emoluments or director's fees (if any). Save as disclosed above, Mr. Liu is not entitled to any monthly basic salary from the Company, but may be entitled to director's fee and/or emoluments based on his performance and experience and prevailing market conditions as the Board may from time to time determine. Mr. Liu will be subject to retirement and re-election at the SGM(1) and will be subject to the retirement and re-election requirements under the bye-laws of the Company and the Code on Corporate Governance Practices of the Listing Rules.

Save as disclosed above, Mr. Liu did not hold any directorship in other public listed company or any other position with the Company or any of its associated corporations in the past three years up to and including the Latest Practicable Date. Save as disclosed above, Mr. Liu does not have any relationship with any other directors, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date , Mr. Liu himself had no interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable nor is/was Mr. Liu involved in any of the matters required to be disclosed pursuant to any of requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Save as disclosed above, the Board is not aware of any other matter that is considered necessary to be brought to the attention of holders of the securities of the Company regarding the appointment of Mr. Liu.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and therefore is subject to approval by the Shareholders at the SGM(1) under Rule 14.49 of the Listing Rules. As at the Latest Practicable Date, neither the Vendor nor any of its associates holds any Shares.

Resolutions will be proposed (i) at the SGM(1) to approve the Acquisition, the S&P Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the re-election of Mr. Liu Shunxing as an executive Director and (ii) at the SGM(2) to approve the change of company name. No Shareholders are required to abstain from voting on the resolutions to be proposed at both SGM(1) and SGM(2) to approve the Acquisition, the S&P Agreement, the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company, the re-election of Mr. Liu Shunxing as an executive Director and the change of company name.

SGM(1) AND SGM(2)

The SGM(1) will be held at 10:00 a.m. on 30 July 2007, Monday at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purposes of seeking approval from the Shareholders for the Acquisition, the S&P Agreement, the transactions contemplated thereunder, the proposed increase in the authorised share capital of the Company and the re-election of Mr. Liu Shunxing as an executive Director. A notice convening the SGM(1) is set out on pages 182 to 183 of this circular.

The SGM(2) will be held at 10:00 a.m. on 6 August 2007, Monday at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purpose of seeking approval from the Shareholders for the proposed change of company name. A notice convening the SGM(2) is set out on pages 184 to 185 of this circular.

Enclosed are two forms of proxy for use at the SGM(1) and SGM(2). Whether or not you intend to attend and vote at the SGM(1) and/or SGM(2) in person, you are requested to complete and return the enclosed two forms of proxy in accordance with the instructions printed thereon and return them the Hong Kong branch share registrar and transfer office of the Company, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the respective time appointed for holding the SGM(1) and SGM(2) or any adjourned meeting(s). Completion and return of the two forms of proxy will not preclude you from attending and voting in person at the SGM(1) and/or SGM(2) or any adjourned meeting(s) should you so wish.

RECOMMENDATION

Having considered both the reasons and benefits to be generated from the Acquisition as set out on pages 26 to 27 of this circular, Directors consider that the terms of S&P Agreement are fair and reasonable and the that the Acquisition is in the best interests of the Company and the Shareholders as a whole. The Directors also consider that the proposed increase in the authorised share capital of the Company and the proposed re-election of Mr. Liu Shunxing as an executive Director are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM(1) to approve the Acquisition, the S&P Agreement, the transactions contemplated thereunder, increase in the authorised share capital of the Company and the proposed re-election of Mr. Liu Shunxing as an executive Director.

The Directors also consider that change of company name is in the interests of the Company and therefore recommend the Shareholders to vote in favour of the relevant special resolution to be proposed at the SGM(2).

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

1. SHARE CAPITAL

The authorised and issued capital of the Company as at the Latest Practicable Date were as follows:

Authorised capital:		*HK$*
6,000,000,000	ordinary shares of HK$0.01 each	60,000,000.00
2,500,000,000	preference shares of HK$0.01 each	25,000,000.00

Issued and fully paid or credited as fully paid:

As at the Latest Practicable Date:

3,100,379,669	ordinary shares of HK$0.01 each	31,003,796.69
810,000,000	preference shares of HK$0.01 each	8,100,000.00

The Company intends to increase the authorised ordinary share capital to HK$100,000,000 by the creation of an additional 4,000,000,000 Shares.

The Group may issue Convertible Notes under the S&P Agreement with an aggregate principal amount of up to HK$200 million which may be converted into 2,000,000,000 new Shares upon conversion in full at the initial conversion price (subject to adjustment).

The 810,000,000 Preference Shares are convertible into 994,090,909 new Shares based on the prevailing conversion price (subject to adjustment). Please refer to paragraph 2 below for details of the Preference Shares.

All Shares (when issued) rank pari passu in respect of capital, dividends and voting.

2. PREFERENCE SHARES

The Preference Shares of HK$0.01 and issued at HK$0.027 per Share each are convertible into Shares of HK$0.01 each in the capital of the Company at the prevailing conversion price of HK$0.022 per Share (subject to adjustment) during the specified period.

The holders of the Preference Shares shall be entitled to receive dividends ("Dividends") at the rate of 5% per annum of the issue price of each Preference Share. The holders of Preference Shares shall be entitled to receive Dividends prior to and in preference to the holders of the shares or any other class or series of shares of the Company. No Dividend, whether in cash, in property or in shares of the Company, shall be allowed to be paid on any other class or series of shares of the Company unless and until all accrued Dividends are first paid or granted in full on the Preference Shares. The Dividends payable to the holders of Preference Shares shall be cumulative.

The Preference Shares do not confer voting rights on their holders.

3. SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 16 April 2007, the number of Shares Options can be granted under the share option scheme shall not exceed 95,037,966 Shares, representing 10% of the total number of Shares in issue at the time the share option scheme was adopted.

The Company has not granted any share options under the share option scheme since the adoption date.

4. FINANCIAL SUMMARY FOR THE THREE YEARS ENDED 31 MARCH 2007

Set out below is a summary of the audited financial results of the Group for the three years ended 31 March 2005, 2006 and 2007 as extracted from the relevant annual reports of the Company for the years presented. For the financial year ended 31 March 2007, the auditor of the Company expressed a disclaimer of opinion on the financial statements of the Company. The details are set out in paragraph 5 of this Appendix.

For the financial year ended 31 March 2006, the auditor of the Company expressed an qualified opinion on the financial statements of the Company (disclaimer on view given by financial statements and disagreement about accounting treatment). For the financial year ended 31 March 2005, the auditor of the Company expressed an qualified opinion on the financial statements of the Company (disclaimer on view given by financial statements).

Consolidated Income Statement

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	58,416	49,323	62,929
Cost of revenue	(37,352)	(30,333)	(34,421)
Gross profit	21,064	18,990	28,508
Other income	1,067	765	1,538
Other gains, net	44,693	16,992	—
Selling and distribution costs	(19,432)	(15,768)	(19,304)
Administrative expenses	(12,441)	(5,663)	(16,004)
Other operating expenses	—	—	(8,048)
Profit/(loss) from operating activities	34,951	15,316	(13,310)
Finance costs	(1,353)	(5,903)	(7,098)
Gain on deconsolidation of a subsidiary	—	—	16,686
Profit/(loss) before tax	33,598	9,413	(3,722)
Income tax expense	—	—	(1)
Profit/(loss) for the year	33,598	9,413	(3,723)
Attributable to:			
Equity holders of the Company	33,598	9,413	(3,723)
	33,598	9,413	(3,723)
Earnings/(loss) per share — basic	2.67 cents	0.67 cents	(0.27) cents
— diluted	2.24 cents	0.67 cents	—

5. AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2007

The following is an extract of the auditor's report on the financial statements of the Company for the year ended 31 March 2007.

Basis for disclaimer of opinion

The evidence available to the auditors was limited due to the following reasons:

i. The auditors were appointed on 16 April 2007 and accordingly they were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories of HK$5,810,000 stated in the consolidated balance sheet as at 1 April 2006. There were no other satisfactory audit procedures that they could adopt to obtain sufficient evidence regarding the existence of inventories as at 1 April 2006.

ii. The auditors have not been provided with details of the estimated unprovided restructuring expenses as at 31 March 2006. Accordingly, they are unable to satisfy themselves that the provision for restructuring costs as at 1 April 2006 and the restructuring costs recorded for the year ended 31 March 2007 are free from material misstatement.

iii. A convertible bond was issued by the Company to a bank in April 2000 and such convertible bond was subsequently settled and discharged on 6 December 2006. This convertible bond was accounted for as borrowings in the consolidated and Company balance sheets as at 31 March 2006. This accounting treatment was not in accordance with HKAS 32 — Financial Instruments: Disclosure and Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement as the equity and liability elements of the convertible bond were not separated and the liability element was not accounted for at amortised costs as at 31 March 2006. As a result, the interest expenses recorded for the years ended 31 March 2006 and 2007 were misstated. As the auditors have not been provided with the details of the convertible bond, they were not able to quantify the effect of this failure to comply with the relevant accounting standards on the current year's income statement and accumulated losses as at 1 April 2006.

Since the opening inventories, restructuring expenses and interest expenses of the convertible bond enter into the determination of the results of operations, the auditors were unable to determine whether adjustments to opening balances of assets, liabilities and accumulated losses as at 1 April 2006 and the results of operations for the year ended 31 March 2007 might be necessary. The auditors' report on the financial statements for the year ended 31 March 2007 was modified accordingly.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of significance of the matters described in the basis for disclaimer of opinion paragraph, the auditors do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in their opinion the financial statements have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

6. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

Set out below are the audited financial statements of the Group for the year ended 31 March 2007.

Consolidated Income Statement
For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5, 6	58,416	49,323
Cost of revenue	8	(37,352)	(30,333)
Gross profit		21,064	18,990
Selling and distribution costs	8	(19,432)	(15,768)
Administrative expenses	8	(12,441)	(5,663)
Other income	6	1,067	765
Other gains, net	7	44,693	16,992
Operating profit		34,951	15,316
Finance costs	9	(1,353)	(5,903)
Profit before income tax		33,598	9,413
Income tax expense	11	—	—
Profit for the year		33,598	9,413
Attributable to:			
Equity holders of the Company	13	33,598	9,413
		33,598	9,413
Earnings per share for profit attributable to the equity holders of the Company during the year			
— basic	14	2.67 cents	0.67 cents
— diluted	14	2.24 cents	0.67 cents

Consolidated Balance Sheet

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	1,880	716
Investment property	16	—	835
		1,880	1,551
Current assets			
Inventories	18	9,124	5,810
Trade receivables, net	19	2,030	368
Prepayments, deposits and other receivables	20	3,518	22,695
Financial assets at fair value through profit or loss	21	3,124	—
Cash and cash equivalents		22,669	751
		40,465	29,624
Current liabilities			
Trade payables	23	8,109	9,771
Tax payable		—	651
Other payables and accruals		5,376	55,714
Borrowings	24	—	42,401
Provision for long service payments	26	96	88
		13,581	108,625
Net current assets/(liabilities)		26,884	(79,001)
Total assets less current liabilities		28,764	(77,450)
Non-current liabilities			
Convertible preference shares	25	10,790	—
Provision for long service payments	26	511	308
		11,301	308
Net assets/(liabilities)		17,463	(77,758)
Capital and reserves attributable to the Company's equity holders			
Share capital	27	9,503	140,379
Reserves		7,960	(218,137)
Total equity/(deficit)		17,463	(77,758)

Balance Sheet

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Interests in subsidiaries	17	—	—
Current assets			
Amounts due from subsidiaries	17	29,687	—
Prepayments, deposits and other receivables	20	362	19,909
Cash and cash equivalents		1	1
		30,050	19,910
Current liabilities			
Other payables and accruals		1,897	39,887
Amounts due to subsidiaries		—	1,130
Borrowings	24	—	38,000
		1,897	79,017
Net current assets/(liabilities)		28,153	(59,107)
Total assets less current liabilities		28,153	(59,107)
Non-current liabilities			
Convertible preference shares	25	10,790	—
Net assets/(liabilities)		17,363	(59,107)
Capital and reserves attributable to the Company's equity holders			
Share capital	27	9,503	140,379
Reserves	29	7,860	(199,486)
Total equity/(deficit)		17,363	(59,107)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital	Share premium account	Capital reserve	Contributed surplus	Exchange reserve	Other reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	140,379	140,694	13,051	80,933	6	297	(462,531)	(87,171)
Profit for the year	—	—	—	—	—	—	9,413	9,413
At 31 March 2006	140,379	140,694	13,051	80,933	6	297	(453,118)	(77,758)
Capital reduction	(138,976)	—	—	—	—	—	138,976	—
Issuance of ordinary shares	8,100	13,770	—	—	—	—	—	21,870
Issuance of convertible preference shares	—	—	—	—	—	46,933	—	46,933
Disposal of subsidiaries	—	—	(13,051)	(2,123)	(6)	—	—	(15,180)
Deemed contribution *(Note)*	—	8,000	—	—	—	—	—	8,000
Profit for the year	—	—	—	—	—	—	33,598	33,598
At 31 March 2007	9,503	162,464	—	78,810	—	47,230	(280,544)	17,463

Note:

Pursuant to a restructuring agreement, dated 7 September 2005, Gain Alpha Finance Limited ("Gain Alpha"), the substantial shareholder of the Company agreed to pay fees, costs and expenses in connection with the implementation of the restructuring proposal of up to HK$8,000,000. Upon the completion of the restructuring on 6 December 2006, the amount was deemed to be an addition to the share premium under equity of the Company.

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash used in operating activities	*31(a)*	(59,765)	(19,778)
Cash flows from investing activities			
Purchases of property, plant and equipment	*15*	(1,867)	(646)
Proceeds from disposal of subsidiaries	*31(b)*	—	18,000
Disposal of subsidiaries	*31(b)*	(33)	—
Interest received		249	—
Net cash (used in)/generated from investing activities		(1,651)	17,354
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		21,870	—
Proceeds from issuance of convertible preference shares	*25*	58,320	—
Contribution from a substantial shareholder		8,000	—
Proceeds from borrowings		2,310	1,400
Repayment of borrowings		(6,710)	(1,000)
Interest paid		(454)	(381)
Interest element on finance lease payments		(1)	(4)
Capital element of finance lease payments		(1)	(14)
Net cash generated from financing activities		83,334	1
Net increase/(decrease) in cash and cash equivalents		21,918	(2,423)
Cash and cash equivalents at beginning of year		751	3,174
Cash and cash equivalents at end of year		22,669	751

Analysis of balances of cash and cash equivalents

		2007 HK$'000	2006 HK$'000
Cash and bank balances		22,669	751

Notes to the Financial Statements

1. Corporate information

Hong Kong Pharmaceutical Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda.

The head office and its principal place of business is located at Suite 4306-07, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (together the "Group") were involved in the following principal activities:

- Wholesale and retail of Chinese and other medicines, health products and dried seafood products
- Provision of Chinese clinical services
- Treasury and securities investments

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) Amendments to published standards and interpretation effective in 2006

The following amendments to published standards and interpretation are mandatory for financial year ended 31 March 2007. The Group adopted those which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The amendments to published standards and interpretation above do not have material impacts to the Group.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2007 but the Group has not early adopted.

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new standards and new interpretations would have a significant impact on the Group's results of operations and financial position.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(f)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms of 1 to 3 years
Furniture, fixtures and equipment	9%-33.33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains — net, in the income statements.

(f) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivable. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(i)).

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other (losses)/ gains — net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. Impairment testing of trade receivables is described in Note 2(i).

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(k) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Convertible preference shares

Convertible preference shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (other reserves).

In subsequent periods, the liability component of the convertible preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in other reserves until the embedded option is exercised (in which case the balance stated in other reserves will be transferred to share premium).

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

(o) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Employee benefits

(i) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

(ii) *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year and prior years by the employees and carried forward.

(iv) *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

(q) ***Provisions***

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer and the goods are accepted by the customers and collectibility of the related receivable is reasonably assured;

(ii) from the rendering of services, when the services are rendered;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(v) dividend income, when the shareholders' right to receive payment has been established; and

(vi) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered.

(s) Leases

(i) Operating lease

Accounting by lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(t) ***Borrowing costs***

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk, and liquidity risk.

The Group does not have any written risk management policies and guidelines. The Directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

(a) Market risk

(i) Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

Cash is held with financial institutions of good standing.

(c) Liquidity risk

It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— investments in subsidiaries and

— financial assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amounts.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. The Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

5. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the sum yung and pharmaceutical products segment sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers;

(b) the others segment comprises the provision of Chinese clinical services, property investment and the trading of marketable securities.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at cost or with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents revenue, profit/ (loss) and certain assets, liabilities and expenditures information for the Group's business segments.

2007	Sum yung and pharmaceutical products	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	58,147	269	—	58,416
Intersegment sales	325	—	(325)	—
Total revenue	58,472	269	(325)	58,416
Segment results	(1,334)	(1,075)		(2,409)
Interest income				1,018
Gain on restructuring, net *(Note 12)*				44,830
Unallocated corporate expenses				(8,488)
Operating profit				34,951
Finance costs				(1,353)
Profit before income tax				33,598
Income tax expense				—
Profit for the year				33,598
Segment assets	38,526	3,456		41,982
Unallocated assets				363
Total assets				42,345
Segment liabilities	11,824	372		12,196
Unallocated liabilities				12,686
Total liabilities				24,882
Other segment information:				
Capital expenditures	1,862	5		
Depreciation	696	1		
Significant non-cash expenses (excluding depreciation)	21	47		

Group

2006	**Sum yung and pharmaceutical products**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	48,978	345	—	49,323
Intersegment sales	274	—	(274)	—
Total revenue	49,252	345	(274)	49,323
Segment results	824	(945)		(121)
Interest income				708
Gain on disposal of subsidiaries *(Note 31(b))*				17,589
Unallocated corporate expenses				(2,860)
Operating profit				15,316
Finance costs				(5,903)
Profit before income tax				9,413
Income tax expense				—
Profit for the year				9,413
Segment assets	9,787	1,245		11,032
Unallocated assets				20,143
Total assets				31,175
Segment liabilities	6,575	401		6,976
Unallocated liabilities				101,957
Total liabilities				108,933
Other segment information:				
Capital expenditures	643	—		
Depreciation	512	23		
Significant non-cash expenses (excluding depreciation)	144	123		

(b) ***Geographical segments***

The following table presents revenue and certain assets and expenditures information for the Group's geographical segments.

2007	**Hong Kong**	**The PRC**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	58,369	—	—	58,369
Rental income from investment property *(Note)*	—	47	—	47
Other segment information:				
Segment assets	41,982	—	—	41,982
Capital expenditures	1,867	—	—	1,867

2006	**Hong Kong**	**The PRC**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	49,200	—	—	49,200
Rental income from investment property *(Note)*	—	123	—	123
Other segment information:				
Segment assets	10,194	838	—	11,032
Capital expenditures	646	—	—	646

Note: The investment property was disposed of during the year as part of the restructuring.

6. Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from disposed investment property during the year.

An analysis of revenue and other income is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Revenue		
Sale of sum yung and pharmaceutical products	58,147	48,978
Rental income	47	123
Service income from provision of Chinese clinical services	222	222
	58,416	49,323
Other income		
Interest income	1,018	708
Others	49	57
	1,067	765

7. Other gains, net

An analysis of other gains, net is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries	—	17,589
Gain on restructuring, net *(Note 12)*	44,830	—
Loss on disposal of property, plant and equipment	(1)	(10)
Provision for impairment of:		
— Trade receivables	(87)	(24)
— Other receivables	(47)	(229)
— Amount due from former intermediate holding company	—	(708)
Reversal of provision for impairment of amount due from former intermediate holding company	—	374
Others	(2)	—
	44,693	16,992

8. Expenses by nature

	Group 2007 HK$'000	2006 HK$'000
Cost of inventories sold	36,986	29,989
Cost of services provided	366	344
Employee benefit expense, excluding directors emoluments *(Note 10)*	10,119	8,688
Depreciation *(Note 15)*	700	543
Operating lease payments in respect of land and buildings	10,672	5,604
Liquidation expenses	1,434	297
Auditors' remuneration	738	286
Exchange losses, net	20	7
Others	8,190	6,006
	69,225	51,764

9. Finance costs

	Group 2007 HK$'000	2006 HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	1,030	5,898
Interest on convertible preference shares	322	—
Interest on finance leases	1	5
	1,353	5,903

10. Employee benefit expense and directors' emoluments

(a) Employee benefit expense

	Group 2007 HK$'000	2006 HK$'000
Wages and salaries	9,651	8,260
Pension costs — defined contribution plans *(Note i)*	468	428
	10,119	8,688

Notes:

(i) Pensions costs — defined contribution plans

At 31 March 2007, the Group had no significant forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

(b) Directors' emoluments

Details of directors' emoluments are set out below:

	Group 2007				
	Fees	**Basic salaries, allowance and benefits**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ko Chun Shun, Johnson[1]	—	—	—	—	—
Tsoi Tong Hoo, Tony[1]	—	—	—	—	—
Chan Kam Kwan, Jason[1]	—	—	—	—	—
Wong Fan, Frank[1]	—	458	—	21	479
Yeung Heung Yeung[1]	—	—	—	—	—
Sun Hiu Lu[2]	—	—	—	—	—
Huang Shuyun[2]	—	—	—	—	—
Chu Kwan[2]	—	—	—	—	—
Zhao Dake[2]	—	—	—	—	—
Zhang Ke, Winston[2]	—	—	—	—	—
Non-executive directors					
Kelvin Edward Flynn[3]	115	—	—	—	115
Independent non-executive directors					
Ho Tak Man, Billy[1]	46	—	—	—	46
Yap Fat Suan[1]	46	—	—	—	46
Wong Yau Kar, David[1]	46	—	—	—	46
Ng Wing Hang[2]	—	—	—	—	—
Melvin Wong[2]	—	—	—	—	—
Chu Yu Lin[2]	—	—	—	—	—
	253	458	—	21	732

	Group 2006				
	Fees	**Basic salaries, allowance and benefits**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sun Hiu Lu[2]	—	—	—	—	—
Huang Shuyun[2]	—	—	—	—	—
Chu Kwan[2]	—	—	—	—	—
Zhao Dake[2]	—	—	—	—	—
Zhang Ke, Winston[2]	—	—	—	—	—
	—	—	—	—	—

Notes:

1. Appointed as a director at 6 December 2006
2. Resigned as a director at 6 December 2006
3. Appointed as a director at 6 December 2006 and was the provisional liquidator

Other than as presented above, no other fees or emoluments were paid to the independent non-executive directors during the year (2006: Nil).

For 2006 and 2007, there were no arrangement under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Details of share options granted to directors are set out in Note 28 to the consolidated financial statements.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2006: nil) whose emoluments are reflected in the analysis above. The emolument payable to the remaining four (2006: five) individuals during the year are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,252	1,679
Bonuses	—	—
Compensation for loss of office	—	—
	1,252	1,679

Their emoluments fell within nil to HK$1,000,000 band.

11. Income tax expense

No Hong Kong profits tax and overseas taxation has been provided as the Group had sufficient tax losses as brought forward to set off against the assessable profits for the year (2006: Nil).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before income tax	33,598	9,413
Tax at the applicable tax rates of 17.5% (2006: 17.5%)	5,880	1,647
Income not subject to tax	(13,072)	(3,223)
Expenses not deductible for tax	7,596	228
Tax loss not recognised	675	1,348
Utilisation of previously unrecognised tax losses	(843)	—
Others	(236)	—
Tax charge	—	—

12. Gain on restructuring, net

On 13 October 2004, the High Court of Hong Kong appointed Mr. Cosimo Borrelli and Mr. Kelvin Flynn as joint and several provisional liquidators ("Provisional Liquidators") to, inter alia, exercise the powers of the board of the Company, to take into their custody and protect the assets of the Company and carry on and stabilise the operations of the Company and its subsidiaries, including facilitating a debt and capital restructuring ("Restructuring") of the Company. The Restructuring of the Company was completed on 6 December 2006 ("Completion").

Upon the Completion, the following gains/ (losses) were resulted from the Restructuring:

	Group
	2007
	HK$'000
Net gain from transfer of financial assets and extinguishment of financial liabilities *(Note i)*	44,574
Gain on disposal of subsidiaries *(Note ii)*	35,469
Restructuring costs	(35,213)
	44,830

Notes:

(i) As part of the Restructuring, all the claims by the creditors admitted by the Restructuring ("Scheme Creditors") against the Company were discharged and waived by way of schemes of arrangements under section 166 of the Hong Kong Companies Ordinance and section 99 of the Bermuda Companies Act ("Schemes"). The Schemes for the Scheme Creditors were sanctioned by the Orders of the Supreme Court of Bermuda and the High court of Hong Kong on 3 November 2006 and 21 November 2006 respectively.

Pursuant to Clause 6.1(d) of the restructuring agreement, dated 7 September 2005, on the date of completion of the restructuring the Company assigns and transfers all its rights, title and interest to or in any of the receivables together with any balance of the investor's injected funds and proceeds from realisation of assets being kept in escrow by the Provisional Liquidators will be transferred to the trustee of the Schemes for the settlement and discharge of claims against the Company by the creditors in accordance with the terms of the Schemes. Upon the successful Completion of the Restructuring, all liabilities existing at the date of appointment of the provisional liquidators of the Company ("pre-existing creditors") were compromised and discharged through the Schemes and/or by specific agreement. The excess of the amount of liabilities over the amount of assets transferred to the Schemes was recognised as gain arising on restructuring in the consolidated income statement.

(ii) Integral to the Restructuring was the disposal of subsidiaries that were non-strategic to the future development of the Group. The gain from disposal of the subsidiaries was recognised in the consolidated income statement for the year.

13. (Loss)/profit attributable to equity holders of the company

The loss attributable to equity holders of the Company for the year ended 31 March 2007 dealt with in the financial statements of the Company is approximately HK$333,000 (2006: profit of HK$9,822,000).

14. Earnings per share

(a) Basic

The calculation of earning per share is based on the profit attributable to the equity holders of HK$33,598,000 (2006: HK$9,413,000) and the weighted average of 1,259,697,000 shares (2006: 1,403,797,000 shares) in issue during the year.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preference shares and share options. The convertible preference shares are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect.

However, the conversion of all potential ordinary shares arising from share options would have an anti-dilutive effect on the earnings per share for the years ended 31 March 2007 and 2006.

There were no potential ordinary shares from convertible note as 31 March 2006.

	2007	**2006**
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	33,598	9,413
Interest expenses on convertible preference shares, net of tax	266	—
Profit used to determine diluted earnings per share	33,864	9,413
Weighted average number of ordinary shares in issue (thousands)	1,259,697	1,403,797
Adjustment for		
— assumed conversion of convertible preference shares (thousands)	254,247	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,513,944	1,403,797
Diluted earnings per share	2.24 cents	0.67 cents

15. Property, plant and equipment

	Group			
	Leasehold improvements *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost				
At 1 April 2005	6,394	3,270	85	9,749
Additions	444	202	—	646
Disposals	(1,744)	(80)	—	(1,824)
At 31 March 2006	5,094	3,392	85	8,571
Accumulated depreciation				
At 1 April 2005	6,317	2,792	17	9,126
Charge during the year	134	392	17	543
Disposals	(1,744)	(70)	—	(1,814)
At 31 March 2006	4,707	3,114	34	7,855
Net book value				
At 31 March 2006	387	278	51	716
At 31 March 2005	77	478	68	623
Cost				
At 1 April 2006	5,094	3,392	85	8,571
Additions	1,320	547	—	1,867
Disposals	(1,739)	(10)	—	(1,749)
Disposal of subsidiaries *(Note 31(b))*	(10)	(220)	—	(230)
At 31 March 2007	4,665	3,709	85	8,459
Accumulated depreciation				
At 1 April 2006	4,707	3,114	34	7,855
Charge during the year	527	156	17	700
Disposals	(1,739)	(9)	—	(1,748)
Disposal of subsidiaries *(Note 31(b))*	(10)	(218)	—	(228)
At 31 March 2007	3,485	3,043	51	6,579
Net book value				
At 31 March 2007	1,180	666	34	1,880
At 31 March 2006	387	278	51	716

Depreciation expense of HK$566,000 (2006: HK$296,000) has been charged in selling and distribution costs and HK$134,000 (2006: HK$247,000) in administrative expenses.

The net book value of the Group's office equipment held under finance lease as at 31 March 2007 amounted to approximately HK$nil (2006: HK$1,000).

	Company Furniture and fixtures
	HK$'000
Cost	
At 1 April 2005	—
Additions	3
Disposals	(3)
At 31 March 2006	—
Accumulated depreciation	
At 1 April 2005	—
Charge during the year	—
Disposals	—
At 31 March 2006	—
Net book value	
At 31 March 2006	—
At 31 March 2005	—

There was no movement for the Company's property, plant and equipment during the year ended 31 March 2007.

16. Investment property

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 April	835	835
Disposal of subsidiary *(Note 31(b))*	(835)	—
At 31 March	—	835

The investment property was disposed of as part of the Restructuring, which was completed on 6 December 2006.

17. Interests in subsidiaries

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note i)*	—	29,344
Less: Provisions for impairment	—	(29,344)
	—	—
Amounts due from subsidiaries — current *(Note ii)*	160,197	340,822
Less: Provisions for amounts due from subsidiaries	(130,510)	(340,822)
	29,687	—

Notes:

(i) As at 31 March 2007, particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Healthy Form Investments Limited	British Virgin Islands	US$1	100%	—	Investment holding
Nam Pei Hong Sum Yung Drugs Company Limited ("Sum Yung")	Hong Kong	HK$1,200,000	—	100%	Wholesale and retail of Chinese medicines, dried seafood and health products
N P H Sino-Meditech Limited	Hong Kong	HK$2	—	100%	Provision of Chinese clinical services

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

(ii) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

18. Inventories

	Group 2007 HK$'000	2006 HK$'000
Merchandised goods	9,124	5,810

As at 31 March 2007, no inventories are carried at net realisable value (2006: nil).

19. Trade receivables, net

	Group 2007 HK$'000	2006 HK$'000
Trade receivables	2,304	15,172
Less: provision for impairment of receivables	(274)	(14,804)
Trade receivables — net	2,030	368

The Group's credit terms granted to customers of Chinese and other medicines, health products and dried seafood products range between 30 and 90 days. The credit terms granted to customers of pharmaceutical products range between 60 and 180 days.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions, is as follows:

	Group 2007 HK$'000	2006 HK$'000
Within 3 months	1,909	325
4 to 6 months	100	23
7 to 12 months	—	—
13 to 24 months	1	—
Over 24 months	20	20
	2,030	368

The carry amounts of trade receivables are approximate their fair value and are denominated in Hong Kong dollars.

Movements on the provision for impairment of trade receivables are as follows:

	Group 2007 HK$'000	2006 HK$'000
At 1 April	14,804	14,780
Provision for receivable impairment *(Note 7)*	87	24
Disposal of subsidiaries	(14,617)	—
At 31 March	274	14,804

20. Prepayments, deposits and other receivables

The carry amounts of deposits and other receivables are approximate their fair value and are denominated in Hong Kong dollars.

21. Financial assets at fair value through profit or loss

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities — Hong Kong	3,124	—
Market value of listed securities	3,124	—

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 31(a)).

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains, net, in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

22. Amounts due from former intermediate holding companies

	Group and Company	
	2007	**2006**
	HK$'000	*HK$'000*
Amounts due from Tin Ming	—	13,454
Amounts due from Hong Tau	—	1,202
	—	14,656
Less: Provisions for impairment	—	(14,656)
	—	—

Tin Ming Management Limited ("Tin Ming") and Hong Tau Investment Ltd ("Hong Tau"), were the intermediate holding companies of the Company upto the date of the completion of Restructuring on 6 December 2006.

As mentioned in Note 12, the amounts due from former intermediate holding companies were transferred to the trustees of the Schemes for the settlement and discharge of claims against the Company by the creditors upon the completion of the Restructuring on 6 December 2006.

23. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 3 months	6,967	2,924
4 to 6 months	927	420
7 to 12 months	28	6
13 to 24 months	1	—
Over 24 months	186	6,421
	8,109	9,771

The carrying amount of trade payable are approximate their fair value and are denominated in Hong Kong dollars.

24. Borrowings

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Convertible note, secured *(Note i)*	—	38,000	—	38,000
Other loan, secured *(Note ii)*	—	4,400	—	—
Finance lease payables	—	1	—	—
	—	42,401	—	38,000

At 31 March 2007, the borrowings were repayable as follows:

	Group						Company	
	Convertible note		Other loan		Finance lease payables		Convertible note	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	—	38,000	—	4,400	—	1	—	38,000
Between 1 and 2 years	—	—	—	—	—	—	—	—
Between 2 and 5 years	—	—	—	—	—	—	—	—
	—	38,000	—	4,400	—	1	—	38,000

The effective interest rates at the balance sheet date were as follows:

	2007	2006
Convertible note	—	4%
Other loan	—	5%
Finance lease payables	—	7.25%

The carrying amounts of the borrowings are denominated in Hong Kong dollars.

Notes:

(i) Convertible note

As mentioned in Note 12, all the claims by the Scheme Creditors against the Company shall be discharged and waived by way of the Schemes, pursuant to the terms of the Restructuring scheme.

The convertible note of HK$38,000,000 was settled and discharged in accordance with the terms of the Schemes upon the completion of the Restructuring on 6 December 2006.

(ii) Other loan

	2007	2006
	HK$'000	*HK$'000*
Secured — Gain Alpha	—	4,400

In 2005, one of the Company's subsidiaries entered into an agreement with Gain Alpha, being the then substantial shareholder of the Company. Pursuant to the agreement, Gain Alpha agreed to provide a loan facility of up to HK$8,000,000 to the Company's subsidiary for working capital. As at 31 March 2006, a total amount of HK$4,400,000 was drawn down by the subsidiary and further drawn downs were made, totalling HK$2,310,000, during the year, giving rise to a total amount outstanding of HK$6,710,000. The full amount of the loan, plus interest, was repaid on 8 December 2006.

25. Convertible preference shares

	Number of shares	Nominal amount
	'000's	*HK$'000*
Convertible preference shares of HK$0.01 each:		
Authorised		
Increase in authorised preference share capital and balance at 31 March 2007	2,500,000	25,000
Issued and fully paid:		
Issued during the year and balance at 31 March 2007	2,160,000	21,600

On 6 December 2006, the Company issued 2,160,000,000 convertible preference shares with a par value of HK$0.01 each at a price of HK$0.027 each to raise a total of approximately HK$58,320,000 for the Company.

The convertible preference shares of HK$0.01 each are convertible into new ordinary shares of HK$0.01 each in the share capital of the Company after the date of their issuance but before the fifth anniversary and shall be automatically converted on the fifth anniversary, subject to an adjustment, at a conversion price of HK$0.027 per ordinary share.

The holders of the convertible preference shares of HK$0.01 each shall be entitled to receive a fixed cumulative dividend of 5% per annum of the issue price of each preference share.

The fair value of the liability component included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (Note 29).

The fair value of the liability component of the convertible preference shares at 31 March 2007 amounted to HK$10,790,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 9%.

26. Provision for long service payments

	2007	**2006**
	HK$'000	*HK$'000*
At 1 April	396	528
Charged/(credited) to the consolidation income statement		
Additional provisions	257	—
Unused amounts reversed	—	(132)
Used during the year	(46)	—
At 31 March	607	396
Analysis of total provision		
Non-current	511	308
Current	96	88
	607	396

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as explained in Note 2(p) to the consolidated financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

27. Share capital

	2007	**2006**
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	—	300,000
3,500,000,000 ordinary shares of HK$0.01 each	35,000	—
Issued and fully paid:		
1,403,796,698 ordinary shares of HK$0.10 each	—	140,379
950,379,669 ordinary shares of HK$0.01 each	9,503	—

During the year, the Company has following movements in the share capital:

(a) Pursuant to the terms of the Restructuring scheme, which became effective on 6 December 2006:

(i) The nominal value of the existing shares was reduced from HK$0.10 each to HK$0.001 by cancelling HK$0.099 on each paid up share. The credit arising as a result of the capital reduction of approximately HK$138,976,000 was applied to partially eliminate the accumulated losses of the Company by the same amount.

(ii) The issued and unissued shares of HK$0.001 each of the Company were consolidated into one new share on the basis of every ten issued shares of HK$0.10 into one consolidated new share of HK$0.01 each.

(iii) The authorised, but un-issued ordinary shares of approximately 1,596,200,000 shares of amount HK$159,620,000 were cancelled.

(iv) The Company's authorised share capital, after the capital cancellation, reduction and the share consolidation, was increased to HK$35,000,000 by creation of approximately 3,359,620,000 new consolidated shares of HK$0.01 each.

(b) Upon the completion of the restructuring on 6 December 2006, 810 million new shares of HK$0.01 each were issued to Gain Alpha for a cash subscription price of HK$0.027 each.

A summary of the transactions during the year with reference to the movements of the Company's ordinary share capital is as follows:

	No. of shares	**Nominal value**
	'000's	*HK$'000*
Authorised:		
At 1 April 2006: 3,000,000,000 ordinary shares of HK$0.10 each	3,000,000	300,000
Capital reduction	(1,263,420)	(138,976)
Capital cancellation	(1,596,200)	(159,620)
Increase in authorised share capital	3,359,620	33,596
As at 31 March 2007: 3,500,000,000 new ordinary shares of HK$0.01 each	3,500,000	35,000
Issued and fully paid:		
At 1 April 2006: 1,403,796,698 ordinary shares of HK$0.10 each	1,403,797	140,379
Capital reduction	—	(138,976)
Consolidation of existing shares	(1,263,417)	—
Subscription of new ordinary shares at HK$0.01 each	810,000	8,100
At 31 March 2007: 950,379,669 ordinary shares of HK$0.01 each	950,380	9,503

28. Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme previously adopted by the Company (the "Old Scheme") expired on 5 November 2001. Despite that no further options shall be granted under the Old Scheme, the provisions of the Old Scheme shall remain in full force and effect in all other respects to govern all outstanding options granted prior to termination.

At the Company's annual general meeting held on 25 September 2001 (the "Adoption Date"), a new share option scheme (the "New Scheme") was approved and adopted and became effective on 6 November 2001 and, unless otherwise cancelled and amended, will remain in force for 10 years from that date. Eligible participants of the New Scheme include any executive director, non-executive director, employee, agent, consultant or representative of the Group who satisfies the selection criteria prescribed by the rules of the New Scheme.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the New Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company in issue as at the Adoption Date. The total number of shares issued and to be issued upon exercise of the options (whether exercised or outstanding) under the New Scheme in any 12-month period granted to each eligible participant must not exceed 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under the New Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted under the New Scheme to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company then in issue and with an aggregate value (based on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options granted will entitle the holders to subscribe for shares during such period as may be determined by the directors, which shall not be more than 10 years from the date of issue of the relevant options.

The exercise price of the share options under the New Scheme is determinable by the directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted by the Company under the New Scheme during the year and up to the date of approval of these financial statements. All outstanding options of the Company vested prior to 1 January 2005. The Company has taken advantage of the transitional provisions in HKFRS 2 and not recognised the fair value of the outstanding options within equity.

The New Scheme was terminated and the share options granted under the New Scheme lapsed on 16 April 2007, when the Company adopted a new share option scheme (the "New Share Option Scheme") on the same day.

The following share options were outstanding during the year:

Name or category of participant	At 1 April 2006[4]	Granted during the year	Lapsed during the year[2, 4]	At 31 March 2007[4]	Date of grant of share options	Exercise period of share options	Exercise price of share options[3] HK$	Price of Company's share[1] At grant date of options HK$	Price of Company's share[1] At exercise date of options HK$
Directors									
Ms. Huang Shuyun	25,000,000	—	(25,000,000)	—	16-5-2000	16-05-2000 to 15-05-2010	0.639	0.81	—
	2,000,000	—	(2,000,000)	—	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	—
	27,000,000	—	(27,000,000)	—					
Mr. Chu Kwan	25,200,000	—	(25,200,000)	—	16-5-2000	16-05-2000 to 15-05-2010	0.639	0.81	—
	1,000,000	—	(1,000,000)	—	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	—
	26,200,000	—	(26,200,000)	—					
Mr. Sun Hiu Lu	27,000,000	—	(27,000,000)	—	16-5-2000	16-05-2000 to 15-05-2010	0.639	0.81	—
Mr. Zhao Dake	27,000,000	—	(27,000,000)	—	16-5-2000	16-05-2000 to 15-05-2010	0.639	0.81	—
Mr. Zhang Ke, Winston	3,000,000	—	(3,000,000)	—	10-7-2001	10-07-2001 to 09-07-2011	1	1.20	—
	1,500,000	—	(1,500,000)	—	22-2-2002	22-02-2005 to 21-02-2012	0.88	0.88	—
	1,500,000	—	(1,500,000)	—	22-2-2002	22-02-2005 to 21-02-2012	0.88	0.88	—
	6,000,000	—	(6,000,000)	—					
Mr. Melvin Wong	300,000	—	(300,000)	—	27-5-2003	27-05-2003 to 01-05-2013	0.38	0.355	—
Mr. Ng Wing Hang	300,000	—	(300,000)	—	27-5-2003	27-05-2003 to 01-05-2013	0.38	0.355	—
Other employees									
In aggregate	1,500,000	—	(500,000)	1,000,000	16-5-2000	16-05-2000 to 15-05-2010	0.639	0.81	—
	40,000	—	(40,000)	—	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	—
	1,100,000	—	(400,000)	700,000	22-2-2002	22-02-2002 to 21-02-2012	0.88	0.88	—
	2,640,000	—	(940,000)	1,700,000					
	116,440,000	—	(114,740,000)	1,700,000					

Notes:

1. The price of the Company's shares disclosures as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Hong Kong Stock Exchange closing prices over all of the exercises of options within the disclosure category.

2. Share options lapsed upon their termination of employments and their resignations as directors of the Company upon the completion of the Restructuring on 6 December 2006.

3. The disclosed exercise price of share options has not reflected the price adjustment impact from share consolidation as mentioned in Note 27(a).

4. The movements in the number of share options have not been adjusted for the share consolidation as mentioned in Note 27(a).

29. Reserves

The details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 39.

The details of the movements in the Company's reserves are set out as follows:

	Share premium account	**Contributed surplus** *(Note i)*	**Other reserves**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2005	140,694	78,810	297	(429,109)	(209,308)
Profit for the year	—	—	—	9,822	9,822
At 31 March 2006	140,694	78,810	297	(419,287)	(199,486)
Capital reduction	—	—	—	138,976	138,976
Issuance of ordinary shares	13,770	—	—	—	13,770
Issuance of convertible preference shares	—	—	46,933	—	46,933
Deemed contribution *(Note ii)*	8,000	—	—	—	8,000
Loss for the year	—	—	—	(333)	(333)
At 31 March 2007	162,464	78,810	47,230	(280,644)	7,860

Notes:

(i) The Company's contributed surplus represented the excess of the fair value of the shares of the former holding company acquired pursuant to the group reorganisation in the prior year, over the nominal value of the Company's shares issued in exchange therefor.

(ii) Pursuant to a restructuring agreement, dated 7 September 2005, Gain Alpha, the substantial shareholder of the Company agreed to pay fees, costs and expenses in connection with the implementation of the restructuring proposal of HK$8,000,000. Upon the completion of the restructuring on 6 December 2006, the amount was deemed to be an addition to the share premium under equity of the Company.

30. Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using the principal taxation rate of 17.5% (2006: 17.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax losses carry forward purposes only to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group recognises deferred tax assets to the extent of recognised deferred tax liabilities and has unrecognised tax losses of HK$103,683,000 (2006: HK$196,187,000) to carry forward against future taxable income. The tax losses mentioned above are subject to final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

Details of unrecognised deferred tax assets at the balance sheet date are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Excess of tax allowance over depreciation	(575)	(143)
Tax losses	(18,144)	(34,333)
	(18,719)	(34,476)

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

31. Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to net cash used in operating activities

	2007	**2006**
	HK$'000	*HK$'000*
Operating activities		
Profit before income tax	33,598	9,413
Adjustments for:		
Interest expenses *(Note 9)*	1,353	5,903
Interest income *(Note 6)*	(1,018)	(708)
Depreciation *(Note 15)*	700	543
Unrealised fair value loss on financial assets at fair value through profit or loss	2	—
Realised loss on disposal of financial assets at fair value through profit or loss	1	—
Provision for impairment of:		
— Trade receivables *(Note 7)*	87	24
— Other receivables *(Note 7)*	47	229
— Amount due from former intermediate holding company *(Note 7)*	—	708
Reversal of provision for impairment of amount due from former intermediate holding company *(Note 7)*	—	(374)
Loss on disposal of property, plant and equipment *(Note 7)*	1	10
Gain on disposal of subsidiaries *(Note 12)*	(35,469)	(17,589)
Net gain from transfer of financial assets and extinguishment of financial liabilities *(Note 12)*	(44,574)	—
Operating loss before working capital changes:	(45,272)	(1,841)
Increase in inventories	(3,314)	(324)
(Increase)/decrease in trade receivables	(1,749)	882
Increase in prepayments, deposits and other receivables	(48,727)	(18,502)
Increase in financial assets at fair value through profit or loss	(3,127)	—
Decrease in amounts due from former intermediate holding companies	—	374
Increase/(decrease) in trade payables	4,572	(729)
Increase in other payables and accruals	37,641	494
Increase/(decrease) in provision for long service payments	211	(132)
Net cash used in operating activities	(59,765)	(19,778)

(b) Disposal of subsidiaries

	2007	2006
	HK$'000	*HK$'000*
Assets/(liabilities) disposed of:		
Property, plant and equipment	2	—
Investment property	835	—
Prepayment and other receivables	170	2
Investments in securities	—	10,460
Cash and cash equivalents	33	—
Trade payables	(6,234)	—
Other payables and accruals	(14,444)	(148)
Amount due to a fellow subsidiary	—	(16)
Taxation	(651)	—
Reserves	(15,180)	—
	(35,469)	10,298
Disposal expenses	—	2,367
Gain on disposal of subsidiaries	35,469	17,589
	—	30,254
Satisfied by:		
Cash	—	18,000
Release of convertible notes	—	12,254
	—	30,254

Analysis of the net cashflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration	—	18,000
Net (outflow)/ inflow of cash and equivalents in respect of the disposal of subsidiaries	(33)	18,000

32. Commitment

Operating lease commitment

As lessee

The Group leases certain of its office and retail properties under operating lease arrangements.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
No later than 1 year	6,085	6,029
Later than 1 year and no later than 5 years	2,258	4,220
	8,343	10,249

33. Related party transactions

In the opinion of the Directors, the ultimate holding company is Gain Alpha Finance Limited, which is incorporated in the British Virgin Islands.

(a) The following transactions were carried out with related parties, except for disclosed elsewhere in these consolidated financial statements:

	2007	**2006**
	HK$'000	*HK$'000*
Interest income from a former intermediate holding company	769	708
Finance costs incurred on loan from a substantial shareholder	194	225

(b) Key management compensation

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	2,035	1,883
Termination benefits	—	—
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
	2,035	1,883

34. Events after the balance sheet date

(1) On 29 April 2007, the Company entered into a conditional Sale and Purchase Agreement ("the S&P Agreement") with China Wind Power Investment Limited ("Vendor") under which the Company agreed to acquire the entire issued share capital of China Wind Power Holdings Limited ("China Wind Power"), a limited liability company incorporated in the British Virgin Islands. The minimum consideration for the acquisition is HK$100,000,000 and the maximum consideration is HK$200,000,000 depending on the audited net consolidated profit of the China Wind Power and its subsidiaries for the year ended 31 March 2008 or the year immediately following the completion of the S&P Agreement. The consideration will be settled by the issue of the convertible notes. Details of the transactions were disclosed in the Company's announcement dated 21 May 2007.

On 6 June 2007, Century Concord Energy Limited, a subsidiary of China Wind Power and Shanghai Shenhua entered into agreements to form a jointly control entity ("JV") with registered share capital of RMB136 million. Each of Century Concord Energy and Shanghai Shenhua will hold a 50% equity interest in the JV and contribute RMB68 million to the registered capital of JV in cash. Details of the transactions are disclosed in the Company's announcement dated 25 May 2007.

(2) Pursuant to the placing agreement entered on 22 May 2007, the placing agent placed 800,000,000 existing shares held by Gain Alpha at the placing price of HK$0.5 per share. And pursuant to a separate subscription agreement, Gain Alpha has subscribed for the same number of shares at the subscription price of HK$0.5 per share ("Subscription"), subject to independent shareholders' approval. The net proceed of the Subscription is approximately HK$387 million. Immediately prior to the placing, Gain Alpha has converted 1,350,000,000 preference shares held by it into 1,350,000,000 shares. Details of the transactions were disclosed in the Company's announcement dated 23 May 2007.

35. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited accounts of the Company were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Hong Kong Pharmaceutical Holdings Limited

13 July 2007

Dear Sirs,

We set out below our report on the financial information relating to China Wind Power Holdings Limited ("Wind Power") and its subsidiaries (hereinafter collectively referred to as the "Wind Power Group") for the period from 3 January 2006 (date of incorporation of Glad Power Investments Limited, the earliest established company among the companies now comprising the Wind Power Group) to 31 December 2006, period from 3 January 2006 to 31 March 2006 and the three months ended 31 March 2007 (the "Relevant Periods"), for inclusion in the circular of Hong Kong Pharmaceutical Holdings Limited (the "Company") dated 13 July 2007 (the "Circular") in connection with the proposed acquisition of Wind Power by the Company.

Wind Power was incorporated in the British Virgin Islands on 6 September 2006 as a limited liability company under Business Companies Act, 2004 of the British Virgin Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in Note 1 of Section II below, Wind Power became the holding company of the companies now comprising the Wind Power Group.

As at the date of this report, Wind Power has direct and indirect interests in the subsidiaries and associated companies as set out in Notes 14 and 15 of Section II below. All of these companies are incorporated or established outside Hong Kong and have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared for Wind Power's subsidiaries since their respective dates of incorporation as they are not subject to any statutory audit requirements as companies incorporated in the British Virgin Islands.

For the purpose of this report, the directors of Wind Power have prepared the consolidated financial statements of Wind Power for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public

Accountants ("HKICPA"). We have carried out an independent audit on the consolidated financial statements of Wind Power for the period from 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007 in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The financial information as set out in Sections I to III below (the "Financial Information") has been prepared based on the audited consolidated financial statements for the period form 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007 and the management accounts for the period from 3 January 2006 to 31 March 2006 of Wind Power on the basis as set out in Note 1 of Section II below.

The directors of Wind Power, during the Relevant Periods, are responsible for preparing the consolidated financial statements of Wind Power which give a true and fair view. In preparing the consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the Financial Information which gives a true and fair view.

For the financial information for the period from 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007, it is our responsibility to express an independent opinion, based on our examination, on the financial information and to report our opinion to you.

For the financial information for the period from 3 January 2006 to 31 March 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you.

BASIS OF OPINION AND REVIEW WORK PERFORMED

For the financial information for the period from 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007, we examined the audited consolidated financial statements of Wind Power and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the period from 3 January 2006 to 31 March 2006, we conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the period from 3 January 2006 to 31 March 2006.

OPINION AND REVIEW CONCLUSION

In our opinion, the financial information for the period from 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007, for the purpose of this report, gives a true and fair view of the state of affairs of Wind Power and the Wind Power Group as at 31 December 2006 and 31 March 2007 and of the Wind Power Group's results and cash flows for the period from 3 January 2006 to 31 December 2006 and the three months ended 31 March 2007.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the period from 3 January 2006 to 31 March 2006.

I. FINANCIAL INFORMATION

A. Consolidated income statements

	Note	Period from 3 January 2006 to 31 December 2006	Period from 3 January 2006 to 31 March 2006	Three months ended 31 March 2007
		RMB'000	*RMB'000* (unaudited)	*RMB'000*
Revenue	*5*	—	—	—
Administrative expenses	*6*	(233)	(1)	(207)
		(233)	(1)	(207)
Finance costs	*10*	(5)	(1)	(3)
		(238)	(2)	(210)
Share of (losses)/profits of associated companies	*15*	(667)	—	558
(Loss)/profit before income tax		(905)	(2)	348
Income tax expense	*11*	—	—	—
(Loss)/profit for the period		(905)	(2)	348
(Loss)/profit attributable to:				
Equity holder		(905)	(2)	349
Minority interest		—	—	(1)
		(905)	(2)	348
(Loss)/earnings per share — basic	*12*	(905)	(2)	349
— diluted	*12*	N/A	N/A	N/A

B. Consolidated balance sheets

	Note	As at 31 December 2006 RMB'000	As at 31 March 2007 RMB'000
ASSETS			
Non-current assets			
Investment in associated companies	15	35,058	38,416
Current assets			
Prepayments and other receivables		193	2,244
Amount due from holding company	16	—	10
Cash and bank balances	17	184	1,365
		377	3,619
Total assets		35,435	42,035
EQUITY			
Capital and reserves attributable to the equity holder			
Share capital	18	—	—
Reserves	19	35,392	39,698
		35,392	39,698
Minority interests		—	999
Total equity		35,392	40,697
LIABILITIES			
Current liabilities			
Other payables and accrued liabilities		43	250
Amount due to a minority shareholder	16	—	1,000
Amount due to a related company	16	—	88
		43	1,338
Total liabilities		43	1,338
Total equity and liabilities		35,435	42,035
Net current assets		334	2,281
Total assets less current liabilities		35,392	40,697

C. Balance sheets

	Note	As at 31 December 2006 RMB'000	As at 31 March 2007 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	14	36,297	40,253
Current assets			
Cash and bank balances		—	29
Total assets		36,297	40,282
EQUITY			
Capital and reserves attributable to the equity holder			
Share capital	18	—	—
Reserves	19	36,287	40,242
		36,287	40,242
LIABILITIES			
Current liabilities			
Other payables and accrued liabilities		9	38
Amounts due to subsidiaries	14	1	2
Total liabilities		10	40
Total equity and liabilities		36,297	40,282
Net current liabilities		(10)	(11)
Total assets less current liabilities		36,287	40,242

D. Consolidated statements of changes in equity

	Note	Period from 3 January 2006 to 31 December 2006	Period from 3 January 2006 to 31 March 2006	Three months ended 31 March 2007
		RMB'000	*RMB'000* (unaudited)	*RMB'000*
Total equity at the beginning of period		—	—	35,392
Net (loss)/profit for the period		(905)	(2)	349
		(905)	(2)	35,741
Increase in paid-in capital	*19, a*	403	403	—
Increase in capital reserve by shareholder contribution	*19*	—	—	3,957
Increase in merger reserve as a result of Reorganisation	*19*	35,894	1,582	—
Minority interests		—	—	999
Total equity at the end of period		35,392	1,983	40,697

Note:

(a) The total equity at 3 January 2006, date of incorporation of Glad Power Investments Limited, which is the earliest established group company, represented the combined capital of the Company and its subsidiaries as at the respective dates prior to the Reorganisation as defined in Note 1.

E. Consolidated cash flow statements

	Note	Period from 3 January 2006 to 31 December 2006	Period from 3 January 2006 to 31 March 2006	Three months ended 31 March 2007
		RMB'000	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities				
Net cash used in operations	*20*	(388)	(10)	(975)
Net cash used in operating activities		(388)	(10)	(975)
Cash flows from investing activities				
Increase in investment in associated companies		(35,725)	—	(2,800)
Net cash used in investing activities		(35,725)	—	(2,800)
Cash flows from financing activities				
Cash received from capital injections		36,297	1,985	3,957
Contribution from minority shareholder		—	—	999
Net cash from financing activities		36,297	1,985	4,956
Increase in cash and cash equivalents		184	1,975	1,181
Cash and cash equivalents at the beginning of period		—	—	184
Cash and cash equivalents at the end of period		184	1,975	1,365

II. NOTES TO THE FINANCIAL INFORMATION

1. GROUP STRUCTURE, REORGANISATION AND BASIS OF PREPARATION

The Wind Power Group is principally engaged in the operation, management and investment in wind power electricity generating facilities in the People's Republic of China (the "PRC").

Wind Power is a limited liability company incorporated in the British Virgin Islands on 6 September 2006 by Mr. Ji Yang. The address of its registered office is Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Pursuant to agreements dated 12 October 2006 and 7 December 2006 between Wind Power and Mr. Ji Yang, the beneficial shareholder of Glad Power Investments Limited, CCH Wind Power Holdings Limited, CCH Energy Investment Limited, Century Concord Holdings Limited and Top Well Holdings Limited, Wind Power acquired the entire share capital of all these companies by a nominal consideration and became the holding company of the subsidiaries now comprising the Wind Power Group (the "Reorganisation").

The Financial Information is presented in thousand unit of Renminbi (RMB'000), unless otherwise stated.

For the purpose of this report, the consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity of the Wind Power Group for the Relevant Periods include the financial information of the companies now comprising the Wind Power Group and the associated companies as if the current group structure had been in existence since 3 January 2006, or since their respective dates of incorporation/establishment, whichever is the shortest period.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of presentation

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Wind Power's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Wind Power Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Wind Power Group's accounting periods beginning on or after 1 April 2007 but the Wind Power Group has not early adopted.

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Wind Power Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new standards and new interpretations would have a significant impact on the Wind Power Group's results of operations and financial position.

2.2 Accounting for a common control combination

As discussed in Note 1, the Wind Power Group underwent the Reorganisation in 2006. Business combination in which all of the combining entities are ultimately controlled by the same parties before and after the business combination, and there has been a continuation of the risks and benefits to the controlling parties that existed prior to the combination are referred to as common control combinations. Use of merger accounting recognises this by accounting for the combining entities as though the separate entities were continuing as before.

Financial statement items of the consolidated entities for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the Financial Information of the consolidated entity as if the consolidation had occurred from the date when the consolidated entities first came under the control of the controlling parties.

The consolidated entity recognises the assets, liabilities and equity of the consolidated entities at the carrying amounts in the Financial Information of the controlling parties prior to the common control combination. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling parties' interests. The effects of all transactions between the consolidated entities, whether occurring before or after the consolidation, are eliminated in preparing the Financial Information of the combined entity.

2.3 Consolidation

The Financial Information includes the financial statements of Wind Power and all of its subsidiaries made up to the periods ended.

(a) Subsidiaries

Subsidiaries are all entities over which the Wind Power Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Wind Power Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Wind Power Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Wind Power Group, except for those acquisitions which qualify as business combination under common control which are accounted for using merger accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Wind Power Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Wind Power Group.

In Wind Power's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (see Note 2.6). The results of subsidiaries are accounted by Wind Power on the basis of dividend received and receivable.

(b) Associated companies

Associated companies are all entities over which the Wind Power Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost.

The Wind Power Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Wind Power Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Wind Power Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Wind Power Group and its associated companies are eliminated to the extent of the Wind Power Group's interest in the associated companies . Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Wind Power Group.

Dilution gains and losses in associated companies are recognised in the consolidated income statement.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Wind Power Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in RMB, which is Wind Power's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity.

2.6 Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Wind Power Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables with maturities of less than 12 months after the balance sheet date are classified as other receivables in the balance sheet (Note 2.8).

The Wind Power Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of other receivables is described in Note 2.8.

2.8 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Wind Power Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When an other receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand and bank deposits.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Wind Power Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and its intended use. Other borrowing costs are expensed.

2.12 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Wind Power Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.13 Provisions

Provisions are recognised when the Wind Power Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Wind Power Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

2.15 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.16 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Wind Power Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and cash flow interest-rate risk) and liquidity risk. The Wind Power Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Wind Power Group's financial performance.

Risk management is carried out by the management of the Wind Power Group. The management identifies, evaluates financial risks in close co-operation with the Wind Power Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest-rate risk, credit risk.

(a) Market risk

(i) Foreign exchange risk

The Wind Power Group operates mainly in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and HK dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Wind Power Group has certain investments in the PRC operations, whose net assets are exposed to foreign currency translation risk. The Wind Power Group does not presently hedge this foreign exchange exposure.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Wind Power Group engage in transactions mainly in HK dollars, US dollars and Renminbi to the extent possible. The Wind Power Group currently does not hedge transactions undertaken in HK dollars and US dollars but manages its exposure through constant monitoring to limit as much as possible the amount of its HK dollars and US dollars exposures. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The management of the Wind Power Group is responsible for monitoring and managing the net position in each foreign currency.

(ii) Cash flow and fair value interest rate risk

As the Wind Power Group has no significant interest-bearing assets and liabilities except its bank deposits, the Wind Power Group's income and operating cash flows are substantially independent of changes in market interest rates. The Wind Power Group's interest rate risk arose from bank balances. The Wind Power Group regularly seeks out the most favourable interest rates available for its bank deposits.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through its holding company. Due to the continuous growth in business, the Wind Power Group will obtain the funding from shareholders or banks before significant investments.

3.2 Fair value estimation

The carrying value less impairment provision of other receivables and other payables approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Wind Power Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Wind Power Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Wind Power Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE AND SEGMENT INFORMATION

The Wind Power Group is principally engaged in the investment of wind power projects in the PRC. During the Relevant Periods, there was no revenue generated for Wind Power Group.

The Wind Power Group has been operating in one single business segment and one geographical segment — investment of wind power projects in the PRC.

6. EXPENSES BY NATURE

	Period from 3 January 2006 to 31 December 2006	**Period from 3 January 2006 to 31 March 2006**	**Three months ended 31 March 2007**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Auditor's remuneration	—	—	—
Employee benefit expense	—	—	—
Operating lease rentals			
— land and buildings	—	—	90
Others	233	1	117
Total administrative expenses	233	1	207

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of Wind Power to the extent of approximately RMB10,000 and RMB2,000 respectively, for period ended 31 December 2006 and three months ended 31 March 2007.

8. DIVIDEND

No dividend had been paid or declared by Wind Power for the Relevant Periods.

9. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

All of the employee benefit expenses were borne by a related company for the Relevant Periods.

10. FINANCE COSTS

	Period from 3 January 2006 to 31 December 2006	**Period from 3 January 2006 to 31 March 2006**	**Three months ended 31 March 2007**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Bank charges	5	1	3

11. INCOME TAX EXPENSES AND DEFERRED TAXATION

No income tax was provided as Wind Power Group had no assessable profit for the Relevant Periods.

No deferred tax was provided for as there is no temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2006 and 31 March 2007, there are RMB238,000 and RMB447,000 unrecognised tax losses respectively for the Wind Power Group to carry forward against future taxable income. These losses have no expiry date.

The tax on the Wind Power Group's loss before share of (losses)/profits of associated companies differs from the theoretical amount that would arise using the tax rate of the location which Wind Power operates is as follows:

	Period from 3 January 2006 to 31 December 2006 *RMB'000*	**Period from 3 January 2006 to 31 March 2006** *RMB'000* (unaudited)	**Three months ended 31 March 2007** *RMB'000*
Loss before share of (losses)/profits of associated companies	(238)	(2)	(210)
Calculated at a rate of 17.5% (Hong Kong tax rate)	(42)	—	(37)
Tax losses not recognised	42	—	37
	—	—	—

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the period from 3 January 2006 to 31 March 2006, period from 3 January 2006 to 31 December 2006 and three months ended 31 March 2007 are calculated by dividing the (loss)/profit attributable to the equity holder of Wind Power by the number of shares of Wind Power in issue after the Reorganisation.

	Period from 3 January 2006 to 31 December 2006 *RMB'000*	**Period from 3 January 2006 to 31 March 2006** *RMB'000* (unaudited)	**Three months ended 31 March 2007** *RMB'000*
(Loss)/profit attributable to the equity holder of Wind Power	(905)	(2)	349
Number of ordinary share in issue	1	1	1
	(905)	(2)	349

The diluted loss per share for the period from 3 January 2006 to 31 March 2006, period from 3 January 2006 to 31 December 2006 and three months ended 31 March 2007 have not been presented as there is no convertible instrument issued by Wind Power which will increase the number of potential ordinary shares.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

All of the directors' emoluments were borne by a related company for the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emoluments were paid by the Wind Power Group to the directors as an inducement to join or upon joining the Wind Power Group, or as compensation for loss of office during the Relevant Periods.

(b) Five highest paid individuals

Since all the staff costs were borne by a related company for the Relevant Periods, there were no five highest paid individuals for the Relevant Periods.

14. INTERESTS IN SUBSIDIARIES

	As at 31 December 2006 *RMB'000*	As at 31 March 2007 *RMB'000*
Unlisted investments, at cost *(Note a)*	36,297	40,253
Amounts due to subsidiaries *(Note b)*	1	2

Notes:

(a) The following is a list of principal subsidiaries at 31 December 2006 and 31 March 2007:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Glad Power Investments Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary share of US$1	[1]100%
CCH Wind Power Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	[1]100%
CCH Energy Investment Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	[1]100%
Century Concord Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	[1]100%
Century Concord Energy Investment Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	[1]100%
Top Well Holdings Limited	British Virgin Island, limited liability company	Inactive	1 ordinary share of US$1	[1]100%
北京世紀聚合風電技術有限公司	PRC, limited liability company	Research and development in wind power technology. Provision of technical services, consultation and training on wind power in the PRC	Registered capital of US$50,000	100%
吉林省天合風電設備有限公司	PRC, limited liability company	Wind power equipment manufacturing and provision of repair and maintenance service in the PRC	Registered capital of RMB10,000,000	90%

[1] Shares held directly by Wind Power

(b) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(c) According to the sino-foreign joint venture contract on 1 November 2006, CCH Wind Power Holdings Limited was to inject capital of RMB9,000,000, which represents 90% interest of 吉林省天合風電設備有限公司. As at 31 December 2006 and 31 March 2007, the capital of RMB9,000,000 was not yet injected. The registered capital has been fully injected by the Wind Power Group on 26 April 2007.

(d) On 6 June 2007, Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. entered into i) a framework agreement to establish joint venture companies to develop wind farm projects in the PRC and ii) a joint venture contract to jointly establish a joint venture in Inner Mongolia Autonomous Region, the PRC to undertake one of the wind farm projects under the framework agreement.

The registered capital of the joint venture shall be RMB136 million. Each of Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. shall hold a 50% equity interest in the joint venture and contribute RMB68 million to the registered capital of the joint venture in cash.

(e) On 22 June 2007, the Company established a wholly owned subsidiary, CWP Development Limited, incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the same date, 1 share of HK$1 was issued at par to the Company.

(f) On 6 July 2007, CWP Development Limited and 深圳市經華馳科技投資有限公司entered into a joint venture contract to jointly establish a joint venture at Fuxin, Liaoning province to undertake wind farm projects in the PRC.

The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 深圳市經華馳科技投資有限公司.

(g) On 6 July 2007, Top Well Holdings Limited and 北京磐谷創業投資有限責任公司entered into a joint venture contract to jointly establish a joint venture at Baicheng City, Jilin province to undertake wind farm projects in the PRC.

The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 北京磐谷創業投資有限責任公司.

15. INVESTMENT IN ASSOCIATED COMPANIES

	As at 31 December 2006 *RMB'000*	As at 31 March 2007 *RMB'000*
Beginning of the period	—	35,058
Addition of equity interest in 昌圖遼能協鑫風力發電有限公司("Chang Tu") *(Note a)*	35,725	—
Acquisition of equity interest in 鄭州正機協合能源設備有限公司 ("Zheng Zhou") *(Note b)*	—	2,800
Share of (losses)/profits after tax for the period	(667)	558
End of the period	35,058	38,416

Notes:

(a) On 26 April 2006, Century Concord Holdings Limited ("Century Concord") entered into a sale and purchase agreement with a company established in the PRC under which Century Concord agreed to purchase a 50% interest in Chang Tu at a consideration of RMB250,000 which was the carrying values of Chang Tu on that date.

On 25 May 2006, Century Concord entered into a joint venture agreement (the "JV Agreement") with an existing shareholder of Chang Tu (the "Existing Shareholder"). Pursuant to the JV Agreement, the registered capital of Chang Tu increased from RMB500,000 to USD17,210,000 with an additional capital injection of RMB35,475,000 and RMB107,000,000 from Century Concord and the Existing Shareholder, respectively. As a result of this transaction, Century Concord's effective interest in Chang Tu was diluted from 50% to 25%. No gain and loss arose from this deem disposal.

(b) In November 2006, CCH Energy Investment Ltd. ("CCH Energy") entered into a joint venture agreement with independent third parties (the "Joint Venture Partners") to establish a joint venture company, Zheng Zhou, with a total registered capital of RMB10,000,000. Zheng Zhou was owned as to 28% and 72% by CCH Energy and the Joint Venture Partners, respectively. RMB2,800,000, being 28% of the equity interest of Zheng Zhou was paid during the three months ended 31 March 2007.

Details of the associated companies as at 31 December 2006 and 31 March 2007 were as follows:

Name	Place and date of establishment	Place of operation	Principal activities	Percentage of equity interest held by China Wind Power Group	Issued and fully paid registered capital
Chang Tu	The PRC, 6 December 2005	The PRC	Operating a wind power plant	25%	RMB143,000,000
Zheng Zhou	The PRC, 22 December 2006	The PRC	Manufacturing of wind power facilities	28%	RMB10,000,000

The contribution of registered share capital of Chang Tu was completed on 27 September 2006. The management accounts of Chang Tu for the period from 6 December 2005 to 31 December 2005 and from 1 January 2006 to 31 March 2006 were not prepared as Chang Tu had not carried out any business during the period.

Extracts of the financial information of Chang Tu based on its management accounts, prepared based on the accounting policies of the Company and HKFRS, for the year ended 31 December 2006 and three months ended 31 March 2007, are as follows:

Income statements

	Year ended 31 December 2006 *RMB'000*	**Three months ended 31 March 2007** *RMB'000*
Revenue	2,046	11,505
Cost of sales	(1,122)	(6,432)
Gross profit	924	5,073
Operating expenses	—	(152)
Administrative expenses	(3,591)	(160)
Operating (loss)/profit	(2,667)	4,761
Finance costs	—	(2,524)
(Loss)/profit before income tax	(2,667)	2,237
Income tax expense	—	—
(Loss)/profit for the year/period	(2,667)	2,237

Balance sheets

	As at 31 December 2006	As at 31 March 2007
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	396,373	391,679
Intangible assets	2,003	1,988
	398,376	393,667
Current assets		
Trade receivables	1,950	8,872
Prepayments and other receivables	599	479
Cash and bank balances	653	3,837
	3,202	13,188
Total assets	401,578	406,855
EQUITY		
Reserves attributable to the company's equity holders		
Registered capital	143,000	143,000
Reserves	(2,767)	(530)
Total equity	140,233	142,470
LIABILITIES		
Non-current liabilities		
Long term borrowings	100,000	145,000
Current liabilities		
Account payable	38,950	31,271
Other payables	2,061	4,030
Amount due to a fellow subsidiary	1,000	—
Amount due to parent company	39,334	4,084
Short-term borrowings	80,000	80,000
	161,345	119,385
Total liabilities	261,345	264,385
Total equity and liabilities	401,578	406,855
Net current liabilities	(158,143)	(106,197)
Total assets less current liabilities	240,233	287,470

16. AMOUNT DUE FROM HOLDING COMPANY, AMOUNT DUE TO A RELATED COMPANY AND AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due from holding company, amount due to a related company and amount due to a minority shareholder of a subsidiary are unsecured, interest free and repayable on demand.

17. CASH AND BANK BALANCE

Cash and bank balances were deposited at various financial institutions. Credit risks for the cash and bank balances were diversified.

The effective interest rates on cash and bank balances were 1% and 1% as at 31 December 2006 and 31 March 2007 respectively.

18. SHARE CAPITAL

	Wind Power Group and Wind Power	
	Number of shares	**Nominal value**
		RMB'000
Authorised share capital		
At incorporation on 6 September 2006 (date of incorporation), at 31 December 2006 and at 31 March 2007 (ordinary shares of USD1 per share)	50,000	390

	Wind Power Group and Wind Power	
	Number of shares	**Nominal value**
		RMB
Issued and fully paid		
At incorporation on 6 September 2006 (date of incorporation), at 31 December 2006 and at 31 March 2007 (ordinary shares of USD1 per share)	1	8

Wind Power was incorporated in the British Virgin Islands on 6 September 2006 with an authorised share capital of US$50,000 (equivalent to RMB390,000) represented by 50,000 shares of US$1 each. On the date of incorporation, 1 share was issued to the subscriber at par for cash amounting to US$1 (equivalent to RMB8).

19. RESERVES

(i) Wind Power Group

	Capital reserve *RMB'000* *(Note a)*	Merger reserve *RMB'000* *(Note b)*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 3 January 2006	—	—	—	—
Increase in merger reserve as a result of Reorganisation	—	36,297	—	36,297
Net loss for the period	—	—	(905)	(905)
Balance at 31 December 2006	—	36,297	(905)	35,392
Balance at 1 January 2007	—	36,297	(905)	35,392
Shareholder contribution	3,957	—	—	3,957
Net profit for the period	—	—	349	349
Balance at 31 March 2007	3,957	36,297	556	39,698

(ii) Wind Power

	Capital reserve *RMB'000* *(Note a)*	**Other reserve** *RMB'000* *(Note b)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 6 September 2006 (Date of incorporation)	—	—	—	—
Increase in other reserve as a result of Reorganisation	—	36,297	—	36,297
Net loss for the period	—	—	(10)	(10)
Balance at 31 December 2006	—	36,297	(10)	36,287
Balance at 1 January 2007	—	36,297	(10)	36,287
Shareholder contribution	3,957	—	—	3,957
Net loss for the period	—	—	(2)	(2)
Balance at 31 March 2007	3,957	36,297	(12)	40,242

Note:

(a) Capital reserve represented the additional capital contributed by the shareholder.

(b) Merger reserve for the Wind Power Group and other reserve for Wind Power represented the excess of the entire interest in the net assets of the subsidiaries over the cost of acquisition from a share swap.

20. CASH USED IN OPERATIONS

	Period from 3 January 2006 to 31 December 2006 *RMB'000*	Period from 3 January 2006 to 31 March 2006 *RMB'000* (unaudited)	Three months ended 31 March 2007 *RMB'000*
(Loss)/profit before income tax	(905)	(2)	349
Share of (losses)/profits of associated companies	667	—	(558)
Operating loss before working capital changes	(238)	(2)	(209)
Increase in prepayments and other receivables	(193)	(8)	(2,051)
Increase in amount due from holding company	—	—	(10)
Increase in other payables and accrued liabilities	43	—	207
Increase in amount due to related company	—	—	88
Increase in amount due to a minority shareholder	—	—	1,000
Net cash used in operations	(388)	(10)	(975)

21. COMMITMENTS

(a) Commitments under operating leases:

At 31 December 2006 and 31 March 2007, Wind Power Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Wind Power Group	
	As at 31 December 2006 *RMB'000*	As at 31 March 2007 *RMB'000*
Land and buildings:		
Not later than one year	—	381

(b) Capital commitments:

	Wind Power Group	
	As at 31 December 2006 *RMB'000*	As at 31 March 2007 *RMB'000*
Contracted but not provided for	507,487	505,487

(c) Save as disclosed, Wind Power Group and Wind Power had no other significant commitments at 31 December 2006 and 31 March 2007.

22. RELATED PARTY TRANSACTION AND KEY MANAGEMENT COMPENSATION

Save as disclosed, the Wind Power Group and Wind Power had no other related party transactions for the Relevant Periods and balances at 31 December 2006 and 31 March 2007.

Since all the employee benefit expenses were borne by a related company for the Relevant Periods, there was no disclosure on the key management compensation.

23. ACCOUNTING ADJUSTMENTS UNDER COMMON CONTROL COMBINATION

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets as at 31 December 2006.

	Wind Power	All group companies	Adjustments Note	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in the all group companies	36,297	—	(36,397)	—
Other assets/(liabilities) — net	(10)	35,402	—	35,392
Net assets	36,287	35,402		35,392
Capital reserve	36,297	—	(36,297)	—
Merger reserve	—	—	36,297	36,297
Retained earnings and other reserves	(10)	35,402	(36,297)	(905)
	36,287	35,402		35,392

Note: The above adjustment represents an adjustment to eliminate the share capital and other reserves of the combining entities against the investment cost. The difference of RMB36,297,000 has been made to the merger reserve in the consolidated financial statements.

No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

24. CONTINGENT LIABILITIES

Wind Power Group and Wind Power had no material contingent liabilities as at 31 December 2006 and 31 March 2007.

25. SUBSEQUENT EVENTS

Save as those disclosed above, Wind Power Group and the Wind Power have the following significant subsequent events:

Pursuant to the sales and purchase agreement entered by the existing shareholder of Wind Power and the Company on 21 May 2007, the shareholder of Wind Power Group has agreed to top-up the net assets of Wind Power Group to HK$75,000,000 as at 31 March 2007 by injecting new capital.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Wind Power and any of the companies comprising the Wind Power Group in respect of any period subsequent to 31 March 2007 and no dividend or distribution has been declared by Wind Power in respect of any period subsequent to 31 March 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following are for illustrative purposes only, the unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group (collectively referred to as the "Pro Forma Financial Information") which have been prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007, the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 (collectively referred to as the "Unadjusted Financial Information") after making pro forma adjustments as set out below. The auditor of the Group has expressed a disclaimer of opinion on the consolidated financial statements of the Group as at and for the year ended 31 March 2007. The Unadjusted Financial Information is extracted from such consolidated financial statements.

The pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effects of the Acquisition, as if the Acquisition had taken place on 31 March 2007 and based on the consideration is I) HK$100 million Convertible Notes or II) HK$200 million Convertible Notes. The consolidated income statement and cash flow statement of the Enlarged Group have been prepared to illustrate the effects of the Acquisition, as if the Acquisition had taken place on 1 April 2006 and based on the consideration is I) HK$100 million Convertible Notes or II) HK$200 million Convertible Notes. The Pro Forma Financial Information has been prepared in a manner consistent with the accounting policies adopted by the Group. The Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Group had the Acquisition been completed as at 31 March 2007 or 1 April 2006 respectively or at any future date.

I. Assuming the consideration is HK$100 million Convertible Notes

A. *Unaudited pro forma consolidated income statement of the Enlarged Group*

	Unadjusted consolidated income statement of the Group for the year ended 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust- ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Revenue	58,416	—			58,416
Cost of revenue	(37,352)	—			(37,352)
Gross profit	21,064	—			21,064
Selling and distribution costs	(19,432)	—			(19,432)
Administrative expenses	(12,441)	(238)	(4,000)	*4*	(16,679)
Other income	1,067				1,067
Other gains, net	44,693	—			44,693
	34,951	(238)			30,713
Finance costs	(1,353)	(5)	(7,242)	*3*	(8,600)
Share of results of associated companies	—	(681)	—		(681)
Profit/(loss) before income tax	33,598	(924)			21,432
Income tax expense	—	—	—		—
Profit/(loss) for the year	33,598	(924)			21,432
Attributable to:					
Equity holders of the Company	33,598	(924)	—		21,432
Minority interest	—	—	—		—
	33,598	(924)			21,432

Notes to the unaudited pro forma consolidated income statement:

1. The unadjusted consolidated income statement of the Group for the year ended 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated income statement of the Wind Power Group for the period from 3 January 2006 to 31 December 2006 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purpose of this unaudited pro forma consolidated income statement, the consolidated income statement of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Adjustment is made to reflect the interest expense for the 1st Tranche Convertible Notes of HK$100 million which were assumed to be issued on 1 April 2006. The interest expense is calculated on a time proportion basis using the effective interest method based on the fair value of the liability portion of the 1st Tranche Convertible Notes of HK$60,347,000. Since the fair value of the 1st Tranche Convertible Notes at completion of the Acquisition may be substantially different from the fair value used in the preparation of this unaudited pro forma consolidated income statement presented above, the actual annual interest expenses to be recognised in future may be different from the interest expenses shown in this Appendix.

4. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

5. No adjustment has been made to the unaudited pro forma consolidated income statement to reflect any trading results or other transactions of the Group and the Wind Power Group entered into subsequent to 31 March 2007 and 31 December 2006 respectively.

6. Pro forma adjustment set out in note 3 above is expected to have continuing effect.

B. *Unaudited pro forma consolidated balance sheet of the Enlarged Group*

	Unadjusted consolidated balance sheet of the Group as at 31 March 2007	Pro forma adjustments: Wind Power Group	Pro forma adjustments: Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Non-current assets					
Property, plant and equipment	1,880	—	—		1,880
Interests in associated companies	—	39,200	4,850	*4*	44,050
Goodwill	—	—	302,717	*4*	302,717
	1,880	39,200			348,647
Current assets					
Inventories	9,124	—	—		9,124
Trade receivables, net	2,030	—	—		2,030
Prepayments, deposits and other receivables	3,518	2,290	—		5,808
Amount due from China Wind Power Investment Limited	—	10	—		10
Financial assets at fair value through profit or loss	3,124	—	—		3,124
Cash and cash equivalents	22,669	1,393	33,473	*3*	57,535
	40,465	3,693			77,631
Current liabilities					
Trade payables	8,109	—	—		8,109
Other payables and accrued liabilities	5,376	255	4,000	*5*	9,631
Amount due to a minority shareholder	—	1,021	—		1,021
Amount due to a related company	—	90	—		90
Provision for long service payments	96	—	—		96
	13,581	1,366			18,947

	Unadjusted consolidated balance sheet of the Group as at 31 March 2007	Pro forma adjustments: Wind Power Group	Pro forma adjustments: Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Net current assets	26,884	2,327			58,684
Total assets less current liabilities	28,764	41,527			407,331
Non-current liabilities					
Convertible preference shares	10,790	—	—		10,790
Provision for long service payments	511	—	—		511
Convertible notes					
— liability portion	—	—	60,347	*6*	60,347
	11,301	—			71,648
Net assets	17,463	41,527			335,683
Capital and reserves attributable to the Company's equity holders					
Share capital	9,503	—	—		9,503
Reserves	7,960	40,508	(45,527)	*3,4,5*	2,941
Convertible notes					
— equity portion	—	—	322,220	*6*	322,220
	17,463	40,508			334,664
Minority interests	—	1,019	—		1,019
Total equity	17,463	41,527			335,683

Notes to the unaudited pro forma consolidated balance sheet:

1. The unadjusted consolidated balance sheet of the Group as at 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated balance sheet of the Wind Power Group as at 31 March 2007 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purposes of the unaudited pro forma consolidated balance sheet, the consolidated balance sheet of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net asset of the Wind Power Group to HK$75,000,000 as at 31 March 2007 by injecting new capital. According to the accountants' report of the Wind Power Group as set out in Appendix II of this circular, the net asset value of the Wind Power Group as at 31 March 2007 is HK$41,527,000 (equivalent to RMB40,697,000). Thus, the additional capital paid by the Vendor is HK$33,473,000.

4. In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the identifiable assets and liabilities of the Wind Power Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the purchase method of accounting upon the completion of the Acquisition. The amount of excess of the cost of the Acquisition (including the fair value of the 1st Tranche Convertible Notes of HK$382,567,000) over the fair value of acquired net assets of HK$79,850,000, being the net assets of the Wind Power Group of HK$41,527,000 as at 31 March 2007, the capital injection of HK$33,473,000 as mentioned in Note 3 above and the fair value adjustment of interests in associated companies of HK$4,850,000, is recognised as goodwill in the unaudited pro forma consolidated balance sheet as if the Acquisition had taken place on 31 March 2007.

5. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

6. Adjustments are made to reflect the issuance of the 1st Tranche Convertible Notes of HK$100 million for the Acquisition. The 1st Tranche Convertible Notes will mature at the date falling on the fifth anniversary of the issuance provided that the conditions set forth in the S&P Agreement are met. The 1st Tranche Convertible Notes will bear interest from the issue date at a rate equal to one per cent. (1%) per annum on the outstanding principal amount thereof which will be payable yearly in arrears on each anniversary of the issue date until the maturity.

   The fair value of the 1st Tranche Convertible Notes is estimated to be HK$382,567,000 which comprises an equity portion of HK$322,220,000 and a liability portion of HK$60,347,000 respectively. The fair value of the First Tranche Convertible Notes is valued by Vigers Appraisal & Consulting Limited.

7. Since the fair values of the 1st Tranche Convertible Notes and the identifiable assets and liabilities of the Wind Power Group at completion of the Acquisition may be substantially different from the respective fair values used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual goodwill arising from the acquisition of the the Wind Power Group may be different from the estimated goodwill shown in this Appendix.

C. Unaudited pro forma consolidated cash flow statement of the Enlarged Group

	Unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007	Pro forma adjustments: Wind Power Group	Pro forma adjustments: Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note2)*			
Operating activities					
Operating profit/(loss)	33,598	(924)	(11,242)	*4, 5*	21,432
Adjustment for:					
Interest expenses	1,353	—	7,242	*4*	8,595
Interest income	(1,018)	—	—		(1,018)
Depreciation	700	—	—		700
Unrealised fair value loss on financial assets at fair value through profit or loss	2	—	—		2
Realised loss on disposal of financial assets at fair value through profit or loss	1	—	—		1
Provision for impairment of trade receivables, prepayments and other receivables	134	—	—		134
Loss on disposal of property, plant and equipment, net	1	—	—		1
Gain on disposal of subsidiaries	(35,469)	—	—		(35,469)
Net gains from transfer of financial assets and extinguishment of financial liabilities	(44,574)	—	—		(44,574)
Share of loss of associated companies, net of tax	—	681	—		681

	Unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Operating loss before working capital changes	(45,272)	(243)			(49,515)
Increase in inventories	(3,314)	—	—		(3,314)
Increase in trade receivables, prepayments, deposits and other receivables	(50,476)	(197)	—		(50,673)
Increase in financial assets at fair value through profit or loss	(3,127)	—	—		(3,127)
Increase in trade payables, other payables and accrued liabilities and provision for long service payments	42,424	44	4,000	5	46,468
Net cash used in operating activities	(59,765)	(396)			(60,161)

	Unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Cash flows from investing activities					
Purchases of property, plant and equipment	(1,867)	—	—		(1,867)
Investments in associated companies	—	(36,454)	—		(36,454)
Disposal of subsidiaries	(33)	—	—		(33)
Interest received	249	—	—		249
Net cash used in investing activities	(1,651)	(36,454)			(38,105)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	21,870	—	—		21,870
Proceeds from issuance of convertible preference share	58,320	—	—		58,320
Cash received from capital injection	8,000	37,038	—		45,038
Proceeds from borrowings	2,310	—	—		2,310
Repayment of borrowings	(6,710)	—	—		(6,710)
Interest element on finance lease payments	(1)	—	—		(1)
Capital element of finance lease payments	(1)	—	—		(1)
Interest paid	(454)	—	(1,000)	*4*	(1,454)
Capital injection by the Vendor	—	—	33,473	*3*	33,473
Net cash generated from financing activities	83,334	37,038			152,845
Net increase in cash and cash equivalents	21,918	188			54,579
Cash and cash equivalents at beginning of year	751	—			751
Cash and cash equivalents at the end of year	22,669	188			55,330
Analysis of balances of cash and cash equivalents					
Cash and bank balances	22,669	188			55,330

Notes to the unaudited pro forma consolidated cash flow statement:

1. The unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated cash flow statement of the Wind Power Group for the period from 3 January 2006 to 31 December 2006 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purposes of the unaudited pro forma consolidated cash flow statement, the audited cash flow statement of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net assets of the Wind Power Group to HK$75,000,000 as at 31 March 2007 by injecting new capital. According to the accountants' report of the Wind Power Group as set out in Appendix II of this circular, the net asset value of the Wind Power Group as at 31 March 2007 is HK$41,527,000 (equivalent to RMB40,697,000). Thus, the additional capital paid by the Vendor is HK$33,473,000.

4. Adjustment is made to reflect the interest expense and the coupon payment on the 1st Tranche Convertible Notes.

5. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

II. Assuming the consideration is HK$200 million Convertible Notes

A. Unaudited pro forma consolidated income statement of the Enlarged Group

	Unadjusted consolidated income statement of the Group for the year ended 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Revenue	58,416	—	—		58,416
Cost of revenue	(37,352)	—	—		(37,352)
Gross profit	21,064	—	—		21,064
Selling and distribution costs	(19,432)	—	—		(19,432)
Administrative expenses	(12,441)	(238)	(4,000)	*4*	(16,679)
Other income	1,067				1,067
Other gains, net	44,693	—	—		44,693
	34,951	(238)			30,713
Finance costs	(1,353)	(5)	(14,484)	*3*	(15,842)
Share of results of associated companies	—	(681)	—		(681)
Profit/(loss) before income tax	33,598	(924)			14,190
Income tax expense	—	—	—		—
Profit/(loss) for the year	33,598	(924)			14,190
Attributable to:					
Equity holders of the Company	33,598	(924)	—		14,190
Minority interests	—	—	—		—
	33,598	(924)			14,190

Notes to the unaudited pro forma consolidated income statement:

1. The unadjusted consolidated income statement of the Group for the year ended 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated income statement of the Wind Power Group for the period from 3 January 2006 to 31 December 2006 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purpose of this unaudited pro forma consolidated income statement, the consolidated income statement of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Adjustment is made to reflect the interest expense for the 1st Tranche Convertible Notes and 2nd Tranche Convertible Notes of HK$100 million each which were assumed to be issued on 1 April 2006. The interest expense is calculated on a time-proportion basis using the effective interest method based on the fair value of the liability portion of the 1st and 2nd Tranche Convertible Notes of HK$120,694,000. Since the fair value of the 1st and 2nd Tranche Convertible Notes at completion of the Acquisition may be substantially different from the fair value used in the preparation of this unaudited pro forma consolidated income statement presented above, the actual annual interest expenses to be recognised in future may be different from the interest expenses shown in this Appendix.

4. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

5. No adjustment has been made to the unaudited pro forma consolidated income statement to reflect any trading results or other transactions of the Group and the Wind Power Group entered into subsequent to 31 March 2007 and 31 December 2006 respectively.

6. Pro forma adjustment set out in note 3 above is expected to have continuing effect.

B. Unaudited pro forma consolidated balance sheet of the Enlarged Group

	Unadjusted consolidated balance sheet of the Group as at 31 March 2007	Pro forma adjustments: Wind Power Group	Pro forma adjustments: Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Non-current assets					
Property, plant and equipment	1,880	—	—		1,880
Interests in associated companies	—	39,200	4,850	*4*	44,050
Goodwill	—	—	685,284	*4*	685,284
	1,880	39,200			731,214
Current assets					
Inventories	9,124	—	—		9,124
Trade receivables, net	2,030	—	—		2,030
Prepayments, deposits and other receivables	3,518	2,290	—		5,808
Amount due from China Wind Power Investment Limited	—	10	—		10
Financial assets at fair value through profit or loss	3,124	—	—		3,124
Cash and cash equivalents	22,669	1,393	33,473	*3*	57,535
	40,465	3,693			77,631
Current liabilities					
Trade payables	8,109	—	—		8,109
Other payables and accrued liabilities	5,376	255	4,000	*5*	9,631
Amount due to a minority shareholder	—	1,021	—		1,021
Amount due to a related company	—	90	—		90
Provision for long service payments	96	—	—		96
	13,581	1,366			18,947
Net current assets	26,884	2,327			58,684

	Unadjusted consolidated balance sheet of the Group as at 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
Total assets less current liabilities	28,764	41,527			789,898
Non-current liabilities					
Convertible preference shares	10,790	—	—		10,790
Provision for long service payments	511	—	—		511
Convertible notes — liability portion	—	—	120,694	*6*	120,694
	11,301	—			131,995
Net assets	17,463	41,527			657,903
Capital and reserves attributable to the Company's equity holders					
Share capital	9,503	—	—		9,503
Reserves	7,960	40,508	(45,527)	*3,4,5*	2,941
Convertible notes — equity portion	—	—	644,440	*6*	644,440
	17,463	40,508			656,884
Minority interests	—	1,019	—		1,019
Total equity	17,463	41,527			657,903

Notes to the unaudited pro forma consolidated balance sheet:

1. The unadjusted consolidated balance sheet of the Group as at 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated balance sheet of the Wind Power Group as at 31 March 2007 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purposes of the unaudited pro forma consolidated balance sheet, the consolidated balance sheet of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net asset of the Wind Power Group to HK$75,000,000 as at 31 March 2007 by injecting new capital. According to the accountants' report of the Wind Power Group as set out in Appendix II of this circular, the net asset value of the Wind Power Group as at 31 March 2007 is HK$41,527,000 (equivalent to RMB40,697,000). Thus, the additional capital paid by the Vendor is HK$33,473,000.

4. In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the identifiable assets and liabilities of the Wind Power Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the purchase method of accounting upon the completion of the Acquisition. The amount of excess of the cost of the Acquisition (including the fair value of the 1st and 2nd Tranche Convertible Notes of HK$765,134,000) over the fair value of acquired net assets of HK$79,850,000, being the net assets of the Wind Power Group of HK$41,527,000 as at 31 March 2007, the capital injection of HK$33,473,000 as mentioned in Note 3 above and the fair value adjustment of interests in associated companies of HK$4,850,000, is recognised as goodwill in the unaudited pro forma consolidated balance sheet as if the Acquisition had taken place on 31 March 2007.

5. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

6. Adjustments are made to reflect the issuance of the 1st and 2nd Tranche Convertible Notes of HK$100 million each for the Acquisition. The 1st and 2nd Tranche Convertible Notes will mature at the date falling on the fifth anniversary of the issuance provided that the conditions set forth in the S&P Agreement are met. The 1st and 2nd Tranche Convertible Notes will bear interest from the issue dates at a rate equal to one per cent. (1%) per annum on the outstanding principal amount thereof which will be payable yearly in arrears on each anniversary of the issue date until the maturity.

   Fair value of the 1st and 2nd Tranche Convertible Notes is estimated to be HK$765,134,000 which comprises an equity portion of HK$644,440,000 and a liability portion of HK$120,694,000 respectively. The fair values of the 1st and 2nd Tranche Convertible Notes are valued by Vigers Appraisal & Consulting Limited.

7. Since the fair values of the 1st and 2nd Tranche Convertible Notes and the identifiable assets and liabilities of the Wind Power Group at completion of the Acquisition may be substantially different from the respective fair values used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual goodwill arising from the acquisition of the Wind Power Group may be different from the estimated goodwill shown in this Appendix.

C. *Unaudited pro forma consolidated cash flow statement of the Enlarged Group*

	Unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007	Pro forma adjustments			
		Wind Power Group	Other pro forma adjust-ments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note2)*			
Operating activities					
Operating profit/(loss)	33,598	(924)	(18,484)	*4, 5*	14,190
Adjustment for:					
Interest expenses	1,353	—	14,484	*4*	15,837
Interest income	(1,018)	—	—		(1,018)
Depreciation	700	—	—		700
Unrealised fair value loss on financial assets at fair value through profit or loss	2	—	—		2
Realised loss on disposal of financial assets at fair value through profit or loss	1	—	—		1
Provision for impairment of trade receivables, prepayments and other receivables	134	—	—		134
Loss on disposal of property, plant and equipment, net	1	—	—		1
Gain on disposal of subsidiaries	(35,469)	—	—		(35,469)
Net gain from transfer of financial assets and extinguishment of financial liabilities	(44,574)	—	—		(44,574)
Share of loss of associated companies, net of tax	—	681	—		681
Operating loss before working capital changes	(45,272)	(243)			(49,515)
Increase in inventories	(3,314)	—	—		(3,314)
Increase in trade receivables, prepayments, deposits and other receivables	(50,476)	(197)	—		(50,673)
Increase in financial assets at fair value through profit or loss	(3,127)	—	—		(3,127)
Increase in trade payables, other payables and accrued liabilities and provision for long service payments	42,424	44	4,000	*5*	46,468
Net cash used in operating activities	(59,765)	(396)			(60,161)

	Unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007	Pro forma adjustments: Wind Power Group	Pro forma adjustments: Other pro forma adjust-ments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note2)*			
Cash flows from investing activities					
Purchases of property, plant and equipment	(1,867)	—	—		(1,867)
Investments in associated companies	—	(36,454)	—		(36,454)
Disposal of subsidiaries	(33)	—	—		(33)
Interest received	249	—	—		249
Net cash used in investing activities	(1,651)	(36,454)			(38,105)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	21,870	—	—		21,870
Proceeds from issuance of convertible preference share	58,320	—	—		58,320
Cash received from capital injection	8,000	37,038	—		45,038
Proceeds from borrowings	2,310	—	—		2,310
Repayment of borrowings	(6,710)	—	—		(6,710)
Interest element on finance lease payments	(1)	—	—		(1)
Capital element of finance lease payments	(1)	—	—		(1)
Interest paid	(454)	—	(2,000)	*4*	(2,454)
Capital injection by the Vendor	—	—	33,473	*3*	33,473
Net cash generated from financing activities	83,334	37,038			151,845
Net increase in cash and cash equivalents	21,918	188			53,579
Cash and cash equivalents at beginning of year	751	—			751
Cash and cash equivalents at the end of year	22,669	188			54,330
Analysis of balances of cash and cash equivalents					
Cash and bank balances	22,669	188			54,330

Notes to the unaudited pro forma consolidated cash flow statement:

1. The unadjusted consolidated cash flow statement of the Group for the year ended 31 March 2007 was extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 of which a disclaimer opinion was expressed by the Group's auditor.

2. The consolidated cash flow statement of the Wind Power Group for the period from 3 January 2006 to 31 December 2006 was extracted from the accountants' report of the Wind Power Group as set out in Appendix II to this circular. For the purposes of the unaudited pro forma consolidated cash flow statement, the audited cash flow statement of the Wind Power Group which is presented in Renminbi has been translated into Hong Kong dollars at an exchange rate of RMB0.98 = HK$1.

3. Pursuant to the S&P Agreement, the Vendor has agreed to top-up the net assets of the Wind Power Group to HK$75,000,000 as at 31 March 2007 by injecting new capital. According to the accountants' report of the Wind Power Group as set out in Appendix II of this circular, the net asset value of the Wind Power Group as at 31 March 2007 is HK$41,527,000 (equivalent to RMB40,697,000). Thus, the additional capital paid by the Vendor is HK$33,473,000.

4. Adjustment is made to reflect the interest expense and the coupon payments on the 1st and 2nd Tranche Convertible Notes.

5. Adjustments are made to reflect the accrual for the expenses, such as professional fees and printing costs, of HK$4,000,000 incurred that directly attributable to the Acquisition.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF HONG KONG PHARMACEUTICAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 107 to 123 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 13 July 2007 (the "Circular") of Hong Kong Pharmaceutical Holdings Limited (the "Company"), in connection with the acquisition of the China Wind Power Holdings Limited and its subsidiaries (collectively known as the "Target Group") by the Company (the "Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 107 to 123 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted audited consolidated balance sheet of the Group as at 31 March 2007, the unadjusted audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 (collectively referred to as the "Unadjusted Financial Information") with the audited financial statements of the Company for the year ended 31 March 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at 31 March 2007 or any future date, or

— the results and cash flows of the Group for the year ended 31 March 2007 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Without qualifying our opinion above, we draw your attention to the fact that the auditor of the Group has expressed a disclaimer of opinion on the consolidated financial statements of the Group as at and for the year ended 31 March 2007, as certain evidence available to the auditor to form its opinion was limited. The Unadjusted Financial Information is extracted from such consolidated financial statements.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 July 2007

2. INDEBTEDNESS

As at the close of business on 15 May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, save for the 2,160,000,000 convertible Preference Shares with a par value of HK$0.01 each at an issue price of HK$0.027 each issued by the Company, totalling approximately HK$58.3 million, neither the Group nor the Wind Power Group had any debt securities in issue and outstanding (including authorised or otherwise (created but unissued)), outstanding loans, other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances, acceptance credits or hire purchase commitments.

Save as disclosed herein and apart from intra-group liabilities and normal trade payables and other payables and accruals recorded in the ordinary course of business of the Group and the Wind Power Group, the Group and the Wind Power Group also did not have any outstanding mortgages, charges or any guarantees or other material contingent liabilities as at the close of business on 15 May 2007.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group and the Vendor has confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Wind Power Group since 15 May 2007.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the net proceeds from the Subscription and the present internal resources, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL POSITION OF THE GROUP

Track record of the Group

Set out below is a summary of the audited financial results of the Group for the three years ended 31 March 2005, 2006 and 2007 as extracted from the relevant annual reports of the Company for the years presented.

Consolidated Income Statement

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	58,416	49,323	62,929
Cost of revenue	(37,352)	(30,333)	(34,421)
Gross profit	21,064	18,990	28,508
Other income	1,067	765	1,538
Other gains, net	44,693	16,992	—
Selling and distribution costs	(19,432)	(15,768)	(19,304)
Administrative expenses	(12,441)	(5,663)	(16,004)
Other operating expenses	—	—	(8,048)
Profit/(loss) from operating activities	34,951	15,316	(13,310)
Finance costs	(1,353)	(5,903)	(7,098)
Gain on deconsolidation of a subsidiary	—	—	16,686
Profit/(loss) before tax	33,598	9,413	(3,722)
Income tax expense	—	—	(1)
Profit/(loss) for the year	33,598	9,413	(3,723)
Attributable to:			
Equity holders of the Company	33,598	9,413	(3,723)
	33,598	9,413	(3,723)
Earnings/(loss) per share			
— basic	2.67 cents	0.67 cents	(0.27) cents
— diluted	2.24 cents	0.67 cents	—

OVERVIEW

The Group currently operates a chain of traditional Chinese medicine and health food retailers in Hong Kong operating under Nam Pei Hong and a medical clinic in Wan Chai under the name of NPH Chinese Medical Centre. For a number of years prior to the completion of the Restructuring in December 2006, the Group was in financial difficulties as a result of a number of factors, which included among other things:

1. recession of the economy and poor retail market in Hong Kong following the Asian financial crisis in 1997;

2. the outbreak of the Severe Acute Respiratory Syndrome in 2003;

3. the Group's investment in certain businesses in the PRC that were not integrated and did not offer any economies of scales, cost savings or additional business opportunities to the Group;

4. the previous involvement of certain members of the Group in legal disputes which caused strain in the Group's financial and management resources; and

5. the lack of control over the former PRC pharmacy operations of the Group.

As a result, the businesses of the Group deteriorated. The Group recorded losses for the five years ended 31 March 2005. The revenue decreased from, as high as, HK$108.3 million for the year ended 31 March 2003 to approximately HK$49.3 million for the year ended 31 March 2006. The Company was in the liquidation process prior to the completion of the Restructuring. As part of the Restructuring, new capital was injected into the Group for the repayment of certain then outstanding indebtedness of the Group and strengthening the working capital position of the Group. After the Restructuring, the Group has focused on its retail business operations in Hong Kong and has carried out other cost cutting measures. New expansion plan was also introduced with a view to reviving the Chinese medicine and dried seafood retail business of the Group. However, the performance of Nam Pei Hong continued to be adversely affected by high rental payments as a result of the recently buoyant property market in Hong Kong and the expansion plan of the Group has also been adversely affected.

As mentioned in the interim report of the Group for the six months ended 30 September 2006, the Directors will look for new business opportunities so as to broaden the revenue stream and to substantiate the market capitalization of the Group. The Acquisition represents a step of the Group's business diversification strategy.

Analysis on the results of the operation of the Group during the three years ended 31 March 2007

Revenue

The table below sets out the breakdown of the Group's revenue by major business activities for the three years ended 31 March 2007.

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sale of sum yung and pharmaceutical products	58,147	48,978	53,140
Sale of biotechological and transgenic products	—	—	8,238
Property investment — gross rental income	47	123	1,261
Others (comprising the provision of Chinese clinical services and the trading of marketable securities)	222	222	290
Total	58,416	49,323	62,929

For the year ended 31 March 2005, the revenue of the Group amounted to approximately HK$62.9 million, which was mainly derived from sale of sum yung and pharmaceutical products. The sale of sum yung and pharmaceutical products is the existing principal activities of the Group. The Group sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers. The Group was also engaged in the sale of biotechnological and transgenic products (which was ceased during the year ended 31 March 2005), property investment and other sundry activities for the year ended 31 March 2005.

As explained above, the Group experienced difficulties in the past few years prior to the Restructuring. The Group's revenue for the year ended 31 March 2006 amounted to approximately HK$49.3 million, representing a decrease of approximately 21.6% from that of 2005, and the sale of sum yung and pharmaceutical products for the year ended 31 March 2006 decreased by approximately 7.8% from that of 2005. The Group ceased the sale of biotechnological and transgenic products in the year ended 31 March 2005 and thus recorded no sale in respect of this business segment for the years ended 31 March 2006 and 2007. The Group continued to engage in property investment and other sundry activities after 31 March 2005.

For the year ended 31 March 2007, the revenue of the Group increased by 18.4% to approximately HK$58.4 million after completion of the Restructuring in December 2006. The increase was mainly due to the general economic conditions and the increased price of the products. During this reporting year, the Group has disposed of its investment property as part of the Restructuring and has ceased to engage in the property investment business.

Gross profit

The gross profit margin of the Group decreased from approximately 45.3% for the year ended 31 March 2005 to approximately 38.5% for the year ended 31 March 2006. For the year ended 31 March 2007, the gross profit of the Group amounted to approximately HK$21.1 million, representing a gross profit margin of approximately 36.1%. As explained above, price competition and escalating product costs have adversely affected the performance of the Group.

Other income and other gains, net

For the year ended 31 March 2005, other income of the Group comprised interest income, dividend income from listed investments and others.

For the year ended 31 March 2006, other income and other gains of the Group comprised gain on disposal of subsidiaries, interest income and others.

For the year ended 31 March 2006, the total other income and other gains, net amounted to approximately HK$17.8 million comprising mainly a gain on disposal of subsidiaries amounting to approximately HK$17.6 million.

Total other income and other gains, net for the year ended 31 March 2007 in aggregate amounted to approximately HK$45.8 million. Out of such balance, the Group recorded a net gain as a result of the Restructuring amounted to HK$44.8 million.

Operating profit/loss

For the year ended 31 March 2005, selling and distribution costs, administrative expenses and other operating expenses of the Group amounted to approximately HK$43.4 million representing approximately 68.9% of the Group's revenue for the same financial year. The corresponding said expenses of the Group for the year ended 31 March 2006 decreased by approximately 50.6% from the amounts recorded in the year ended 31 March 2005. The decrease was mainly a result of a number of restructuring steps implemented, including disposal of certain non-performing subsidiaries in the PRC and resolving all legal disputes which once caused strain on the Group's financial and management resources. The Group recorded a loss from operations of approximately HK$13.3 million for the year ended 31 March 2005, and a profit from operations of approximately HK$15.3 million for the year ended 31 March 2006.

The aggregate amount of selling and distribution costs and administrative expenses was approximately HK$31.9 million for the year ended 31 March 2007 representing an increase of approximately 48.7% as compared with that for the year ended 31 March 2006. Selling and distribution costs increased by approximately 23% as compared to that of last year. This increase was primarily attributable to the increasing effort in deployment of operational resources and the increase in the number of staffs in light of opening of new retail outlets and to cope with the Company's anticipated expansion.

For the year ended 31 March 2007, administrative expenses increased by two folds as compared to that of 2006. The increase seemingly substantial when compared to the year ended 31 March 2006 as the Company has now resumed its normal course of operation both on corporate and operating levels after the Restructuring .Other factors for the increase were the inclusion of liquidation expenses and a provision for settlement of a rental dispute with a previous landlord amounting to approximately HK$5 million. For the year ended 31 March 2007, the Group recorded an operating profit of approximately HK$35.0 million.

Finance costs

For the years ended 31 March 2005, 2006 and 2007, the finance costs of the Group amounted to approximately HK$7.1 million, approximately HK$5.9 million and approximately HK$1.4 million respectively. The Group's financial position has been improved as a result of the injection of working capital funding by Gain Alpha, together with the debt restructuring measures implemented as part of the Restructuring, significantly reducing the Group's level of financing costs and level of borrowings.

As at 31 March 2007, save for the convertible Preference Shares, the Group did not have any bank and other borrowings and its businesses were financed by the Group's internal resources.

Gain on deconsolidation of a subsidiary

For the year ended 31 March 2005, one of the Group's former subsidiaries, Shanghai Hua Xin High Biotechnology Inc. ("Huaxin") (a sino-foreign co-operative joint venture company established in the PRC), with an operating period of 45 years commencing from 19 January 1993, was deconsolidated on 30 November 2004 (as decided by the then provisional liquidators of the Company) and the Group recorded a gain on deconsolidation amounted to approximately HK$16.7 million.

Taxation

The Group recorded a small tax charge for the year ended 31 March 2005 of approximately HK$1,000.

The Group did not make any taxation provision for the two years ended 31 March 2007 as the Group had sufficient tax losses as brought forward to set off against the assessable profits for the relevant years.

Minority interests

No minority interests were recognized for the three years ended 31 March 2007.

Profit/loss attributable to shareholders

The net loss attributable to shareholders for the year ended 31 March 2005 amounted to approximately HK$3.7 million.

The profit attributable to shareholders for the two years ended 31 March 2007 amounted to approximately HK$9.4 million and HK$33.6 million respectively. The increase in the Group's profitability for the year ended 31 March 2007 was mainly a result of the gain arising in connection with the Restructuring amounted to approximately HK$44.8 million for the year.

The present Board has reviewed the existing traditional "Sum Yung" business under the long-history and prestigious brand "Nam Pei Hong", and has decided to expand its footage to more areas. 4 new shops were opened since the Restructuring and the Company will soon reach a total of 17 outlets in the Group's distribution network, with over 110 employees. However, while the Company is planning to expand its network of shops, the high rent in Hong Kong continues to impact the profit margin of its business and growth potential. Therefore, the Company has formulated plans to expand its business to Mainland China to target the huge and undeveloped market. For the year ended 31 March 2007, the Group will start selling its products to Guangdong, the PRC through some local retail chain stores and supermarkets. The Company will also keep investing in opening more new shops if the Group can find suitable locations with acceptable rent.

Analysis on the financial position of the Group during the three years ended 31 March 2007

Liquidity and financial resources

For each of the years ended 31 March 2005, 31 March 2006 and 31 March 2007, the Group recorded net cash outflow from its operations of approximately HK$6.3 million, HK$19.8 million and HK$59.8 million respectively. For the year ended 31 March 2007, the Group recorded net cash inflow of approximately HK$21.9 million. As at 31 March 2007, the cash and cash equivalents balance of the Group amounted to approximately HK$22.7 million. The Group had a current ratio of approximately 2.98 times. As at 31 March 2007, save for the convertible Preference Shares, the Group had no outstanding bank and other borrowings.

The Group's cash and cash equivalents represented approximately 22.1%, 2.5% and 56.0% of the total current assets of the Group as at 31 March 2005, 31 March 2006 and 31 March 2007 respectively. Cash position of the Group has improved a lot after completion of the Restructuring.

Prior to the Restructuring, the Group relied substantially on internally generated cash flows and short-term borrowings to finance its operations. As at 31 March 2005 and 2006, the Group's short-term borrowings amounted to approximately HK$54.3 million and HK$42.4 million respectively.

The Group generally finances its short-term funding requirements with cash generated from operation and credit facilities from suppliers. Short-term liquid investments may be made if the Group has any surplus cash.

Net current assets/liabilities

The net current liabilities of the Group amounted to approximately HK$98.7 million and HK$79.0 million as at 31 March 2005 and 31 March 2006 respectively. After the Restructuring, as at 31 March 2007, the Group once again recorded net current assets of approximately HK$26.9 million.

The current ratios of the Group as at 31 March 2005, 31 March 2006 and 31 March 2007 were approximately 0.13 times, 0.27 times and 2.98 times respectively. The Restructuring has significantly improved the Group's financial position.

Capital and other commitments

Save for the operating lease commitments in relation to certain operating lease arrangements, the Group had no significant capital commitments as at 31 March 2007.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 March 2007.

Capital structure

During the year ended 31 March 2007, the Company has following movements in the share capital:

(a) The previous authorised share capital of the Company before the Restructuring was HK$300,000,000 divided into 3,000,000,000 shares, of which 1,403,796,698 shares were in issue. Pursuant to the Restructuring, the share capital of the Company had been restructured in the following manner:

1. Capital Reduction

   The par value of every issued share had been reduced from HK$0.10 to HK$0.001 and the credit of approximately HK$139.0 million arising from such reduction had been applied to eliminate the accumulated losses of the Company.

2. Share Consolidation

   Every 10 issued shares of HK$0.001 each had been consolidated into one new share of HK$0.01 each.

3. Capital Cancellation

   The unissued share capital in the previous authorised share capital of HK$300,000,000 had after the capital reduction and the share consolidation, been cancelled and diminished resulting in an authorised and issued share capital of the Company becoming HK$1,403,796.69.

4. Authorised Share Capital Increase

   Immediately upon the capital cancellation becoming effective, the Company's authorised share capital had been increased from HK$1,403,796.69 to HK$60,000,000 divided into 3,500,000,000 new shares of HK$0.01 each and 2,500,000,000 Preference Shares of HK$0.01 each.

(b) Upon the completion of the Restructuring, 810 million new Shares of HK$0.01 each and 2,160 million Preference Shares of HK$0.01 each were issued to Gain Alpha, for a cash subscription price of HK$0.027 each.

Save for above, there were no other material changes in the equity capital structure of the Company for the three years ended 31 March 2007.

Currency exchange risk

The Group's cash and cash equivalents are held in Hong Kong dollars.

The Directors consider that the Group is not exposed to any significant foreign currency risk.

Staff, remuneration policies, stock option scheme and retirement benefits

As at 31 March 2007, the Group had a total of around 102 full time staff of which approximately 5 were in the PRC.

In addition to salaries, the Group provides staff benefits including paid leave carried forward, employment ordinance long service payments, pension schemes and share-based payment. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL POSITION OF THE WIND POWER GROUP

Track record of the Wind Power Group

The table below sets out the consolidated income statements of the Wind Power Group for each of the periods from 3 January 2006 to 31 December 2006, from 3 January 2006 to 31 March 2006 and three months ended 31 March 2007.

A. Consolidated income statements

	Period from 3 January 2006 to 31 December 2006	Period from 3 January 2006 to 31 March 2006	Three months ended 31 March 2007
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Revenue	—	—	—
Administrative expenses	(233)	(1)	(207)
	(233)	(1)	(207)
Finance costs	(5)	(1)	(3)
	(238)	(2)	(210)
Share of (losses)/profits of associated companies	(667)	—	558
(Loss)/profit before income tax	(905)	(2)	348
Income tax expense	—	—	—
(Loss)/profit for the period	(905)	(2)	348
(Loss)/profit attributable to:			
Equity holder	(905)	(2)	349
Minority interest	—	—	(1)
	(905)	(2)	348
Earnings per share — basic	(905)	(2)	349
— diluted	N/A	N/A	N/A

OVERVIEW

The Wind Power Group is principally engaged in the operation, management and investment in wind power electricity generating facilities in the PRC. The Wind Power Group also plans and is in process of starting up to engage in the development, manufacture, sale, distribution and trading of wind power electricity generating facilities. As explained in the letter from the Board set out in this circular, wind power is a developing industry in the PRC in line with the national policy. The Wind Power Group has invested in wind farms where wind power is rapidly developing. The Wind Power Group is in its early stage of development and has yet to roll out a number of wind power related businesses. It is expected that the Wind Power Group will have diversified revenue streams relate to the PRC wind power industry. Besides the "Sum Yung" business, the Group decides to venture into wind power business. With the great strides of economy growth, the electricity demand in China has been increasing significantly. The burning of fossil fuels to generate electric power is the single biggest cause to global warming. Scientists have suggested reduction in the use of traditional fuels drastically in the next 10 years. The PRC government has been introducing new legislation and support mechanisms to enable development of renewable energies. Clean and fuel-free, wind power is an undisputed leader amongst the renewable energy sources and will play an important role in the energy industry.

Analysis on the consolidated results of the Wind Power Group during the period ended 31 December 2006 and three months ended 31 March 2007

Turnover

For the period ended 31 December 2006 and three months ended 31 March 2007, there were no revenue generated for the Wind Power Group. The Wind Power Group did not record any revenue for the period ended 31 December 2006 and the three months ended 31 March 2007 as no operating subsidiaries of the Wind Power Group have commenced operations during the reporting periods. During the reporting periods, the Wind Power Group was mainly in its business planning and set up stage.

Administrative expenses

The consolidated administrative expenses of the Wind Power Group for the period ended 31 December 2006 and three months ended 31 March 2007, were approximately RMB233,000 and approximately RMB207,000 respectively. Administrative expenses mainly comprised rental payments, other office expenses, business entertainment and travelling expenses, exchange differences and other sundry expenses. During the reporting periods, all the staff costs of the Wind Power Group were borne by a related company. The Wind Power Group is not required to repay such related company in this regard. It is expected that the Wind Power Group will have to bear its own staff costs after completion of the Acquisition.

Operating losses

The Wind Power Group recorded operating losses of approximately RMB233,000 and approximately RMB207,000 for the period ended 31 December 2006 and three months ended 31 March 2007, attributable directly to the administrative expenses incurred during those planning and set-up periods.

Finance costs

Borrowings of the Wind Power Group were mainly from a related company and a minority shareholder of a non-wholly owned subsidiary. For the period ended 31 December 2006 and three months ended 31 March 2007, the finance costs (which were bank charges) of the Wind Power Group amounted to approximately RMB5,000 and approximately RMB3,000 respectively. The amounts due to the related company and the minority shareholder were interest free, unsecured and repayable on demand.

Share of losses of associated companies

For the period ended 31 December 2006, the share of losses of associated companies amounted to approximately RMB667,000 which was mainly attributable to the share of losses of Chang Tu, owned as to 25% by the Wind Power Group. For the three months ended 31 March 2007, the share of profits of associated companies amounted to approximately RMB558,000, which was mainly attributable to the share of profit of Chang Tu. Chang Tu is presently the major operating associate of the Wind Power Group. It is principally engaged in the generation and sale of electricity by wind power. Chang Tu commenced trial operations in November 2006 and full-scale commercial operations in January 2007. All the electricity generated by Chang Tu is sold to an electricity company in Liaoning Province, the PRC pursuant to an agreement. Chang Tu recorded a total revenue of approximately RMB2.05 million for the year ended 31 December 2006 and approximately RMB11.5 million for the three months ended 31 March 2007. During the three months ended 31 March 2007, Chang Tu has not yet fully utilized its electricity generating capacity. The ability of Chang Tu to generate additional income directly relates to its ability to generate more electricity power. The gross profit margin of Chang Tu for the three months ended 31 March 2007 was approximately 44.1%. Among the cost of sales of Chang Tu for the three months ended 31 March 2007, approximately 85.9% was non-cash depreciation charges in connection with the sunk cost incurred by Chang Tu for the construction of its wind farm facilities. Construction of the wind farms of Chang Tu was mainly financed by shareholders' contribution and borrowings. As at 31 March 2007, Chang Tu had outstanding borrowings of approximately RMB229.1 million. Chang Tu recorded a total finance costs of approximately RMB2.5 million for the three months ended 31 March 2007. Chang Tu had net current liabilities of approximately RMB106.2 million as at 31 March 2007. Wind Power expects that Chang Tu will finance its short-term liabilities by its internal resources, including sales proceeds and a tax rebate received in April 2007 amounted to approximately RMB43 million and/or other refinancing arrangement(s). For the period ended 31 December 2006 and the three months ended 31 March 2007, Chang Tu recorded a net loss of approximately RMB2.7 million and a net profit of approximately RMB2.2 million respectively.

Taxation

No profit tax was provided as the Wind Power Group had no assessable profit for the period ended 31 December 2006 and the three months ended 31 March 2007. Currently the operating companies of the Wind Power Group in the PRC are in their tax holiday. They are not required to pay income tax for the first two profit-making years.

Minority interests

No minority interest was recorded for the period ended 31 December 2006 as the capital injection in respect of the only non-wholly owned subsidiary of the Wind Power Group, Jilin Province Tian He Wind Power Equipment Company Limited ("Tian He"), took place in January 2007. For the period ended 31 March 2007, a small minority interest of RMB1,000 was recorded as a result of some set-up costs incurred by Tian He.

Profit/loss attributable to shareholders

The consolidated net loss of the Wind Power Group attributable to its shareholder for the period ended 31 December 2006 was approximately RMB905,000. For the three months ended 31 March 2007, the consolidated net profit of the Wind Power Group attributable to its shareholder was approximately RMB349,000.

Analysis on the financial position of the Wind Power Group for the period ended 31 December 2006 and the three months ended 31 March 2007

Liquidity and financial resources

For the period ended 31 December 2006 and the three months ended 31 March 2007, the Wind Power Group recorded net cash outflow from operations of approximately RMB388,000 and approximately RMB975,000 respectively. As at 31 December 2006 and 31 March 2007, the cash and cash equivalents balance of the Wind Power Group amounted to approximately RMB184,000 and approximately RMB1,365,000. The Wind Power Group had small amounts of borrowings outstanding as at 31 March 2007: an amount due to a related company amounting to approximately RMB88,000 and an amount due to a minority shareholder amounting to approximately RMB1,000,000. All such outstanding borrowings have been settled after 31 March 2007.

Wind Power and its subsidiaries mainly utilized their equity capital to finance their investment activities during the reporting periods. In the long-run, the Wind Power Group will also make use of borrowings to finance its development and operations.

Pursuant to the S&P Agreement and as further agreed between the parties in writing, the Vendor has agreed to top-up the net assets of the Wind Power Group to HK$75,000,000 (based on the audited net asset value of the Wind Power Group as at 31 March 2007) by injecting new capital to Wind Power.

Net current assets

The net current assets of the Wind Power Group amounted to approximately RMB334,000 and approximately RMB2.3 million as at 31 December 2006 and 31 March 2007 respectively. The increase in the net current assets of the Wind Power Group was mainly due to the increase in capital reserve of the Wind Power Group (i.e. capital contribution made during the three months ended 31 March 2007).

Capital and other commitments

As at 31 March 2007, the Wind Power Group's future aggregate minimum lease payment under non-cancellable operating leases (not later than one year) amounted to approximately RMB381,000. No such amount was recognized as at 31 December 2006. As at 31 March 2007, the Wind Power Group also had other commitments amounted to about RMB505 million in respect of purchases of wind turbines for which the Wind Power Group had contracted. The Wind Power Group proposes to distribute those wind turbines to be purchased in the PRC. Save as disclosed above, none of Wind Power or any of its subsidiaries had any significant capital commitment as at 31 December 2006 and 31 March 2007.

Contingent liabilities

None of the Wind Power or any of its subsidiaries had any material contingent liabilities as at 31 December 2006 and 31 March 2007.

Capital structure

The capital structure of the Wind Power Group as at 31 December 2006 and 31 March 2007 were as follows:

	As at 31 December 2006 *RMB*	**As at 31 March 2007** *RMB*
Share capital	8	8
Reserves	35,392,000	39,698,000

Currency exchange risk

The operations of the Wind Power Group are expected to be mainly conducted and funded in Renminbi. The Directors consider that the Wind Power Group is not exposed to any significant foreign currency risk.

As at 31 March 2007, the Wind Power Group's borrowings were made in and cash and cash equivalents were held under Renminbi.

Staff, remuneration policies and retirement benefits

As at 31 March 2007, the Wind Power Group had a total of around 30 full-time staff in the PRC. The number of full-time staff of the Wind Power Group increased to around 50 as at 31 May 2007. According to the relevant PRC regulations, the members of the Wind Power Group are required to participate in employee retirement and insurance schemes for their eligible staff.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, an independent valuer, in connection with its valuations of the properties held by the Enlarged Group.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

13 July 2007

The Directors
Hong Kong Pharmaceutical Holdings Limited

Dear Sirs,

In accordance with your instructions for us to value the property interests exhibited to us as held by Hong Kong Pharmaceutical Holdings Limited (the "Company") or its subsidiaries (collectively referred to as "Hong Kong Pharmaceutical Group") and by China Wind Power Holdings Limited or its subsidiaries (collectively referred to as "Wind Power Group") in the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 April 2007 (the "date of valuation") for incorporating into the circular.

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The properties in Groups I and II have been ascribed no commercial value due to either the short-term nature of their tenancies or the lack of substantial profit rent.

Our valuation has been made on the assumption that the owners sell the property interests on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

For the properties in Hong Kong, we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents and leases have been used for reference only.

For the properties in the PRC, we have not caused title searches to be made for the property interests at the relevant government bureau. In undertaking our valuation of the properties, we have relied on the legal opinion provided by the Company's PRC legal adviser, Zhong Lun Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plan, construction costs, identification of the properties and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors ("HKIS").

We enclosed herewith a summary of our valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited

Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Executive Director

Note: Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS has over nineteen years' experience in undertaking valuations of properties in Hong Kong and Macau, and has over twelve years' experience in the valuation of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.

SUMMARY OF VALUATION

Group I — Property interests rented and occupied by Hong Kong Pharmaceutical Group in Hong Kong

Property	Capital Value in existing state as at 30 April 2007
1. Factory B, First Floor, Gee Luen Chang Industrial Building, No. 11 Yuk Yat Street, Tokwawan, Kowloon	No commercial value
2. A-1, A-2 and A-3, 2nd Floor, Gee Luen Chang Industrial Building, No. 11 Yuk Yat Street, Tokwawan, Kowloon	No commercial value
3. Shop 223, Tai Wo Shopping Centre, Tai Wo Estate, Tai Po, New Territories	No commercial value
4. Shop 105, Ground Floor, Cheung Fat Shopping Centre, Cheung Fat Estate, Tsing Yi, New Territories	No commercial value
5. Shop No. 225, Heng On Commercial Centre, Heng On Estate, No. 1 Hang Kam Street, Ma On Shan, New Territories	No commercial value

Property	Capital Value in existing state as at 30 April 2007
6. Shop 3207B, Level Three, Gateway Arcade, Harbour City, Nos. 3 to 27 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
7. Shop No. UG014, Upper Ground Floor, Commercial Accommodation, Metro City Phase II, Tsuen Kwan O Town Lot No. 27, New Territories	No commercial value
8. Shop Nos. 128 and 129, Hing Wah (1) Shopping Centre, Hing Wah (1) Estate, Chai Wan, Hong Kong	No commercial value
9. Shop No. A137, Level 1 of the Commercial Units, New Town Plaza Phase III, Shatin, New Territories	No commercial value
10. Shops 2259 and 2260, Level 2, Commercial Areas, Sunshine City Plaza, Ma On Shan, STTL307, New Territories	No commercial value
11. Shop No. G5, Ground Floor, Commercial Accommodation, Chelsea Heights, Phase II, No. 1 Shek Pai Tau Path, Tuen Mun, New Territories	No commercial value

Property	Capital Value in existing state as at 30 April 2007
12. Units 186 and 187, Paradise Mall West Wing, Heng Fa Chuen, 100 Shing Tai Road, Chai Wan, Hong Kong	No commercial value
13. Shop B on Ground Floor, Nos. 19, 19A and 21 Cameron Road, Kowloon	No commercial value
14. Shop 2D, Level 2, South Wing, Trend Plaza, No. 2 Tuen Lung Street, Tuen Mun, New Territories	No commercial value
15. Shop No. 106, First Floor, Tsz Wan Shan Shopping Centre, No. 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	No commercial value
16. Shop Nos. G7-8, Ground Floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong	No commercial value
17. Shop No. L1-2, KCRC Lok Ma Chau Station, New Territories	No commercial value

Property		Capital Value in existing state as at 30 April 2007
18.	Shop No. L2-8, KCRC Lok Ma Chau Station, New Territories	No commercial value
19.	Shop No. 112A, Level 1, Lung Cheung Mall, No.136 Lung Cheung Road, Wong Tai Sin, Kowloon	No commercial value
20.	Shop No. 2040 on Level 2, The Podium of Sheung Shui Centre, No. 3 Chi Cheong Road, Sheung Shui, New Territories	No commercial value
21.	Shop No. LG38, Lower Ground Floor, Fitfort, No. 560 King's Road, North Point, Hong Kong	No commercial value
	Total:	Nil

Group II — Property interests rented and occupied by Wind Power Group in the PRC

	Property	Capital Value in existing state as at 30 April 2007
1.	Rooms 10 and 11, 17th Level, Tengda Mansion, No. 168 Xiwaida Street, Haidian District, Beijing City, the PRC	No commercial value
2.	A portion of the workshop building situated at No. 30 Mingrenbei Street, Baicheng City, Jilin Province, the PRC	No commercial value
	Total:	Nil

VALUATION CERTIFICATES

Group I — Property interests leased and occupied by Hong Kong Pharmaceutical Group in Hong Kong

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
1.	Factory B, First Floor, Gee Luen Chang Industrial Building, No. 11 Yuk Yat Street, Tokwawan, Kowloon	The property comprises a factory unit on the first floor of a 12-storey industrial building completed in about 1972. The property has a gross floor area of approximately 5,300 sq.ft.	The property is leased to Poo Yuk Loong Limited from Gee Chang Property Management Limited (on behalf of the landlord), an independent third party, for a term of 2 years and 7 months from 16 October 2006 at a monthly rent of HK$15,000, inclusive of government rates but exclusive of service charges. The property is occupied by Hong Kong Pharmaceutical Group as a warehouse and office.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Gee Luen Chang Investment Company Limited.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
2.	A-1, A-2 and A-3, 2nd Floor, Gee Luen Chang Industrial Building, No. 11 Yuk Yat Street, Tokwawan, Kowloon	The property comprises 3 factory units on the second floor of a 12-storey industrial building completed in about 1972. The property has a gross floor area of approximately 6,100 sq.ft.	The property is leased to Poo Yuk Loong Limited from Gee Chang Property Management Limited (an behalf of the landlord), an independent third party, for a term of 3 years from 11 May 2006 at a monthly rent of HK$19,300, inclusive of government rates but exclusive of service charges. The property is occupied by Hong Kong Pharmaceutical Group as a warehouse.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Gee Luen Chang Investment Company Limited.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
3.	Shop 223, Tai Wo Shopping Centre, Tai Wo Estate, Tai Po, New Territories	The property comprises a shop unit on the second floor of a 4-storey shopping centre completed in about 1989. The property has a lettable floor area of approximately 1,292 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from The Hong Kong Housing Authority, an independent third party, for a term of 3 years from 1 January 2005 at a monthly rent of HK$49,000, exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property had been The Hong Kong Housing Authority. On 25 November 2005, the property was assigned to The Link Properties Limited, the current registered owner of the property.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
4.	Shop 105, Ground Floor, Cheung Fat Shopping Centre, Cheung Fat Estate, Tsing Yi, New Territories	The property comprises a shop unit on the ground floor of a 5-storey commercial/recreational/carpark complex completed in about 1989. The property has a lettable floor area of approximately 872 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from The Hong Kong Housing Authority, an independent third party, for a term of 3 years from 1 September 2004 at a monthly rent of HK$41,000, exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property had been The Hong Kong Housing Authority. On 23 March 2006, the property was assigned to The Link Properties Limited, the current registered owner of the property.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
5.	Shop No. 225, Heng On Commercial Centre, Heng On Estate, No. 1 Hang Kam Street, Ma On Shan, New Territories	The property comprises a shop unit on the second floor of a 3-storey shopping centre completed in about 1987. The property has a lettable floor area of approximately 667 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from The Hong Kong Housing Authority, an independent third party, for a term of 3 years from 16 December 2004 at a monthly rent of HK$28,000, exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property had been The Hong Kong Housing Authority. On 26 April 2006, the property was assigned to The Link Properties Limited, the current registered owner of the property.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
6.	Shop 3207B, Level Three, Gateway Arcade, Harbour City, Nos. 3 to 27 Canton Road, Tsim Sha Tsui, Kowloon	The property comprises a shop unit on the third floor of a 3-storey commercial podium of a 36-storey twin office tower development completed in about 1994. The property has a lettable floor area of approximately 710 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from Harbour City Estates Limited (as the agent of the landlord), an independent third party, for a term of 2 years from 1 June 2006 at a monthly base rent of HK$92,300 for the first year and HK$96,560 for the second year plus a percentage rental at 15% of the gross receipts exceeds the base rent. The rent is exclusive of government rates, service charges and promotion fee. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is The Hong Kong & Kowloon Wharf & Godown Co. Ltd.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
7.	Shop No. UG014, Upper Ground Floor, Commercial Accommodation, Metro City Phase II, Tsuen Kwan O Town Lot No. 27, New Territories	The property comprises a shop unit on the upper ground floor of a 4-storey (plus two basement carpark levels) commercial podium completed in about 1999. The property has a lettable floor area of approximately 510 sq. ft.	The property is leased to Poo Yuk Loong Limited from Evercot Enterprise Company Limited, Shung King Development Company Limited, Millap Limited, Egeria Investment Limited and Join Fortune Development Limited, independent third parties, for a term of 2 years from 20 November 2006 at a monthly base rent of HK$40,000 for the first year and HK$42,000 for the second year plus an additional turnover rent at a sum equivalent to the difference between 10% of the turnover of the business and the monthly base rent. The rent is exclusive of government rates, service charges and promotion fee. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owners of the property are Evercot Enterprise Company Limited, Shung King Development Company Limited, Millap Limited, Egeria Investment Limited and Join Fortune Development Limited (as tenants in common).

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
8. Shop Nos. 128 and 129, Hing Wah (1) Shopping Centre, Hing Wah (1) Estate, Chai Wan, Hong Kong	The property comprises 2 shop units on the first floor of a 2-storey shopping centre completed in about 2000. The property has a lettable floor area of approximately 883 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from The Link Properties Limited, an independent third party, for a term of a year from 16 September 2006 at a monthly base rent of HK$27,000 or a turnover rent at a sum of 8% of the monthly gross receipts, whichever is the greater. The rent is exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the current registered owner of the property is The Hong Kong Housing Authority. However, according to the prospectus on the global offering of The Link Real Estate Investment Trust dated 14 November 2005, the beneficial ownership of the property was to be acquired by The Link Properties Limited immediately prior to completion of its global offering.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
9. Shop No. A137, Level 1 of the Commercial Units, New Town Plaza Phase III, Shatin, New Territories	The property comprises a shop unit on the first level of a 3-storey (plus two basement carpark levels) commercial podium completed in about 1991. The property has a lettable floor area of approximately 333 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from Sun Hung Kai Real Estate Agency Limited (as the agent of the owner), an independent third party, for a term of 3 years from 17 February 2005 at a monthly base rent of HK$38,295 for the first year, HK$39,960 for the second year and HK$41,625 for the third year; plus an additional turnover rent being an amount by which 10% of the monthly gross receipt of the business exceeds the basic rent. The rent is exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Upper Hill Company Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
10. Shops 2259 and 2260, Level 2, Commercial Areas, Sunshine City Plaza, Ma On Shan, STTL307, New Territories	The property comprises two shop units on the second level of a 4-storey (plus a basement carpark level) commercial podium completed in about 1994. The property has a lettable floor area of approximately 510 sq. ft.	The property is leased to Poo Yuk Loong Limited from Millap Limited, Evercot Enterprise Company Limited and Shung King Development Company Limited, independent third parties. Shop 2259 is leased for a term from 1 March 2006 to 9 November 2008 at a monthly base rent of HK$16,900. Shop 2260 is leased for a term of 3 years from 10 November 2005 at a monthly base rent of HK$12,600. For both shops, a turnover rent being the sum by which 8% of the monthly gross revenue of the business exceeds the basic rent is payable in additional to the base rent. The rents are exclusive of government rates, service charges and promotion fee. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owners of the property are Millap Limited, Evercot Enterprise Company Limited and Shung King Development Company Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
11. Shop No. G5, Ground Floor, Commercial Accommodation, Chelsea Heights, Phase II, No.1 Shek Pai Tau Path, Tuen Mun, New Territories	The property comprises a shop unit on the ground floor of a 4-storey commercial podium completed in about 2000. The property has a lettable floor area of approximately 305 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Co. Ltd from Manmouth Limited, an independent third party, for a term from 17 November 2006 to 31 May 2007 at a monthly base rent of HK$15,000 plus an additional turnover rent being an amount by which 8% of monthly gross receipt of the business exceeds the base rent. The rent is exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property had been Manmouth Limited. On 3 May 2005, the property was assigned to Able Smart Assets Limited, the current registered owner of the property.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
12. Units 186 and 187, Paradise Mall West Wing, Heng Fa Chuen, 100 Shing Tai Road, Chai Wan, Hong Kong	The property comprises 2 shop units on the first floor of a 3-storey commercial podium completed in about 1986. The property has a lettable floor area of approximately 465 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Company Ltd from MTR Corporation Limited, an independent third party, for a term of 3 years from 9 July 2004 at a monthly rent of HK$42,780 or a turnover rent calculated at 8% of the monthly gross turnover of the business, whichever is higher. The rent is exclusive of government rates, service charges and promotion fees. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is MTR Corporation Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
13. Shop B on Ground Floor, Nos.19, 19A and 21 Cameron Road, Kowloon	The property comprises a shop unit on the ground floor of an 8-storey composite building completed in about 1958. The property has a gross floor area of approximately 850 sq. ft.	The property is leased to Poo Yuk Loong Limited from Yan Yan Motors Limited, an independent third party, for a term of 2 years from 16 November 2005 at a monthly rent of HK$130,000, inclusive of government rates and service charges. The lease is renewable for a further term of 2 years at a monthly rent of HK$149,500. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Yan Yan Motors Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
14. Shop 2D, Level 2, South Wing, Trend Plaza, No. 2 Tuen Lung Street, Tuen Mun, New Territories	The property comprises a shop unit on the second level of a 3-storey (plus a basement carpark level) commercial podium completed in about 1988. The property has a lettable floor area of approximately 380 sq. ft.	The property is leased to Poo Yuk Loong Limited from Easeluck Development Limited, Jekyll Investment Limited, and Dekker Investment Limited and Dillinger Investment Limited, independent third parties, for a term of 2 years from 7 November 2006 at a monthly rent of HK$30,000 or a turnover rent calculated at 10% of monthly gross receipts, whichever is higher. The rent is exclusive of government rates, service charges and promotion fees. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owners of the property are Easeluck Development Limited, Jekyll Investment Limited, Dekker Investment Limited and Dillinger Investment Limited (as tenants in common). The share of the property held by Easeluck Development Limited was assigned from Ervine Investment Limited on 30 November 1991.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
15. Shop No. 106, First Floor, Tsz Wan Shan Shopping Centre, No. 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	The property comprises a shop unit on the first floor of a 7-storey shopping centre completed in about 1997. The property has a lettable floor area of approximately 678 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Company Ltd from The Link Properties Limited, an independent third party, for a term of 3 years from 11 December 2006 at a monthly base rent of HK$42,000 or a turnover rent calculated at 8% of monthly gross receipts, whichever is higher. The rent is exclusive of government rates, service charges and promotion fees. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

No registration record on the owner of the property has been found in the Land Registry. However, according to the prospectus on the global offering of The Link Real Estate Investment Trust dated 14 November 2005, the beneficial ownership of the property was to be acquired by The Link Properties Limited immediately prior to completion of its global offering.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
16. Shop Nos. G7-8, Ground Floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong	The property comprises 2 shop units on the ground floor of a 4-storey (plus 2 basement level) commercial podium of a 34-storey office tower completed in about 1982. The property has a lettable floor area of approximately 942 sq. ft.	The property is leased to N P H Sino-Meditech Limited from Xipho Development Company Limited, an independent third party, for a term of 3 years from 1 November 2004 at a monthly rent of HK$28,000 or a turnover rent calculated at 10% of monthly gross receipts, whichever is higher. The rent is exclusive of government rates, service charges and promotion fees. The property is occupied by Hong Kong Pharmaceutical Group as a Chinese medical center.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Xipho Development Company Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
17. Shop No. L1-2, KCRC Lok Ma Chau Station, New Territories	The property comprises a shop unit on the first level of a 4-storey railway station/ immigration hall building completed in 2007. The property has a lettable floor area of approximately 975 sq. ft.	The property is licenced to Poo Yuk Loong Limited from Kowloon-Canton Railway Corporation, an independent third party, for a term of 3 years from 9 July 2007 at a monthly licence fee of HK$23,800, or a revenue calculated at 10% of monthly gross sales receipts, whichever is higher. The fee is exclusive of government rates, management and service charges, and promotional levy. The property is to be occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

No registration record on the owner of the property has been found in the Land Registry.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
18. Shop No. L2-8, KCRC Lok Ma Chau Station, New Territories	The property comprises a shop unit on the second level of a 4-storey railway station/ immigration hall building completed in 2007. The property has a lettable floor area of approximately 611 sq. ft.	The property is licenced to Poo Yuk Loong Limited from Kowloon-Canton Railway Corporation, an independent third party, for a term of 3 years from 9 July 2007 at a monthly licence fee of HK$27,500, or a revenue calculated at 10% of monthly gross sales receipts, whichever is higher. The fee is exclusive of government rates, management and service charges, and promotional levy. The property is to be occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

No registration record on the owner of the property has been found in the Land Registry.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
19. Shop No. 112A, Level 1, Lung Cheung Mall, No. 136 Lung Cheung Road, Wong Tai Sin, Kowloon	The property comprises a shop unit on the first level of a 4-storey (plus a basement carpark) commercial podium completed in about 2001. The property has a lettable floor area of approximately 244 sq. ft.	The property is leased to Nam Pei Hong Sum Yung Drugs Company Ltd from The Link Properties Limited, an independent third party, for a term of 3 years from 11 June 2007 at a monthly base rent of HK$18,000 or a turnover rent calculated at 10% of monthly gross receipts, whichever is higher. The rent is exclusive of government rates and service charges. The property is occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

No registration record on the owner of the property has been found in the Land Registry. However, according to the prospectus on the global offering of The Link Real Estate Investment Trust dated 14 November 2005, the beneficial ownership of the property was to be acquired by The Link Properties Limited immediately prior to completion of its global offering.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
20.	Shop No. 2040 on Level 2, The Podium of Sheung Shui Centre, No. 3 Chi Cheong Road, Sheung Shui, New Territories	The property comprises a shop unit on the second level of a 2-storey (plus a basement carpark) commercial podium of a private housing estate completed in about 1994. The property has a lettable floor area of approximately 485 sq. ft.	The property is leased to Poo Yuk Loong Limited from Bayman Limited, an independent third party, for a term of 3 years from 25 June 2007 at a monthly basic rent of HK$53,000 plus an additional turnover rent at 8% of the monthly gross receipts exceeds the basic rent. The rent is exclusive of government rates, service charges and promotion levy. The property is to be occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Bayman Limited.

Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
21. Shop No. LG38, Lower Ground Floor, Fitfort, No. 560 King's Road, North Point, Hong Kong	The property comprises a shop unit on the lower ground floor of a 2-storey commercial podium of a private housing estate completed in about 1980. The property has a gross floor area of approximately 532 sq. ft.	The property is leased to Poo Yuk Loong Limited from Pizzicato Limited, an independent third party, for a term of 3 years from 21 June 2007 at a monthly base rent of HK$31,920 for the first and second years, and HK$33,516 for the third year, or a turnover rent at a sum of 8% of the monthly gross receipts, whichever is the greater. The rent is exclusive of government rates, service charges and promotional charge. The property is to be occupied by Hong Kong Pharmaceutical Group as a retail shop.	No commercial value

Note:

According to the Land Registry, the registered owner of the property is Pizzicato Limited.

Group II — Property interests rented and occupied by Wind Power Group in the PRC

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
1.	Rooms 10 and 11, 17th Level, Tengda Mansion, No. 168 Xiwaida Street, Haidian District, Beijing City, the PRC	The property comprises two office units on the 17th- level of a 38-storey office building completed in about 2000. The property has a lettable floor area of approximately 3,315 sq. ft.	The property is leased to 北京世紀聚合風電技術有限公司 (Beijing Century Concord Wind Power Technology Limited) from 北京高嶺房地產開發有限公司, an independent third party, for a term of a year from 4 January 2007 at a monthly rent of RMB46,200, inclusive of management fee. The property is occupied by Wind Power Group as an office.	No commercial value

Notes:

i. According to the PRC legal opinion, 北京高嶺房地產開發有限公司 (the lessor) possesses legal and effective title to the property. The lessor has the right to lease the property to the lessee. The lease agreement is legal and effective.

ii. According to the Company, Beijing Century Concord Wind Power Technology Limited is a wholly-owned subsidiary of the Wind Power Group.

	Property	Description	Particulars of occupancy	Capital Value in existing state as at 30 April 2007
2.	A portion of the workshop building situated at No. 30 Mingrenbei Street, Baicheng City, Jilin Province, the PRC	The property comprises a portion of a single-storey workshop building completed in about 1999. The property has a gross floor area of approximately 760 sq.m.	The property is leased to 吉林省天合風電設備有限公司(Jilin Province Tian He Wind Power Equipment Company Limited) from白城通業有限責任公司, an independent third party, for a term of 5 years from 1 January 2007 at a yearly rent of RMB20,000, exclusive of services charges. The property is occupied by Wind Power Group as a workshop.	No commercial value

Notes:

i. According to the PRC legal opinion, 白城通業有限責任公司 (the lessor) possesses legal and effective title to the property. The lessor has the right to lease the property to the lessee. The lease agreement is legal and effective.

ii. According to the Company, Jilin Province Tian He Wind Power Equipment Company Limited is a 90%-owned subsidiary of the Wind Power Group.

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) Directors' 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

	Number of Shares held			
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**
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 1,960,000,000 Shares held by Gain Alpha. Gain Alpha is wholly-owned by Mr Ko Chun Shun, Johnson.

(b) Long positions in underlying Shares

Name of director	Personal interests	Family interests	Corporate interests	Total
Mr Ko Chun Shun, Johnson	—	—	994,090,909	994,090,909

Note:

Gain Alpha held 810,000,000 Preference Shares as at the Latest Practicable Date which were convertible into 994,090,909 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 2007, 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 1,960,000,000 Shares held by Gain Alpha.

(b) Long positions in underlying Shares

	Number of underlying Shares interested
Gain Alpha	994,090,909

Note:

Gain Alpha held 810,000,000 Preference Shares as at the Latest Practicable Date which were convertible into 994,090,909 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 interest in the 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 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 CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Enlarged Group within the two years preceding the date of this circular and are or may be material:

a. the restructuring agreement dated 7 September 2005 (as supplemented by a letter dated 17 February 2006) entered into among the Company, the then provisional liquidators of the Company, Gain Alpha and Alvarez & Marsal Asia Limited for the implementation of the Restructuring;

b. the conditional agreement dated 7 September 2005 entered into by and among the Company, the then provisional liquidators of the Company and Gain Alpha in relation to a subscription pursuant to which Gain Alpha agreed to subscribe for 810,000,000 new Shares at HK$0.027 each and 2,160,000,000 Preference Shares at HK$0.027 each;

c. the settlement agreement dated 14 June 2005 entered into between, among others, the Company, Hong Kong Pharmaceutical (PRC) Distribution Limited ("HKPDL") and the holders of the GH Convertible Notes in relation to the settlement of convertible notes with a principal amount of approximately HK$12.3 million issued by the Company ("GH Convertible Notes") pursuant to which Joinbest Investment Limited was transferred to the holders of the GH Convertible Notes at a consideration of HK$3 million and all claims against the Company and HKPDL including any claim for the repayment of the GH Convertible Notes were released;

d. the agreement entered into on 15 November 2005 as supplemented by an amendment letter dated 16 December 2005, by, amongst others, Market Strategy Enterprises Limited, the Company and Golden Linker International Limited, inter alia, the sale of the 57% of the entire equity capital of Shanghai Hua Xin High Biotechnology Inc. ("Huaxin") held by China Genetic Limited at a cash consideration of HK$15 million. Debts of Huaxin would be assigned to Golden Linker International Limited;

e. the S&P Agreement;

f. the subscription agreement dated 22 May 2007 entered into between the Company and Gain Alpha under which Gain Alpha has agreed to subscribe for and the Company has agreed to issue up to 800,000,000 Shares at HK$0.5 each. The net proceed of the Subscription was approximately HK$387 million;

g. On 6 June 2007, Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. entered into (i) a framework agreement to establish joint venture companies to develop wind farm projects in the PRC and (ii) a joint venture contract to jointly establish a joint venture at 太仆寺旗 in Inner Mongolia Autonomous Region, the PRC to undertake one of the wind farm projects under the framework agreement. The registered capital of the joint venture shall be RMB136 million. Each of Century Concord Energy Investment Limited and Shanghai Shenhua Holdings Co., Ltd. shall hold a 50% equity interest in the joint venture and contribute RMB68 million to the registered capital of the joint venture in cash;

h. On 6 July 2007, CWP Development Limited and 深圳市經華馳科技投資有限公司 entered into a joint venture contract to jointly establish a joint venture at Fuxin, Liaoning province to undertake wind farm projects in the PRC. The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 深圳市經華馳科技投資有限公司; and

i. On 6 July 2007, Top Well Holdings Limited and 北京磐谷創業投資有限責任公司entered into a joint venture contract to jointly establish a joint venture at Baicheng City, Jilin province, the PRC to undertake wind farm projects in the PRC. The registered capital of the joint venture shall be RMB150 million. The Wind Power Group will hold a 50% equity interest in the joint venture, with the remaining 50% equity interest in the joint venture be held by 北京磐谷創業投資有限責任公司.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance had known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
PricewaterhouseCoopers ("PwC")	Certified Public Accountants
Vigers Appraisal & Consulting Limited ("Vigers")	Qualified property valuer, Chartered Surveyor

PwC and Vigers have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective letters or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, PwC and Vigers 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, PwC and Vigers did not have any direct or indirect interests in any assets which have been, since 31 March 2007 (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.

8. 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)).

9. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary of the Company is Mr. Chan Kam Kwan, Jason. Mr. Chan graduated from the University of British Columbia with a Bachelor of Commerce degree. Mr. Chan is a member of the American Institute of Certified Public Accountants.

The qualified accountant of the Company is Jim Pak Keung, Patrick. Mr. Jim is a fellow member of the Association of Chartered Certified Accountants in the U.K. and the Hong Kong Institute of Certified Public Accountants.

10. 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(1):

(a) the Company's memorandum and bye-laws;

(b) the material contracts referred to the section headed "Material Contracts" in this appendix;

(c) the accountant's report on the Wind Power Group included in Appendix II to this circular;

(d) the written consents referred to under the section headed "Experts and Consents" in this appendix;

(e) the annual reports of the Company for the three years ended 31 March 2007;

(f) a letter signed by PricewaterhouseCoopers setting out their opinion on the adjustments made on the pro forma financial information of the Enlarged Group as set out in Appendix III to this circular; and

(g) the letter, summary of values and valuation certificate relating to the property interests of the Enlarged Group, prepared by Vigers Appraisal & Consulting Limited, the texts of which are set out in Appendix V to this circular.

11. MISCELLANEOUS

- The correspondence address of the Directors is at Units 4306-07, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong;

- The correspondence address of the Company is at Units 4306-07, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong;

- The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda;

- The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong; and

- The English text of this circular shall prevail over the Chinese text.

香港葯業

HONG KONG PHARMACEUTICAL HOLDINGS LIMITED
香 港 葯 業 集 團 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock code: 182)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM(1)**") of Hong Kong Pharmaceutical Holdings Limited (the "**Company**") will be held at 10:00 a.m. on 30 July 2007, Monday, at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purpose of considering and, if though fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the sale and purchase agreement dated 29 April 2007 (the "**S&P Agreement**"), entered into by the Company and China Wind Power Investment Limited (the "**Vendor**") pursuant to which the Vendor has agreed to sell and the Company has agreed to acquire entire issued share capital of China Wind Power Holdings Limited, details of the S&P Agreement are set out in the circular of the Company dated 13 July 2007 (the "**Circular**") (a copy of the S&P Agreement and the Circular having been produced to the meeting marked "**A**" and "**B**" respectively and initiated for the purposes of identification by the chairman of the meeting) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon 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 Conversion Shares (as defined below), the directors of the Company be and are hereby generally and unconditionally authorised to issue and allot such number of new shares (the "**Conversion Shares**") of HK$0.01 each in the capital of the Company, credited as fully paid, to the holder(s) of the convertible notes (or its/their nominee), which will be issued as consideration under the S&P Agreement, upon conversion of the convertible notes (in part or in full) and that the Conversion Shares, when issued and allotted, shall rank pari passu in all respects with all other shares of HK$0.01 each in the capital of the Company in issue as at the date of such issue and allotment; and

* *for identification purposes only*

(c) any one director of the Company be and is hereby generally and unconditionally authorised 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 authorised 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 transactions under the S&P Agreement."

2. "**THAT** the authorised ordinary share capital of the Company be increased from HK$60,000,000, divided into 6,000,000,000 shares of par value HK$0.01 each, to HK$100,000,000, dividing into 10,000,000,000 shares of par value HK$0.01 each, by the addition of HK$40,000,000, dividing into 4,000,000,000 new shares of par value HK$0.01 each."

3. "**THAT** to re-elect Mr. Liu Shunxing as an Executive Director of the Company."

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

Hong Kong, 13 July 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(1) 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 SGM(1) or any adjournment thereof.

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. All resolutions will be voted on a show of hands unless a poll is properly demanded.

5. As at the date hereof 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).

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)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM(2)**") of Hong Kong Pharmaceutical Holdings Limited (the "**Company**") will be held at 10:00 a.m. on 6 August 2007, Monday, at Units 4306-7, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purpose of considering and, if though fit, passing, with or without modifications, the following resolution:

SPECIAL RESOLUTION

1. "**THAT** the name of the Company be changed to "China WindPower Group Limited" and the Chinese name "中國風電集團有限公司" be adopted for identification purposes only and **THAT** the directors of the Company be and are hereby authorised generally to take such action and execute such documents as they may consider necessary and expedient to effect the change of name of the Company."

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

Hong Kong, 13 July 2007

Principal place of business in Hong Kong:
Units 4306-7
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

* *for identification purposes only*

Notes:

1. A member of the Company entitled to attend and vote at the SGM(2) 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 SGM(2) or any adjournment thereof.

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. The above resolution will be voted on a show of hands unless a poll is properly demanded.

5. As at the date hereof 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).