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香港藥業

Hong Kong Pharmaceutical Holdings Limited

香港藥業集團有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT

The directors of Hong Kong Pharmaceutical Holdings Limited announced that the Company has signed a term sheet with Super-Pharm (Israel) Limited on 12 June, 2003 in relation to the proposed strategic partnership arrangement regarding the development of chain pharmacy business in China.

The directors of Hong Kong Pharmaceutical Holdings Limited (the “Company”) announced that the Company has signed a term sheet with Super-Pharm (Israel) Limited (“SP”) on 12 June, 2003 in Warsaw, Poland, under which the parties set out the terms of their proposed strategic partnership arrangement in relation to the development of chain pharmacy business in China. Neither SP nor its beneficial owner(s) is a connected person of the Company as defined under the Listing Rules. SP operates a chain pharmacy business in various jurisdictions including Canada, Israel and Poland. SP does not have any shareholding in the Company.

Pursuant to the terms of the term sheet which is intended to be legally binding, SP will invest USD1 million in the Company by way of new share subscription at the price equal to the 30 days average closing prices of the shares in the Company traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) prior to the date of issue of new shares. On the basis of the existing issued share capital of the Company and the 30 days average closing prices of the shares of the Company traded on the Stock Exchange prior to the date hereof, SP will not become a substantial shareholder of the Company after the share subscription. SP will also have an option exercisable until the end of year 2006 to subscribe for up to 50% shareholding interest in Joinbest Investment Limited, a wholly-owned subsidiary of the Company (“BVI Subsidiary”), which presently holds 51% of the equity interest in Guizhou Ensure Chain Pharmacy Co., Ltd. (“Guizhou Ensure”). Guizhou Ensure operates a retail pharmacy chain in China. SP and the Company will enter into a formal agreement in relation to the option in BVI Subsidiary. The term sheet provides that subject to SP’s due diligence on the pharmacy chain of the Company and mutual agreement on its valuation, the first exercise of the option will take place simultaneously with the above-mentioned new share subscription in the Company, and the percentage of shareholding interest in respect of the exercise of the first option will be determined by mutual agreement. The grant of the option may constitute a notifiable transaction of the Company under the Listing Rules.

It is also agreed that the holding company of SP will enter into a formal master franchise agreement with the BVI Subsidiary, pursuant to which SP will provide consultancy services to the Company’s retail pharmacy stores in China that are operated by Guizhou Ensure. The term sheet also provides that the Company will grant a first right of refusal to the BVI Subsidiary in relation to the acquisition by the BVI Subsidiary of certain of the Company’s pharmacy outlets at the prevailing market price and based on reasonable commercial terms.

The term sheet envisages that the abovementioned formal agreements (including the subscription agreement, the option agreement and the master franchise agreement) will be signed by the parties by no later than 30 September, 2003. The Company will make further announcement in relation to the such formal agreements if required by the Listing Rules.

Shareholders of the Company and potential investors should exercise caution in dealing in the shares of the Company.

By Order of the Board of Directors
Hong Kong Pharmaceutical Holdings Limited
Zhang Ke
Executive Director and Chief Financial Officer

Hong Kong, 18 June, 2003

* For identification purpose only

Please also refer to the published version of this announcement in The Standard dated on 19-6-2003.