



Hua Han Bio-Pharmaceutical Holdings Limited

華瀚生物製藥控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 587)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

UNAUDITED INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Hua Han Bio-Pharmaceutical Holdings Limited (“**Company**”) is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 31 December 2007 (“**Period**”) together with the comparative figures for the corresponding period in 2006 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31 December	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	364,969	366,061
Cost of sales		(143,532)	(205,096)
Gross profit		221,437	160,965
Other income and gains		10,876	13,419
Selling and distribution costs		(91,471)	(42,241)
Administrative expenses		(23,064)	(22,621)
Finance costs	5	(15,384)	(16,555)
PROFIT BEFORE TAX	6	102,394	92,967
Tax	7	(21,317)	(20,733)
PROFIT FOR THE PERIOD		<u>81,077</u>	<u>72,234</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		73,204	68,094
Minority interests		7,873	4,140
		<u>81,077</u>	<u>72,234</u>
Dividend		<u>Nil</u>	<u>Nil</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	8	<u>HK8.3 cents</u>	<u>HK7.7 cents</u>
– Diluted	8	<u>HK8.3 cents</u>	<u>HK7.7 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		143,244	137,863
Prepaid land lease payments		73,180	70,099
Intangible assets		92,157	90,161
Deferred expenditure		52,836	50,596
Goodwill		18,865	18,865
Deposits and prepayments		21,791	49,469
		402,073	417,053
CURRENT ASSETS			
Inventories		24,457	15,464
Accounts and bills receivables	9	256,784	228,701
Prepayments, deposits and other receivables		212,792	119,101
Cash and cash equivalents		923,210	871,454
		1,417,243	1,234,720
CURRENT LIABILITIES			
Accounts and bills payables	10	24,031	19,628
Tax payable		10,747	15,199
Accrued liabilities and other payables		57,882	40,604
Bank loans		65,687	61,586
Dividend payable		17,615	–
		175,962	137,017
Total current liabilities		175,962	137,017
NET CURRENT ASSETS		1,241,281	1,097,703
TOTAL ASSETS LESS CURRENT LIABILITIES		1,643,354	1,514,756
NON-CURRENT LIABILITIES			
Bank loans		434,146	436,383
Deferred tax liabilities		16,147	15,462
		450,293	451,845
Total non-current liabilities		450,293	451,845
Net assets		1,193,061	1,062,911

	31 December	30 June
	2007	2007
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	88,073	88,073
Reserves	1,044,710	909,188
Proposed final dividend	–	17,615
	<hr/> 1,132,783	<hr/> 1,014,876
Minority interests	60,278	48,035
	<hr/> 1,193,061	<hr/> 1,062,911
Total equity	<hr/> 1,193,061	<hr/> 1,062,911

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Accounting Policies

The condensed consolidated interim financial report for the six months ended 31 December 2007 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The accounting policies and basis of preparation adopted in the preparation of the interim financial report are the same as those used in the annual financial statements of the Group for the year ended 30 June 2007, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include Hong Kong Accounting Standards and interpretations) in current period for the first time as disclosed in note 2 below. This interim financial report should be read in conjunction with the 2007 annual report.

2. Impact of New and Revised Hong Kong Financial Reporting Standards

The following new and revised HKFRSs are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new and revised HKASs, HKFRS and Interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the interim financial report.

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group’s business and are mandatory for the Group’s accounting periods beginning on or after 1 January 2008 or later periods. The Group has not early adopted these standards, amendments and interpretations for the six months ended 31 December 2007. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a material impact on its Group’s results and financial positions.

3. Revenue

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

4. Segment information

The following table presents revenue and profit information for the Group's business segments.

	Manufacturing		Trading		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31 December		31 December		31 December	
	2007	2006	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment revenue:						
Sales to external customers	<u>363,616</u>	267,915	<u>1,353</u>	98,146	<u>364,969</u>	<u>366,061</u>
Segment results	<u>115,416</u>	104,868	<u>41</u>	1,219	<u>115,457</u>	106,087
Interest income and unallocated income					6,394	10,074
Unallocated expenses					(4,073)	(6,639)
Finance costs					<u>(15,384)</u>	<u>(16,555)</u>
Profit before tax					102,394	92,967
Tax					<u>(21,317)</u>	<u>(20,733)</u>
Profit for the Period					<u>81,077</u>	<u>72,234</u>

5. Finance costs

	For the six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	
Interest expense on:		
Bank loans wholly repayable within five years	<u>15,384</u>	<u>16,555</u>

6. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	59,192	132,200
Employee benefits expense (including directors' remuneration)	19,232	14,255
Depreciation	4,349	4,852
Amortisation of prepaid land lease payments	490	233
Loss on disposal of items of property, plant and equipment	–	25
Amortisation of intangible assets	2,045	1,429
Interest income	(6,394)	(9,632)
	<u> </u>	<u> </u>

7. Tax

	For the six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Mainland China	<u>21,317</u>	<u>20,733</u>

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to an approval received from Gui Zhou Sheng Ke Xue Ji Shu Ting (貴州省科學技術廳) on 25 December 2000, Guizhou Hanfang Medicine Manufacture Co., Ltd. (“GHMM”), a subsidiary of the Company, was classified as one of the approved “High and New Technology Enterprises” in Mainland China. Accordingly, GHMM is entitled to a preferential Mainland China Corporate Income Tax rate of 15% effective from 1 January 2002. In addition, pursuant to an approval received from the local tax bureau in 2003, Guiyang De Chang Xiang Pharmaceutical Company Limited (“DCX”), a subsidiary of the Company, was approved a Mainland China Corporate Income Tax rate of 15% effective from year 2003 to 2010 with respect to the preferential tax policy granted by the local government for the entity established in western part of the Mainland China.

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share (“Share”) is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$73,204,000 (2006: HK\$68,094,000) and the weighted average of 880,734,000 (2006: 880,528,000) ordinary Shares in issue during the Period.

Diluted earnings per Share amount for the period ended 31 December 2007 have not been disclosed as there are no diluting events existed during the Period. The calculation of diluted earnings per Share amount for the period ended 31 December 2006 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$68,095,000 and on 880,941,000 ordinary shares outstanding during that period.

9. Accounts and bills receivables

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally up to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group’s accounts and bills receivables are related to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

An ageing analysis of accounts and bills receivables as at the balance sheet date is as follows:

	31 December	30 June
	2007	2007
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Within 90 days	138,815	162,380
91 – 180 days	108,137	63,893
181 – 365 days	9,687	2,428
Over 365 days	145	–
	256,784	228,701

10. Accounts and bills payables

An ageing analysis of the accounts and bills payables as at the balance sheet date is as follows:

	31 December	30 June
	2007	2007
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	17,306	15,909
91 – 180 days	3,819	1,946
181 – 365 days	1,569	594
Over 365 days	1,337	1,179
	<hr/>	<hr/>
	24,031	19,628
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development (“**R&D**”), manufacture and sale of gynecological medicine and medicinal healthcare products in the People’s Republic of China (“**PRC**” or “**China**”). During the Period, the Group continued to achieve a positive return through its own and joint national distribution channels as well as extensive marketing network.

MARKET REVIEW

During the Period, the pharmaceutical industry in China had performed well. Developments in the pharmaceutical industry were gathering momentum and economic efficiency has continued to improve. In general, profits of pharmaceutical enterprises in China were encouraging, the level of concentration in the industry was enhanced and commercial sales and purchases were in steady growth. Demands from the three largest end-market segments, namely hospitals, Over-the-counter (“**OTC**”) drug stores and the third point of sale (including rural region and medical units in communities) were strong, prospects of export and import of pharmaceuticals remained positive. According to a forecast conducted by the Southern Medicine and Economy Research Institution of the State Food and Drug Administration of the PRC, the total production value of the pharmaceutical industry in China was approximately RMB 630 billion in 2007, representing an increase of about 17.8% to 18.5% as compared to approximately RMB 520 billion in 2006.

During the Period, the objectives of the State medical reform proposal (國家醫改方案) and the overall framework were finalized. The New Rural Cooperative Medical System (“**NRCM**”) (新型農村合作醫療) had been implemented in full scale after the trial run period. In response to the coming of a new market from NRCM, new administrative measures on new medical products registration had been introduced, resulting in a new round of Good Manufacturing Practice (“**GMP**”) applications activity. In addition, a series of policies on regulating the medical market environment and on the tender system that hospitals apply in their points of sale were introduced. As a result, disparity on internal developments within the sector became more apparent; divergence on profitability among enterprises widened. As such, less competitive pharmaceutical enterprises were forced to close down, and thus created a new space in market. Yet competition within the industry remained to be keen. The Board expects that the pharmaceutical industry will undergo another round of consolidation.

BUSINESS REVIEW

During the Period, the Group reported continuous steady growth across its core business segments, with prescription drugs, OTC drugs and feminine medicinal healthcare products all recording steady growth. It was encouraging to see that the Group had successfully achieved a balanced development in terms of business growth and risk control.

FINANCIAL PERFORMANCE

During the Period, the Group's turnover was approximately HK\$365.0 million, of which approximately HK\$363.6 million was derived from sales of the Group's own products, representing an increase of approximately 35.7% as compared with approximately HK\$267.9 million of the corresponding period in last year. **Prescription drugs** contributed approximately HK\$161.3 million in turnover during the Period, representing approximately 44.4% of the total sales of the Group's own products. **OTC drugs** recorded approximately HK\$76.7 million in turnover during the Period, accounting for approximately 21.1% of the total sales of the Group's own products and an approximately 35.7% increase over the corresponding period in last year. **Feminine medicinal healthcare products** recorded approximately HK\$125.5 million in turnover during the Period, representing approximately 34.5% of the total sales of the Group's own products and an approximately 108.2% increase over the corresponding period in last year. Approximately HK\$1.4 million of the Group's turnover during the Period was attributable to trading business.

Consolidation

During the Period, the Group continued the sale strategy of placing parallel focuses on prescription drugs, OTC drugs and feminine medicinal healthcare products. Such strategy included further penetration into the hospital market and tapping into the rural pharmaceutical market and widening of the market share of the Group in healthcare products market. The Group had integrated the internal corporate structure to refine the production line, recruited more high-calibre expertise and expanded a professional management team. We continued to grasp opportunities in our steady development and exerted great effort on working out the balance between the pace of corporate development and quality and efficiency. These measures would enable healthy, stable and rapid development of the Group, thereby enhancing our economic efficiency.

Prescription drugs

The Group continued its efforts in the improvement of its sales network and penetration of distribution channels, strengthened the build-up of a strong professional sales team by recruiting high-caliber professionals, system standardization and strengthening internal training programs and endeavored to devote more sales and marketing efforts to its key products through a number of means including academic and public welfare promotion. Meanwhile, the Directors believe that the Company's sales would be strengthened by offering a variety of product combinations, developing and introducing new products to the market, re-articulating the marketing and promotion strategies, and putting the Group's selling plans into practice.

OTC drugs

Fuke Zaizaowan (婦科再造丸) remains the Group's core branded product, complimented by other products that adapt to the market trend. The main promotional strategy of this product line lies in product branding and enhancement of the Group's corporate image through brand promotion and points of sale promotion. Meanwhile, with the changes taking place in pharmaceutical market, and the driving forces from the State NRCM, the new medical system in the community, the medical reform and the State medical insurances for all citizens, the Company will take measure to redesign the packages of the products to meet the markets' demand and recruit high-calibre professionals to the sales teams and establish professional marketing teams to enhance the infiltration rate of the Company's products in the third points of sale (including rural region and medical units in communities). The Group's market share in the OTC drugs market will strengthen and achieve better sales performance in this market.

Feminine medicinal healthcare products

Facial mask products under the Group's "Magic 美即" series will undergo another stage of research, development, production and sale. Cream mask, stretch mask, TU combination mask and DIY fresh mask in "Magic 美即" series have been introduced to the market during the Period. This in turn will strengthen the implementation of the leading brand strategy and differentiation strategy. With appropriate marketing and selling and promotion strategies, the Directors believe that sales of "Magic 美即" series products in famous nationwide hyper-store channels like Watsons, Carrefour and Wal-Mart will be enhanced, coverage of sales channels in major cities throughout the PRC will be more comprehensive and sales network will strengthen. Meanwhile, to meet the demands in Hong Kong and Macau, the Group has launched a specially-designed packing for "Magic 美即" series products. Results of this product in such markets are encouraging.

AWARDS

During the Period, certain subsidiaries of the Company and certain products of the Group were accredited with various awards.

Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司), Guiyang De Chang Xiang Pharmaceutical Company Limited (貴陽德昌祥藥業有限公司) received a medal and an honorable certificate from the large-scale commonweal campaigns organizing committee of national project of safe consumption for women and children's health products (全國婦幼健康消費放心工程大型公益活動組委會) as **the safest enterprise of national project of safe consumption of women and children's health products in year 2007** (全國婦幼健康消費放心工程最具放心企業).

Guizhou Hanfang Medicine Manufacture Co., Ltd. has received the honorable title, **Year 2007 industry efficiency improvement Award** (2007年工業提速增效獎), from the Economic & Trade Commission of Guiyang City (貴陽市經濟貿易委員會).

Guiyang De Chang Xiang Pharmaceutical Company Limited was awarded "**Enthusiasm in public welfare and innovative business company**" (熱心公益事業先進單位) by Bureau of Commerce of Guizhou Province (貴州省商務廳) and Guizhou Province Foreign Investment Enterprise Association (貴州省外商投資企業協會). It also received an honorable title, **Advance Company of safety production** (安全生產先進單位), from National Labour Union of Guiyang City (貴陽市總工會) and was awarded as **Advance enterprise in saving of energy and raw materials** (節約能源原材料先進企業) and **Advance enterprise of technology reform** (技術改造先進企業) by the Economic & Trade Commission of Guiyang City (貴陽市經濟貿易委員會).

Fudekang Foam (婦得康泡沫劑), produced by Guiyang De Chang Xiang Pharmaceutical Company Limited, was awarded **Year 2007 Guiyang City outstanding new product (environmental protection product) 2nd-Grade Award** (2007年貴陽市優秀新產品(環保產品)二等獎), **Fufang Yanlian Tablets** (複方岩連片), **Fufang Shihu Tablets** (複方石斛片), **Zhichuanlin aerosol** (止喘靈氣霧劑) were awarded as **Year 2007 Guiyang City outstanding new product (environmental protection product) 3rd-Grade Award** (2007年貴陽市優秀新產品(環保產品)三等獎); in-depth research and development scheme on **Fuke Zaizaowan** (婦科再造丸) was accredited as **Guiyang City Year 2007 science and technology 3rd-Grade Award**. (貴陽市2007年科學技術獎三等獎).

“Magic 美即” facial mask product series produced by Guangzhou Magic Skincare Company Limited (廣州美即化妝品有限公司) was awarded as **Watsons HWB Award 2007** in the Best Type of Facial Masks (面膜最佳品類大獎) by China Watsons because of its “Health, Wellness, Beauty and Style” features. The products also received the **Bronze Award** of the best sales and growth in facial mask series in Health and Beauty Competition 2007 held by Hong Kong Watsons and was awarded the **Best Mask Range for Summer** in the Summer Champions event organized by Hong Kong Watsons.

RESEARCH AND DEVELOPMENT

During the Period, the Group’s proprietary gynecological recuperation product, **Fuke Zaizao Capsules** (婦科再造丸膠囊) was well received by the hospital market and gained popularity among patients. Sales of this product was promising. Another proprietary product of the Group, **Fenfenzhong® Nano Silver Anti-inflammatory Gel** (分分鐘®納米銀婦女外用抗菌凝膠), a treatment for women who suffer from vaginitis and cervicitis, is ready to be launched into the market in the second half of the current financial year.

During the Period, 21 types of new products have been introduced into the market under the “Magic 美即” facial mask series, among which, 11 types are new forms of facial mask products, cream masks, stretch mask, TU combination mask and DIY fresh mask etc. The introduction of the new products under the “Magic 美即” series not only enriches the combination of “Magic 美即” series products but also strengthens the brand image of “Magic 美即” series as a **MG Facial Mask Center**.

PROSPECTS

The year of 2008 is the Olympic year. Driven by the economic effects of the Olympics, the growth of the pharmaceutical industry will be stimulated further by the good conditions of the economy. During the time of the Olympic Games, people from all around the world will gather in China. It provides a valuable opportunity to the pharmaceutical industry in China for international exchange and cooperation. With the pharmaceutical sector undergoing a substantial reform, the newly-established medical insurance system for all citizens and the basic coverage of NRCM, demand for medical healthcare from the mass will rise significantly. This constitutes a driving force for the growth of the pharmaceutical industry in 2008. As a result, the value of the sector as a whole will increase. It is expected that the currently excessive, tiny, scattered and disorderly structure of the Chinese medicine sector will be replaced by a more standardized, transparent and mature system, and thus medicine sector will be expected to gradually develop into a promising prospects and better appeal.

The management is of the view that the medical sector in China is still in the low ebb compared to the world's medical industry as with the effect of macro-economic inflation of the State in 2008. The rate of concentration in this sector is very low and the incapability of corporate innovation in this sector remains a concern. Consequently, having a new medicine, particularly biological medicine with an exclusive intellectual property right and good curing effect will be indispensable in the keen market competition. Prospects for new biological medicine is encouraging. An important factor in deciding whether a pharmaceutical enterprise has core competitiveness depends on its capability on inventing new medicine. As competition among pharmaceutical enterprises in the medical sector intensifies, disparity on the internal development will be widened, medical sectors will undergo another round of consolidation through mergers and acquisitions, restructuring and consolidation. Trend for becoming a conglomerate in medical sector will be more prominent.

Hence, the Group will continue to optimize operational efficiency, fortify internal control systems in the second half of the current financial year. The Group will articulate an overall strategic plan for the Group's development and readjust the strategic plans step by step. Marketing promotion will be the main theme in the Group's strategy, good quality production will be the basis for the Company's development with the assistance from the corporate culture, to fortify internal control systems, to strengthen cost control and risk management through continuous internal consolidation, efficient resources reallocation and construction of a fully integrated operation platform. In the mean time, the Group is continuing to identify opportunities to acquire pharmaceutical enterprises which would contribute to the proprietary product, leading brand, distribution network and profits of the Group. Additional efforts will be made on identifying new products with exclusive intellectual property rights and good treatment effects or to merge with and acquire other pharmaceutical enterprises which have a strong capability on field research and development to broaden the strength and scale of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC and Hong Kong. As at 31 December 2007, the Group had unpledged cash and bank balances of approximately HK\$923.2 million (30 June 2007: approximately HK\$871.5 million). Its gearing ratio calculated as a ratio of total debt to equity attributable to equity holders of the Company was approximately 44.1% (30 June 2007: approximately 49.1%). Net current assets was approximately HK\$1,241.3 million (30 June 2007: approximately HK\$1,097.7 million) and the current ratio was maintained at the healthy level of approximately 8.1 (30 June 2007: approximately 9.0) as at 31 December 2007.

The finance costs of the Group for the Period amounted to approximately HK\$15.4 million (2006: approximately HK\$16.6 million), representing approximately 4.2% (2006: approximately 4.5%) of the Group's total turnover and a decrease of approximately HK\$1.2 million over the corresponding period in 2006.

COMMITMENTS

As at 31 December 2007, the Group had contracted commitments of HK\$11.3 million (30 June 2007: HK\$33.2 million) and HK\$10.3 million (30 June 2007: HK\$10.7 million) in respect of purchases of technical knowhow/patent and construction of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities (30 June 2007: Nil).

BANK BORROWINGS

As at 31 December 2007, the Group had outstanding bank loans of approximately HK\$499.8 million from the banks in the PRC and Hong Kong (30 June 2007: approximately HK\$498.0 million), approximately 13.1% (30 June 2007: approximately 12.4%) of which were short term bank loans with maturity within one year. All the bank loans of the Group were denominated in Renminbi and Hong Kong Dollar.

As at 31 December 2007, the Group's bank borrowings were secured by (i) pledge over certain plant and machinery of the Group; (ii) pledge over certain prepaid land lease payments and buildings of the Group; (iii) pledge of equity interests of certain subsidiaries of the Company; and (iv) corporate guarantees given by certain subsidiaries of the Company.

SEASONAL OR CYCLICAL FACTORS

During the Period, the Group's business operations were not significantly affected by any seasonal and cyclical factors.

FOREIGN EXCHANGE EXPOSURE

During the Period, the Group mainly generated revenue and incurred costs in Renminbi. Renminbi did not fluctuate materially during the Period. The Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

TREASURY POLICIES

During the Period, the Group generally financed its operations with internally generated resources and credit facilities provided by banks in the PRC and Hong Kong. Interest rates of most of these were calculated by reference to the PRC and Hong Kong bank rates. Both bank deposits and borrowings were mainly denominated in Renminbi and Hong Kong Dollar.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2007, the Group had a total of 1,053 employees (2006: 1,289), of whom 1,042 were based in the PRC, with the rest stationed in Hong Kong. The employees of the Group were remunerated based on their experience, qualifications, the Group's performance as well as market conditions. During the Period, staff costs (including Directors' remunerations) amounted to approximately HK\$19,232,000 (2006: approximately HK\$14,255,000). Staff costs accounted for 5.3% of the Group's turnover (2006: 3.9%) during the Period. The Group participates in retirement benefit schemes for its staff both in Hong Kong and the PRC.

The Group has developed its training programmes in a structured and systematic manner for its management and employees. The Group provided regular management and technical related courses to its employees during the Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2006: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company complied with the code provisions as set out in Appendix 14 to the Listing Rules throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (“**Model Code**”). Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company’s codes of conduct regarding securities transactions by Directors and senior management during the Period.

As at the date of this announcement, the Board comprises Mr. Zhang Peter Y., Mr. Deng Jie, Mr. Long Xian Feng and Mr. Bian Shu Guang as executive Directors, Mr. Wee Ee Lim (Mr. Chng Hwee Hong as his alternate) and Mr. Tarn Sien Hao as non-executive Directors, and Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew as independent non-executive Directors.

By order of the Board

Hua Han Bio-Pharmaceutical Holdings Limited

Zhang Peter Y.

Chairman

Hong Kong, 20 March 2008