

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2013

ANNUAL RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Hua Han Bio-Pharmaceutical Holdings Limited (“**Company**”) is pleased to announce the consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2013 (“**Year**”) together with the comparative amounts for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2013

	Notes	2013 HK\$'000	2012 HK\$'000
REVENUE	4	1,754,392	1,312,127
Cost of sales		<u>(387,032)</u>	<u>(456,269)</u>
Gross profit		1,367,360	855,858
Other income	4	13,571	13,510
Selling and distribution expenses		(879,790)	(365,318)
Administrative expenses		(120,555)	(84,564)
Share-based payments		(28,058)	(52,374)
Impairment of deferred expenditure		(47,491)	–
Gain on disposal of an available-for-sale investment		19,582	–
Gain on partial disposal and deemed partial disposal in interest in an associate		–	257,053
Gain on deemed disposal of interests in an associate		–	125,335
Share of profits/(loss) of associates		(1,568)	27,707
Finance costs	5	<u>(1,960)</u>	<u>(2,958)</u>
PROFIT BEFORE TAX	6	321,091	774,249
Income tax expense	7	<u>(97,766)</u>	<u>(79,278)</u>
PROFIT FOR THE YEAR		<u>223,325</u>	<u>694,971</u>

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		223,041	657,228
Non-controlling interests		<u>284</u>	<u>37,743</u>
		<u><u>223,325</u></u>	<u><u>694,971</u></u>
 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	 9		 (Restated)
— Basic		<u><u>HK7.43 cents</u></u>	<u><u>HK22.75 cents</u></u>
— Diluted		<u><u>HK7.36 cents</u></u>	<u><u>HK22.74 cents</u></u>

Details of the dividends are disclosed in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PROFIT FOR THE YEAR	223,325	694,971
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Items that will not be reclassified to income statement in subsequent periods:</i>		
Gains on revaluation of buildings	13,741	13,577
Deferred tax arising from revaluation on buildings	<u>(2,928)</u>	<u>(2,828)</u>
	<u>10,813</u>	<u>10,749</u>
<i>Items that may be reclassified to income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	163,239	42,999
Share of other comprehensive income of associates	–	11,558
Release of reserves upon partial and deemed partial disposal of interest in an associate	<u>–</u>	<u>(8,764)</u>
	<u>163,239</u>	<u>45,793</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>174,052</u>	<u>56,542</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>397,377</u></u>	<u><u>751,513</u></u>
Attributable to:		
Owners of the Company	389,532	711,772
Non-controlling interests	<u>7,845</u>	<u>39,741</u>
	<u><u>397,377</u></u>	<u><u>751,513</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		361,560	322,281
Prepaid land lease payments		29,705	29,707
Intangible assets		164,220	192,711
Deferred expenditure		51,471	97,051
Goodwill		110,273	110,273
Investment in a jointly-controlled entity		–	–
Investments in an associate		374,742	179,059
Available-for-sale investment		–	270,451
Deposits		467,093	436,265
Deferred tax assets		43,915	4,816
		<u>1,602,979</u>	<u>1,642,614</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		41,383	42,543
Trade and bills receivables	10	659,924	442,723
Prepayments, deposits and other receivables		43,605	174,552
Tax recoverable		6,815	6,634
Cash and cash equivalents		2,799,436	2,095,315
		<u>3,551,163</u>	<u>2,761,767</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables	11	51,854	41,639
Other payables and accrued expenses		139,769	104,463
Obligation under a finance lease		89	83
Interest-bearing bank borrowings		25,108	31,650
Tax payable		125,941	54,768
		<u>342,761</u>	<u>232,603</u>
Total current liabilities			
NET CURRENT ASSETS		<u>3,208,402</u>	<u>2,529,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,811,381</u>	<u>4,171,778</u>
NON-CURRENT LIABILITIES			
Obligation under a finance lease		31	120
Deferred tax liabilities		55,868	59,992
Deferred income		17,576	21,996
		<u>73,475</u>	<u>82,108</u>
Total non-current liabilities			
Net assets		<u>4,737,906</u>	<u>4,089,670</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	317,009	241,033
Reserves	<u>4,229,849</u>	<u>3,665,434</u>
	4,546,858	3,906,467
Non-controlling interests	<u>191,048</u>	<u>183,203</u>
Total equity	<u><u>4,737,906</u></u>	<u><u>4,089,670</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of pharmaceutical products and bio-pharmaceutical products
- trading of pharmaceutical products
- research and development of pharmaceutical products

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> — <i>Presentation of Items of Other Comprehensive Income</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax:</i> <i>Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of amendments to HKAS 1, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 1 Amendments change the grouping of items presented in other income comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, revaluation of buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

3. OPERATING SEGMENT INFORMATION

The Group has only one business segment, namely pharmaceutical products, and accordingly no business segment information is presented. No geographical segment information is presented as the Group's revenue is solely derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about a major customer

Revenue of HK\$473,158,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue and other income is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue		
Sale of goods	1,916,168	1,724,465
Less rebates	<u>(161,776)</u>	<u>(412,338)</u>
	<u>1,754,392</u>	<u>1,312,127</u>
Other income		
Bank interest income	8,628	8,575
Recognition of deferred income on distribution rights	4,943	4,898
Government grant*	<u>-</u>	<u>37</u>
	<u>13,571</u>	<u>13,510</u>

* *There are no unfulfilled conditions or contingencies relating to these grants.*

5. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	1,948	2,897
Interest on finance lease	<u>12</u>	<u>61</u>
	<u>1,960</u>	<u>2,958</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories sold	<u>387,032</u>	<u>456,269</u>
Depreciation	18,106	19,129
Amortisation of intangible assets*	33,238	33,823
Amortisation of prepaid land lease payments	747	768
Research and development costs	4,201	3,324
Minimum lease payments under operating leases in respect of land and buildings	2,678	2,662
Employee benefits expense (including directors' and chief executive's remuneration):		
Wages and salaries	53,457	37,912
Share-based payments	28,058	52,374
Pension scheme contributions**	<u>6,143</u>	<u>4,658</u>
	<u>87,658</u>	<u>94,944</u>
Foreign exchange differences, net	35	418
Impairment of deferred expenditure	47,491	–
Impairment/(reversal of impairment) of trade receivables	(961)	3,633
Impairment/(reversal of impairment) of other receivables	(79)	210
Gain on disposal of items of property, plant and equipment	<u>3</u>	<u>–</u>

* *The amortisation of intangible assets for the year is included in "Cost of sales" in the consolidated income statement.*

** *At 30 June 2013, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2012: Nil).*

7 INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current — Mainland China		
Charge for the year	143,840	90,371
Underprovision in prior years	121	131
Deferred	<u>(46,195)</u>	<u>(11,224)</u>
Total tax charge for the year	<u>97,766</u>	<u>79,278</u>

8. DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Dividends paid during the year:		
Final dividend in respect of the financial year ended 30 June 2012		
— HK3.4 cents per ordinary share		
(2012: HK3.4 cents per ordinary share in respect		
of the financial year ended 30 June 2011)	84,226	68,293
Special dividend in respect of the financial year ended		
30 June 2012		
— HK5 cents per ordinary share (2012: Nil)	<u>123,861</u>	<u>—</u>
	<u>208,087</u>	<u>68,293</u>
Proposed dividend:		
Final — HK2.3 cents (2012: HK3.4 cents) per ordinary share	72,912	81,951
Special — HK4.0 cents (2012: HK5 cents) per ordinary share	<u>126,804</u>	<u>120,517</u>
	<u>199,716</u>	<u>202,468</u>

The proposed final and special dividend of HK\$72,912,000 and HK\$126,804,000, representing HK2.3 cents and HK4 cents per share, respectively, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (the “**Bonus Issue**”) for the year ended 30 June 2013 is subject to the approval of the Company’s shareholders at the Company’s annual general meeting on 13 December 2013. These financial statements do not reflect the dividend payable.

The proposed final and special dividend of HK\$81,951,000 and HK\$120,517,000, representing HK3.4 cents and HK5 cents per share, respectively, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (the “**2012 Bonus Issue**”) for the year ended 30 June 2012 were approved by the Company’s shareholders at the Company’s annual general meeting on 27 December 2012. The final and special dividend of HK3.4 cents and HK5 cents per share, respectively, for the year ended 30 June 2012 were satisfied by cash payment. On 22 January 2013, 495,506,380 shares of HK\$0.1 each were issued to satisfy the 2012 Bonus Issue of shares. The dividend payable was not reflected in the financial statements as at 30 June 2012.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	<u>223,041</u>	<u>657,228</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (2012: restated to reflect the effect of the 2012 Bonus Issue)	3,001,619	2,888,689
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year (2012: restated to reflect the effect of the 2012 Bonus Issue)	<u>30,701</u>	<u>965</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>3,032,320</u>	<u>2,889,654</u>

10. TRADE 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 for a period of up to three months, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had a certain concentration of credit risk as 28% (2012: 27%) and 43% (2012: 38%) of the total trade and bills receivables were due from the largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on invoice date and net of provision, is as follows:

	Group	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 3 months	474,661	342,428
3 months to 6 months	76,114	65,500
Over 6 months	<u>109,149</u>	<u>34,795</u>
	<u>659,924</u>	<u>442,723</u>

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	37,292	33,466
3 months to 6 months	6,461	3,399
6 months to 1 year	3,581	1,505
Over 1 year	4,520	3,269
	<u>51,854</u>	<u>41,639</u>

The trade payables are non-interest-bearing and are normally settled on 90-day to 180-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development, manufacture and sale of traditional Chinese medicines mainly specialising in gynecological pharmaceutical products and bio-pharmaceutical medicines and technologies in the People's Republic of China ("PRC" or "China"). By leveraging on the broadened and fast-developing pharmaceutical market in China, the Group during the Year capitalised on the existing internal operation resources previously established in terms of products, technologies, market, talents and management and continued to increase our market share to create greater returns for shareholders.

MARKET REVIEW

During the Year, the PRC pharmaceutical industry continued to maintain a high growth. According to the statistics from the National Bureau of Statistics of China, sales revenue of PRC pharmaceutical industry reached RMB1,708.3 billion in 2012, representing a year-on-year increase of 19.8%; with a recorded profit of RMB173.2 billion, representing a year-on-year increase of 19.8%. Sales revenue of PRC pharmaceutical industry reached RMB949.3 billion during the period from January to June 2013, representing a year-on-year increase of 19.6%; with a recorded profit of RMB91.7 billion, representing a year-on-year increase of 16.6%. Continuous expansions of the PRC pharmaceutical market were driven by the following factors. Firstly, the pace of aging population has been accelerating and common geriatric diseases, such as cancer, cardiovascular diseases, diabetes mellitus and neurological disorders, ranked top in terms of morbidity rate and relevant treatment costs. Secondly, the coverage of national medical insurance system has become more comprehensive, and medical insurance premium is increasing at a faster pace. Thirdly, the government has been continuously increasing its input into public healthcare, urban community hospitals and county hospitals, especially township health centres, have been developing rapidly while medical conditions were significantly improved. Fourthly, the demand for healthcare services kept rising due to increasing purchasing power of urban residents.

During the Year, some new features were found in the PRC pharmaceutical industry. As the “Antibiotics Restriction Order” is implemented, there was a significant decline in production scale and sales of raw materials and preparations for chemical-based medicines, while Chinese patent drugs showed strong growth. Growing public concern towards pharmaceutical product quality and drug safety was aroused due to the “Toxic Capsule” incident. The drug regulatory departments therefore strengthened its supervision efforts and set much higher control standards. The time limit requirements under the new GMP accreditation and increase in fixed asset investments accelerated the process of resources integration in the pharmaceutical manufacturing industry. State-owned enterprises have been expanding rapidly, while the entry of foreign enterprises into the industry has intensified mergers and acquisitions and reorganisations. Drug tenders became the government’s key measure to control prices of drugs and to regulate the market. Law enforcement increased the effort in fighting against bribery in the pharmaceutical industry to standardize operation and sustain healthy development of pharmaceutical enterprises. More new products and technologies were introduced to the industry. However, under the influence of various factors, it is no easy task to keep the increasing risks in check.

Chinese medicine had gained strong backup from government policies. More Chinese medicines are listed in the “Essential Drug List” (基藥目錄), resulting in rapid growth in the Chinese medicine manufacturing industry, reaching a market share of nearly 30%. The government has tightened control over the quality and safe application of pharmaceutical products, and the drug regulatory departments oversee all relevant procedures, including research and development, manufacturing, circulation and application of drugs, and impose heavy penalties on those pharmaceutical enterprises falling short. Pharmaceutical enterprises are increasing their investments in new drugs and new technologies to enhance their future competitiveness. However, as pharmaceutical standards in China rise quickly and are catching up with the standards in Europe and the United States, and that the reviewing process of new drugs is complicated and time-consuming, the research and development cost of new drugs rises and delays their market launch, resulting in higher actual risks for manufacturing new drugs. The newly launched National GMP accreditation standards comparable with the GMP requirements of Europe and the World Health Organisation, set a higher standard in drug production and quality control. This may impact on small and medium pharmaceutical enterprises in the short run, as they are required to substantially increase their investments in technological innovation. However, in the long run, it will help to consolidated the pharmaceutical industry, driving the enhancement in the industry as well as the modernisation and internationalisation of medicine production. With the support from the government and advantages in terms of resources, several state-owned pharmaceutical enterprises such as Sinopharm, Shanghai Pharma and China Resources became mega conglomerates in the PRC pharmaceutical industry and enhanced their powers and influences in the market through several rounds of mergers and acquisitions and reorganisations. It was obvious that foreign investment enterprises have been developing in the PRC pharmaceutical market aggressively with an aim to capture larger market share. The government is still exerting significant influence on the pharmaceutical market by extending the coverage and capacity of the “Essential Drug List” (基藥目錄) and “National Medical Insurance Catalogue” (醫保目錄), in order to ascertain the level of medicine application in the market. The government aims to lower drug prices by establishing tender procedures and direct approval methods, and to regulate market order by combatting commercial bribery.

During the year, the “12th Five-Year Plan in China Pharmaceutical Industry” (中國醫藥工業十二五規劃) has been implemented, which mainly targets to facilitate transformation, upgrading and rapid development of the pharmaceutical industry, accelerates the pace of drug innovation, especially bio-technical medicine among which neurodegenerative disease drugs, genetic engineering protein and polypeptide drugs, genetic therapy drugs and stem cell therapy products are being listed in the first batch of key development areas. The Plan also encourages the central-western region to develop distinctive pharmaceutical manufacturing industry, and strengthening reservation, development as well as application of Chinese medicine and ethnic medicine resources. At the same time, it enhances the quality and safety standards of pharmaceutical products, reinforces the major responsibility of enterprises in terms of quality control and encourages the enterprises to perfect its quality management system.

Undoubtedly, the PRC pharmaceutical market has entered a great era. Enterprises with strong development prospects, updated marketing and development strategies, unique product series and advanced technologies, strong and well established nationwide end-user sales and marketing network and excellent executive abilities will eventually outrun other competitors in the market and become a large home-grown pharmaceutical enterprise which is well-equipped to face international competition.

BUSINESS REVIEW

During the Year, against the backdrop of the rapid development of the domestic pharmaceutical market, tighter government control and intense market competition, the Group has adopted proactive measures to sustain growth for the results of the Group. The Group continued to focus on critical areas of its designated development strategy, and established a new sales model through promoting the exclusive National Medical Insurance Catalogue (the “**National Medical Insurance Catalogue**” (醫保目錄)) products to drive the sales of prescription drugs, and promoting the exclusively branded product categories to drive the sales of over-the-counters (the “**OTC**”) drugs. Maintaining a steady growth of traditional Chinese medicines specialising in gynecological pharmaceutical products, together with developing bio-pharmaceutical medicines technologies formed a new structure for the Group’s future development. Meanwhile, the Group strictly followed the GMP production standards and processes, and focused on product quality to uphold quality standards. Furthermore, with the Group’s ability to monitor expenditures, stringent control over its procurement and production costs, as well as the operation philosophy on compliances and its focus on standardised market operation, the Group was able to expand its business scale and increase its sales revenue and profits substantially. These provided the Group with a solid foundation in further sustaining a healthy and rapid development position.

FINANCIAL PERFORMANCE

During the Year, the Group’s turnover was approximately HK\$1,754.4 million (corresponding period in 2012: approximately HK\$1,312.1 million) with gross sales revenue amounted to approximately HK\$1,916.2 million (corresponding period in 2012: approximately HK\$1,724.5 million). Out of the gross sales revenue approximately HK\$1,362.5 million was derived from traditional Chinese medicines mainly specialising in gynecological pharmaceutical products, representing an increase of approximately 25.3% as compared to the corresponding period last

year. During the Year, sales in bio-pharmaceutical products was approximately HK\$516.6 million, representing an increase of approximately 22.3% as compared to the corresponding period last year. Approximately HK\$37.1 million of the Group's turnover during the Year was attributable to trading business.

During the Year, the Group recorded a profit attributable to the owners of the Company of HK\$223 million, representing a decrease of approximately 67.9% as compared to the corresponding period last year. After deducting the gain on disposal or deemed disposal of Magic Holdings International Limited, the net profit of the Group from the core business was approximately HK\$203.5 million, representing a decrease of approximately 26.0% as compared to the corresponding period last year.

MARKET PERFORMANCE

During the Year, for prescription drugs, the core products of the Group include four exclusive products in National Medical Insurance Catalogue, namely “**Qijiao Shengbai Capsules**” (芪膠升白膠囊), “**Zhisou Huatan Pills**” (止嗽化痰丸), “**Yi Fu**”(易貝) and “**Yi Bei**” (易孚). The Group placed emphasis on boosting clinical academic drive, expert guidance and rational drug application by doctors, forming a good trend in hospitals' acknowledgement, doctors' recognition and safe medication of patients, and thereby further enhanced the growth pattern for the continuous increase in sales volume of the exclusive products in National Medical Insurance Catalogue which also boost the sales of other types of products. Sales revenue of “**Qijiao Shengbai Capsules**” (芪膠升白膠囊) and “**Zhisou Huatan Pills**” (止嗽化痰丸) for the Year were approximately HK\$431.0 million and HK\$80.2 million respectively and had recorded growth rates of approximately 77.1% and 38.5% respectively, as compared with the same period last year; gross sales revenues of “**Yi Fu**” (易孚) & “**Yi Bei**” (易貝), amounted to approximately HK\$438.6 million for the Year and had recorded growth rate of approximately 8.6%, as compared with the same period last year; for OTC drugs, our core product is “**Fuke Zaizaowan**” (婦科再造丸) (including capsules). The Group placed emphasis on constructing channels and marketing team and at the same time, excavated the unique functions and curative effects of the product, developed and leveraged on the brand promotion effect to actively expand our brand awareness and sales of products. During the Year, “**Fuke Zaizaowan**” (婦科再造丸) (including capsules) recorded sales revenue of approximately HK\$405.9 million, representing an increase in sales revenue of approximately 25.4% as compared with the same period last year, and was among the top three, in terms of sales volume, of the domestic gynecological recuperating products. As the “**Golden Peptides (金紫肽)**” and “**UC small peptides (UC小肽)**” product line were introduced, the distributors launched active promotion and received enthusiastic market response, setting a good start for both line of product. Particularly, sales revenue of “**Golden Peptides (金紫肽)**” products was approximately HK\$58.3 million this year. “**ACTL™ Anti-Cancer Cellular Immunotherapy**” (ACTL™抗腫瘤靶向性細胞免疫治療技術) has been launched in hospitals.

RESEARCH AND DEVELOPMENT

During the Year, the Group continued to conduct research and development activities in respect of raw materials like human placenta and cord blood, and began to establish a national leading, complete and high-end product and technology line within this industry. In addition to achieving certain standards in the “**Human Nerve Growing Factor Injection**” (人神經生長因子注射劑), such as process optimisation under large-scale production environment, for blood product line using placenta as its raw materials, such as placenta blood albumin, gamma

globulin and clotting factor, the Group also made certain progress on production technology and technics. The Group continued to participate in the research of “**Mesenchymal Stem Cell Project**” (間充質幹細胞專案) in Guizhou Province, and closely cooperated with the Chinese Academy of Science (中國科學院) and Zunyi Medical College (遵義醫學院) to research and develop the bio-engineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products etc.. Research on Chinese patent drugs also achieved breakthroughs, “**Qijiao Shengbai Capsules**” (芪膠升白膠囊) was approved by the Ministry of Science and Technology as “**National Key Project**” (國家重大專項).

PRODUCTION FACILITIES CONSTRUCTION AND COST CONTROL

During the Year, for the production facilities construction, construction of the “**Key Laboratory of Stem Cell Research (幹細胞重點研究實驗室)**” and “**Comprehensive Stem Cell Library (with production preparation and storage function)**” (全功能幹細胞庫) were completed and has passed the ISO9000 accreditation, and are currently in use. The reconstruction work of “**Golden Peptides (金紫肽)**” new production plant is completed. For the “**Placenta Blood Albumin (人胎盤血白蛋白)**” project, the roof-capping of the factory has been completed, and equipments were ordered. The office and inspection building of the Group was also completed and opened. The construction work of the Group’s phase one pharmaceutical manufacturing base project located at Shawen Ecological Park (沙文生態園區) in Guiyang High and New Technology Zone (貴陽高新區) has commenced.

For cost control, the Group will explore its potentials, pay more attention to details and endeavor to control the escalating cost of production. During the Year, the Group continued to adopt the following strategies. The Group has adhered to its annual bulk purchase of Chinese medicine materials plan, in which total purchase volume and unit price were determined on a one-off basis, and implemented a cost-effective system for important purchasing contracts. Bulk goods purchasing was made by tender. In budget management, staff costs of different departments and subsidiaries were subject to authorisation and approval and key areas of the approval were reviewed. These measures had effectively mitigated the Group’s pressure as a result of rising costs.

TENDERS AND REPORTS ON ESSENTIAL DRUG LIST AND NATIONAL MEDICAL INSURANCE CATALOGUE

During the year, the Group submitted about 96 products and 110 specifications in 6 provincial market government tenders, a total of 82 products and 96 specifications were accepted. “**Fuke Zaizaowan (婦科再造丸)**”, “**Zhisou Huatan Pills (止嗽化痰丸)**”, “**Yi Fu (易孚)**” and “**Yi Bei (易貝)**” were included in “**Essential Drug List of the Guangdong Province 2013 edition**”(2013年版廣東省基本藥物目錄). At present, the Group has 170 medicine product serial numbers, among which 81 specifications are National Medical Insurance Catalogue products, 4 are exclusive National Medical Insurance Catalogue products and 31 are National Essential Drug List products.

INVESTMENT AND CO-OPERATION

During the Year, the Group sold approximately 9.998% of the issued share capital of Magic Holdings International Limited and recorded cash inflow (before netting of relevant transaction cost) of approximately HK\$290,485,000. The Group’s investment in beauty product business had generated enormous returns.

The “**Placenta Blood Albumin (人胎盤血白蛋白)**” co-operation project involving the Group and the National Vaccine & Serum Institute (北京生物製品所), including “**Placenta Pills (人胎盤片)**” and “**Placenta Tissue Fluid Injection (人胎盤組織液注射劑)**” were finally approved by the China National Biotech Group (中國生物技術集團) and the Sinopharm Group, with which we entered into formal agreements. Transfer of product number and relevant information is under process.

TEAM BUILDING AND HONORS

During the Year, the Group continued to build a professional, diligent and responsible team with enthusiasm in business venture and innovative spirit. Mr. Yao Chang Fa, a member of management of the Group, was honored as “**Top 10 Excellent Corporate Culture Construction Leader in Guizhou Province (貴州省十大優秀企業文化建設領軍人物)**” by Federation of Enterprises (企業聯合會) and Entrepreneurs Association (企業家協會) of Guizhou Province at the end of 2012. Guiyang De Chang Xiang Pharmaceutical Company Limited, a subsidiary of the Group, was awarded “**Independent and Innovative Brand of Guizhou Province (貴州省自主創新品牌)**” by authorities including Food And Drug Administration (藥監局), Trade and Industry Bureau (工商局) and Information Office (新聞辦) of Guizhou Province; and was awarded the title of “**Guizhou’s Time-honored Brand (貴州老字號)**” by Guizhou Provincial Department of Commerce (貴州省商務廳).

PROSPECTS

The relevant information shows that the PRC has become the world’s third largest drugs market in 2011, and will surpass Japan to become the world’s second largest drugs market by 2018. Therefore, our continuing goal is to become a highly competitive pharmaceutical group to share the accomplishments of rapid growth of pharmaceutical market in the PRC, become the enterprise with unique and innovative products and technology in the PRC pharmaceutical market and possess comprehensive marketing network with abundant operational resources.

Meanwhile, the bio-pharmaceutical and bio-technological industry develops rapidly worldwide. As compared to traditional compound chemical drugs, bio-pharmaceuticals, supported by detailed research, have more extensive therapeutic functions and advantages, more room for improvement in innovative pharmaceutical designs and dosages, and faster reaction rate for new diseases, thus most importantly provide an opportunity for re-pricing. It is estimated that bio-pharmaceutical products will account for more than one-third of the total drug sales by 2020. According to this trend, China introduced the “**12th Five-Year Plan in China Pharmaceutical Industry (中國醫藥工業十二五規劃)**” last year, which listed the bio-pharmaceutical and bio-technological industry as a priority sector and offered preferential policies in research and development, technological transformation and market access. It is predicted that the outlook for the development of bio-pharmaceutical and bio-technological industry is optimistic.

The Directors consider that, against the backdrop of the continuous improvement of the pharmaceutical market and under the guidance of the leaping-forward development plan, the Group will continue to promote the overall development strategies that have already been set. These strategies include consolidating the internal resources system; accelerating the construction of new facilities which were designed according to the new National GMP certification standards; perfecting the business model that will drive the overall growth of

prescription drugs with the exclusive products in the National Medical Insurance Catalogue being the core products, so as to sustain the market development of OTC products; investing more resources and focusing on the research and development of new bio-albumin products, placenta blood products and stem cell products that have independent intellectual property rights, in order to strengthen the Group's on-going competitiveness based on innovative products and innovative technology; with the aim of exerting overall advantages and seeking new growth, and at the same time extending the line of product and the line of technology, identify opportunities to enter the field of medical services; continuing to structure the management system that can positively reflect the estimated market value of the Group, and enhancing and ensuring shareholders' interests.

The specific missions are to:

1. Focus on marketing to further improve our market share. Prescription drugs marketing: in addition to positioning **“Qijiao Shengbai Capsules (芪膠升白膠囊)”**, **“Zhisou Huatan Pills (止嗽化痰丸)”**, **“Yi Fu (易孚)”** and **“Yi Bei (易貝)”** as our principal products, we are required to be well-prepared so as to drive the development of other products by the principal products. As to **“Qijiao Shengbai Capsules (芪膠升白膠囊)”**, in addition to the original division of oncology, we accelerate the development of application to the retired cadres section and gynecology. As to **“Yi Fu (易孚)”** and **“Yi Bei (易貝)”**, we have to take full advantage of product efficacy and technological advantages, to boost academic promotion, so as to consolidate our leading position in the field of small-scale epidermal skin repair, as well as to capitalise on the opportunity of being listed on the Guangdong Essential Drugs List (廣東基藥目錄), in order to capture the whole provincial market speedily. OTC drugs marketing: we continue to establish **“Fuke Zaizaowan (婦科再造丸)”** (including capsules) as a well-known brand of curing cold disease for Chinese females, and aptly add to the advertising efforts while focusing on its promotion through new media outlets, with the view to increase single-store sales by various means. In addition, through the close cooperation with established beauty parlors and professional chain stores, as well as the combination of various brands with different marketing and promotion portfolios, we aim to encourage rapid growth of **“Golden Peptides (金紫肽)”** line of products in the high-end health care products market.
2. Under the guidance of the new National GMP Standards, accelerate development of new strategies of the Group within the industry. The Chinese patent drugs production base in Guiyang Shawen New District (貴陽沙文新區), equipped with the latest equipment and technology within the industry, will be completed by around middle of 2014. Seven newly-built dosage production workshops, including capsules, tablets, granules, syrup, tincture and liniment, and thirteen production workshops, as well as ancillary facilities with a total area of 140,000 square metres, will be granted the new GMP accreditation and will commence production by June 2014. The expected total investment for this project is approximately HK\$840 million. The placenta product project of **“Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)”** will be completed by the end of 2014. With the support from the provincial government and relevant state departments, we will strengthen our efforts to ensure that the **“Human Nerve Growing Factor Injection (人神經生長因子注射劑)”** will pass GMP accreditation in 2014 and commence operation. In addition, the project of **“Guizhou Stem Cell Public Repository (貴州幹細胞公共庫)”** will be implemented after obtaining the provincial project approval. These

projects will fully capitalise on the preferential policies promulgated by the government according to the State's new GMP standards and the Group's long-term development plan. We will emphasise on product quality, strengthen the accountability system, strictly control all aspects such as purchase of raw materials, processing, inspection, storage and transportation, and thereby realising the participation in quality management by all staff throughout the entire process in all directions.

3. According to the Group's research and development plan, we cooperate with pharmaceutical research and development institutions such as the Chinese Academy of Science and Zunyin Medical College through existing platforms, to recruit distinguished scientists to build up the Group's research and development team, and endeavor to invent new bio-engineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products etc.. In this financial year, one of our key missions is to enrich the ophthalmic product chain. We will strive to obtain a new ophthalmic product with State's new drug certificate by means of joint development or investment and acquisition. We will accelerate the application of modern technology in the research and development as well as the production of Chinese medicine, and to enhance and perfect the technical standards and specifications of the whole industrial chain of Chinese medicine. Improved version of Chinese medicines such as "**Astragalus Granule without Sugar (無糖型黃芪顆粒)**" (including capsules) has entered into the experimental stage. We will utilize effectively the PRC government's encouraging innovation fund to make free and continuous investments and constantly launch new products and technologies. At the same time, by better grasping and controlling the research and development pace, we will refine the arrangements between investment and progress and introduce risk control mechanism and respective positioning set up, thereby the research and development risk can be avoided practically.
4. In response to the market conditions, we will meticulously rearrange the market segments to better control any market competition. Based on different regional market conditions, we will select agents with advantages in terms of drug distribution channels, and form close cooperation to cope with the market and complement with each other's advantages. We will, according to different target hospitals, design suitable transparent two-way value-added service systems that focus on academic research and clinical trials, and establish new partnerships with hospitals on the basis of mutual benefits.
5. Strengthen the cooperation with large pharmaceutical companies that are abundant in resources and have strong comprehensive strength. We will firmly grasp the cooperation opportunity with the National Vaccine and Serum Institute. While ensuring that three types of product including "**Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)**" can be transferred to the production base in Guizhou and commence production on schedule, we will closely cooperate with the parent company, the China National Biotech Group, in vaccine production and other aspects. At the same time, we will make contact with various superior pharmaceutical companies, especially any Western and Japanese pharmaceutical companies, with the view to make up any shortcoming in the Group's business and to generate new sources of profit. We will strive to achieve any form of cooperation possible to realise a win-win situation.

6. Introduce concept and approach of market capitalisation management based on the distinct characteristics of Hong Kong capital market. By arranging regular meetings among management and investors, reporting the results and primary working status of the Group in a timely manner to enhance the communication with investors, coupled with reorganising the Group's strengths in strategy, product, competitiveness, growth, financial planning and costs and human resources, the mechanism of the Group's value will be more complete and clearer, and will induce the capital market to form an accurate evaluation of the Group, thereby resulting in a stable growth of market value aligning with the Group's development.
7. Effectively integrate internal human resources and set up excellent research and development, production and marketing teams on the traditional Chinese medicine, bio-pharmaceutical products and technology and healthcare products platforms. We will also place more efforts in recruiting high-level talents based on the development needs of the Group's business, especially the development of bio-pharmaceutical industry. At the same time, the professional skills of existing staff will be continuously promoted. In addition, we will optimise the incentive mechanism and motivate our staff's enthusiasm in business venture and create a more executable, innovative, advancing and accommodating enterprise culture.
8. Actively expand the PRC market and enhance our relationship with the government. We will proactively incorporate the Group's development into the overall domestic economic development layout and devote more contributions by increasing government fiscal income, solving unemployment problems and promoting the development of relevant industries; accelerate the development of biological products and technology to become the front-runner of the high-technology sector in the domestic economic industry; continue to strive for more investments and support from the respective government authorities for the development and technology re-engineering of the Group.
9. Grasping valuable opportunities from market adjustment and falling prices of assets and increase investments on merger and acquisition, to promote and improve the line of products of the Group and to shape our core competitiveness.

In general, the Group will forge ahead, take proactive move, and strive for further development. At the same time, we will adopt a prudent approach in view of the real-life situation, protect ourselves against risks and strive to reward our shareholders with excellent business performance.

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 30 June 2013, the Group had unpledged cash and bank balances of approximately HK\$2,799.4 million (2012: approximately HK\$2,095.3 million). Its gearing ratio calculated as a ratio of total debt of bank borrowings and obligations under finance leases to equity attributable to owners of the Company was approximately 0.6% (2012: approximately 0.8%). Net current assets were approximately HK\$3,208.4 million (2012: approximately HK\$2,529.2 million) and the current ratio was approximately 10.4 (2012: approximately 11.9) as at 30 June 2013.

The finance costs of the Group for the year amounted to approximately HK\$1.96 million (2012: approximately HK\$2.96 million), representing approximately 0.1% (2012: approximately 0.2%) of the Group's total turnover and there is no significant change in finance costs over corresponding period in 2012.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities (2012: Nil).

BANK BORROWINGS

As at 30 June 2013, the Group had outstanding bank loans of approximately HK\$25.1 million from the banks in the PRC (2012: approximately HK\$31.7 million), which were short term bank loans with maturity within one year. All the bank loans of the Group were denominated in Renminbi.

As at 30 June 2013, the Group's bank borrowings were secured by (i) certain plant and machinery of the Group; and (ii) certain prepaid land lease payments and buildings of the Group.

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

During the Year, the Group mainly generated revenue and incurred costs in Renminbi. The exchange rate for Renminbi did not fluctuate materially during the Year. 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 Year, 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.

COMMITMENTS

As at 30 June 2013, the Group had contracted commitments of approximately HK\$0.7 million (2012: approximately HK\$0.7 million), approximately HK\$74.2 million (2012: approximately HK\$78.2 million), approximately HK\$62.8 million (2012: approximately HK\$61.1 million) in respect of purchases of technical knowhow, purchases of property, plant and equipment and purchase of land respectively. As at 30 June 2013, the Group also had capital expenditure authorised but not contracted for in respect of purchase of properties, plant and equipments amounted to approximately HK\$838.6 million (2012: approximately HK\$816.3 million).

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 954 employees (2012: 887), of whom 945 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 Year, staff costs of the Group (including Directors' remunerations) amounted to approximately HK\$87,658,000 (2012: approximately HK\$94,944,000). Staff costs of the Group accounted for 5.0% of the Group's turnover (2012: 7.2%) during the Year. 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 Year.

FINAL DIVIDEND, SPECIAL DIVIDEND AND BONUS ISSUE

The Directors recommended the payment of a final dividend of HK2.3 cents per Share of the Company ("Share") and a special dividend of HK4.0 cents per Share for the Year (2012: final dividend of HK3.4 cents per Share and special dividend of HK5 cents per Share) totalling approximately HK\$199,716,000, and a bonus issue of Shares on the basis of one new ordinary Share for every five existing ordinary Shares held to the shareholders of the Company whose Shares are on the register of members on Monday, 30 December 2013, subject to the approval of the shareholders of the Company in the Company's forthcoming annual general meeting ("**Annual General Meeting**"), and if passed, the final dividend and special dividend together with share certificate of the bonus issue Share will be paid and posted respectively on Friday, 17 January 2014.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting is scheduled on Friday, 13 December 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 9 December 2013 to Friday, 13 December 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6 December 2013.

The proposed final dividend, special dividend and the bonus issue of shares are subject to the passing of ordinary resolutions by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend, special dividend and the bonus issue of shares is Monday, 30 December 2013. For determining the entitlement to the proposed final dividend, special dividend and the bonus issue of shares, the register of members of the Company will be closed from Monday, 23 December 2013 to Monday, 30 December 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, special dividend and the bonus issue of shares, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the

Company's Hong Kong branch share registrar, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Friday, 20 December 2013. The payment of final dividend, special dividend and the share certificates for the bonus shares will be made and despatched on Friday, 17 January 2014.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Year.

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 under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**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 code of conduct regarding securities transactions by Directors and senior management during the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Board has established an audit committee (the “**Committee**”) in accordance with the requirements of the CG Code. The primary duties of the Committee include reviewing and providing supervision over the financial reporting process and internal controls of the Group. The existing members of the Committee are Mr. Tarn Sien Hao, a non-executive Director, and Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew, the three independent non-executive Directors. The Group's financial statements for the Year have been reviewed by the Committee, which is of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is available for viewing on the website of the Stock Exchange and the website of the Company at <http://www.huahanbp.com.hk>. The annual report of the Company will be despatched to the shareholders of the Company in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Zhang Peter Y., Mr. Deng Jie, Mr. Long Xian Feng and Mr. Zhou Chong Ke as executive Directors, Mr. Wee Ee Lim (Ms. Lim Seok Bin Zann 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.

On behalf of the Board
Hua Han Bio-Pharmaceutical Holdings Limited
Zhang Peter Y.
Chairman

Hong Kong, 30 September 2013