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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)

ISSUE OF UP TO US\$12,000,000 2.5 PER CENT. UNLISTED AND UNSECURED REDEEMABLE CONVERTIBLE BONDS DUE 2006

On 22 July 2003, the Company and CSFB entered into the Subscription Agreement in relation to the subscription of the Bonds.

Under the Subscription Agreement, among other things, (i) the Company agreed to issue and CSFB agreed to purchase the Original Tranche 1 Bonds; (ii) the Company granted to CSFB an option to require the Company to issue the Additional Tranche 1 Bonds on substantially the same terms as the Original Tranche 1 Bonds; (iii) CSFB granted to the Company an option during a limited period and upon fulfillment of certain conditions to issue and to require CSFB to subscribe and pay for the Tranche 2 Bonds; and (iv) the Company has granted the rights to CSFB to subscribe for an amount of Shares up to the Original Tranche 1 Share Allotment Amount, Additional Tranche 1 Share Allotment Amount, and Tranche 2 Share Allotment Amount, respectively. The Bonds bear interest at the rate of 2.5 per cent. per annum and are due on 22 July 2006, being the Maturity Date.

Completion of the issue of the Bonds is subject to certain conditions which are set out in the paragraph headed "Conditions" below.

The Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds are convertible into Shares at a conversion price equal to, at the option of CSFB, either (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are on normal commercial terms and are fair and reasonable so far as the Company and its Shareholders are concerned.

Shares to be issued upon conversion of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and upon exercise of the First Allotment Option and the Additional Allotment Option will be issued pursuant to the General Mandate. No application will be made for the listing of, and permission to deal in, the Bonds on the Stock Exchange or any other stock exchange.

SUBSCRIPTION AGREEMENT

Date

22 July 2003

Issuer

The Company

Subscriber

The subscriber is CSFB.

CSFB and its beneficial owners, are not connected persons (as defined in the Listing Rules) of the Company.

Issue of the Bonds

The Bonds will be issued in up to two tranches with the Original Tranche 1 Bonds being issued on the First Closing Date. Pursuant to the Subscription Agreement, the Company has granted to CSFB an option to require the Company to issue the Additional Tranche 1 Bonds, exercisable during the period from and including the First Closing Date and ending on the Maturity Date. The Additional Tranche 1 Bonds will, if issued, be on substantially the same terms as the Original Tranche 1 Bonds set out below save for, among other things, the date of issue, the first interest payment date, the aggregate principal amount, the number of Additional Tranche 1 Bonds and the number of Shares to be issued upon conversion.

CSFB has granted to the Company under the Subscription Agreement an option to issue and require CSFB to subscribe and pay for the Tranche 2 Bonds, exercisable by the Company during the period from and including the date of conversion of the last of the Original Tranche 1 Bonds to and including the date falling 60 days after that day and subject to the satisfaction of certain conditions and the Company having obtained a mandate from the Shareholders, approving the issue of the maximum number of Shares which could be required to be issued upon conversion of the Tranche 2 Bonds.

The Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds are convertible into Shares at a conversion price equal to, at the option of CSFB, either (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price.

Principal amount

Original Tranche 1 Bonds: US\$3,500,000 (equivalent to approximately HK\$27,300,000) payable in cash by CSFB on the First Closing Date

Additional Tranche 1 Bonds: up to US\$4,500,000 (equivalent to approximately HK\$35,100,000) payable in cash by CSFB upon the exercise of the option by CSFB to require the Company to issue the Additional Tranche 1 Bonds, exercisable during the period from and including the First Closing Date and ending on the Maturity Date

Tranche 2 Bonds: up to US\$4,000,000 (equivalent to approximately HK\$31,200,000) payable in cash by CSFB upon the exercise of the option by the Company to require CSFB to subscribe for the Tranche 2 Bonds, exercisable during the period from and including the date of conversion of the last of the Original Tranche 1 Bonds to and including the date falling 60 days after that day

First Closing Date

22 July 2003

Principal terms of the Bonds

Interest

The Bonds bear interest from the First Closing Date in respect of the Original Tranche 1 Bonds, from the Additional Closing Date in respect of the Additional Tranche 1 Bonds and from the Second Closing Date in respect of the Tranche 2 Bonds at the rate of 2.5 per cent. per annum, payable semi-annually in arrears. Each Bond will accrue interest from the last interest payment date and cease to bear interest on conversion or from the due date for redemption.

Maturity

22 July 2006, upon which, the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds will be redeemed at 100 per cent. of their principal amount unless previously redeemed, converted or purchased and cancelled.

Denomination

US\$50,000 each

Transferability

A Bondholder may not assign or transfer any of the Bonds to any third party other than a subsidiary or holding company or subsidiary of such a holding company without the prior written consent of the Company and, if so required, subject to the prior approval of the Stock Exchange.

The Company has undertaken to the Stock Exchange that it will give notification to the Stock Exchange when a connected person (as defined in the Listing Rules) of the Company deals in any of the Bonds.

Conversion right

A Bondholder may convert each Bond into new Shares at the option of the Bondholder at either (i) the Fixed Conversion Price or (ii) the Floating Conversion Price during the conversion period set out below. The Shares to be issued upon conversion will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such conversion.

Conversion price

At the option of the Bondholder, the price at which each Share shall be issued upon conversion shall be either (i) the Fixed Conversion Price or (ii) the Floating Conversion Price, provided that the conversion price shall not be less than the par value of the Shares (currently HK\$0.10) on the Conversion Date unless permitted by law and in compliance with the Listing Rules.

The Fixed Conversion Price for the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds of HK\$1.4879 represents a premium of approximately 25 per cent. over the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on 22 July 2003, being the date of this announcement, and a premium of approximately 26 per cent. over the average closing price of HK\$1.18 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to and including 22 July 2003.

Conversion period

A Bondholder may in accordance with the Subscription Agreement from and including the date falling 15 business days after the First Closing Date up to the close of business on the day falling one week prior to the Maturity Date convert the principal amount of the relevant Bond into new Shares at the conversion price set out above.

Early redemption

In certain circumstances set out in the terms and conditions of the Subscription Agreement, the Bonds may be redeemed early for an amount agreed between the Company and CSFB after arm's length negotiations.

Status of the Bonds

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and shall rank equally among themselves and pari passu with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Options for allotment of additional Shares

CSFB was also granted the rights under the Subscription Agreement to subscribe for:

- (i) from and including the First Closing Date to and including the Maturity Date, an amount of Shares up to the Original Tranche 1 Share Allotment Amount at a subscription price (subject to adjustment in the event of, among other matters, any further issue of securities by the Company at a price lower than the then market price) equal to HK\$1.3094;
- (ii) from and including the Additional Closing Date to and including the Maturity Date, an amount of Shares up to the Additional Tranche 1 Share Allotment Amount at a subscription price (subject to adjustment in the event of, among other matters, any further issue of securities by the Company at a price lower than the then market price) equal to HK\$1.3094; and

(iii) from and including the Second Closing Date to and including the Maturity Date, an amount of Shares up to the Tranche 2 Share Allotment Amount at a subscription price to be determined by reference to the closing prices of the Shares prior to the Second Closing Date in accordance with the terms and conditions of the Bonds.

Conditions

The subscription of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds, or as the case may be, the Tranche 2 Bonds, is conditional upon, among other conditions, upon delivery by the Company to CSFB of certain documents specified in the Subscription Agreement, including but not limited to, certain legal opinions and documents including the comfort letter from the auditors of the Company.

If any of the pre-conditions for subscription of the Bonds is not satisfied on or before the First Closing Date, the Additional Closing Date or the Second Closing Date (as the case may be), the parties shall be released and discharged from their obligations under the Subscription Agreement (except for the obligation of the Company to pay certain costs and expenses). All of the conditions for the subscription of the Original Tranche 1 Bonds have been satisfied.

General mandate

The maximum number of new Shares which may be issued upon conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price is 18,348,007 Shares, representing approximately 3.23 per cent. and approximately 3.13 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the full conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price respectively. Upon the exercise of the First Allotment Option in full, 4,587,078 new Shares, representing approximately 0.81 per cent. and approximately 0.78 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the full conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price and the full exercise of the First Allotment Option, respectively, will be issued by the Company. The total number of Shares which may be issued upon full conversion of the Original Tranche 1 Bonds and the exercise in full of the First Allotment Option is 22,935,085 Shares, representing approximately 4.04 per cent. and approximately 3.88 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the full conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price and the full exercise of the First Allotment Option respectively.

Assuming that an aggregate principal amount of US\$4,500,000 of the Additional Tranche 1 Bonds has been issued, the maximum number of new Shares which may be issued upon conversion of the Additional Tranche 1 Bonds based on the Fixed Conversion Price is 23,590,295 Shares, representing approximately 4.15 per cent. and approximately 3.84 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the full conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds based on the Fixed Conversion Price and the exercise in full of the First Allotment Option respectively. Upon the exercise of the Additional Allotment Option in full and assuming that an aggregate principal amount of US\$4,500,000 of the Additional Tranche 1 Bonds has been issued, 5,897,672 new Shares, representing

approximately 1.04 per cent. and approximately 0.95 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds based on the Fixed Conversion Price and the exercise in full of the First Allotment Option and the Additional Allotment Option respectively. Assuming that an aggregate principal amount of US\$4,500,000 of the Additional Tranche 1 Bonds has been issued, the total number of Shares which may be issued upon full conversion of the Additional Tranche 1 Bonds and the exercise in full of the Additional Allotment Option is 29,487,967 Shares, representing approximately 5.19 per cent. and approximately 4.75 per cent. of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds based on the Fixed Conversion Price and the exercise in full of the First Allotment Option and the Additional Allotment Option respectively. Shares to be issued upon conversion of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and upon exercise of the First Allotment Option and the Additional Allotment Option will be issued pursuant to the General Mandate.

Under the General Mandate, a maximum of 113,600,000 new Shares may be issued as at the date of this announcement. The Directors confirmed that no Shares had been issued under the General Mandate up to the date of this announcement. If the Company exercises its option to require CSFB to subscribe for the Tranche 2 Bonds and the maximum number of Shares which may be issued upon full conversion of the Tranche 2 Bonds or upon exercise of the Second Allotment Option to be issued by the Company exceeds the limit under any then available general mandate granted to the board of Directors, the Company will seek its shareholders' approval of the issue of such Shares prior to the issue of the Tranche 2 Bonds. If the Company decides to issue the Tranche 2 Bonds, it will comply with the Listing Rules and all applicable laws in respect of such issue and of the issue of Shares upon conversion of the Tranche 2 Bonds and upon the exercise of the Second Allotment Option.

USE OF PROCEEDS

The net proceeds of approximately HK\$24,400,000 derived from the issue of the Original Tranche 1 Bonds, together with the maximum amount of approximately HK\$6,006,000 which would be received subject to and upon exercise in full of the First Allotment Option (subject to adjustment as set out in the Subscription Agreement), will be used for general working capital purposes.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the total number of issued Shares is 568,000,000. As at the date of this announcement, the substantial shareholder of the Company is Bull's-Eye Limited ("Bull's-Eye"). The approximate shareholdings of the substantial shareholder of the Company immediately before and after the full conversion of the Original Tranche 1 Bonds and/or the Additional Tranche 1 Bonds and the exercise of the First Allotment Option and/or the Additional Allotment Option in full (as the case may be) are as follows:

	Immediately before the full conversion of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the exercise of the First Allotment Option and the Additional Allotment Option		Immediately after the full conversion of the Original Tranche 1 Bonds but before the conversion of the Additional Tranche 1 Bonds and the exercise of the First Allotment Option and the Additional Allotment Option		Immediately after the full conversion of the Original Tranche 1 Bonds and the exercise of the First Allotment Option in full but before the full conversion of the Additional Tranche 1 Bonds and the exercise of the Additional Allotment Option		Immediately after the full conversion of the Original Tranche 1 Bonds and the exercise in full of the First Allotment Option but before the exercise of the Additional Allotment Option		Immediately after the full conversion of the Original Tranche 1 Bonds and the exercise in full of the First Allotment Option and the Additional Allotment Option	
	%	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%	Number of Shares held
Bull's-Eye (Note 2)	51.32	291,497,024	49.71	291,497,024	49.33	291,497,024	47.43	291,497,024	46.98	291,497,024
CSFB	—	—	3.13	18,348,007	3.88	22,935,085	7.57	46,525,380	8.45	52,423,052
Others	48.68	276,502,976	47.16	276,502,976	46.79	276,502,976	45.00	276,502,976	44.57	276,502,976
Total	100.00	568,000,000	100.00	586,348,007	100.00	590,935,085	100.00	614,525,380	100.00	620,423,052

Notes:

1. The table is compiled based on the information available as at the date of this announcement and assumes that (a) the Company will not issue any new Shares (other than Shares which are required to be issued pursuant to the terms and conditions of the Subscription Agreement (including the Bonds)) nor repurchase any of the existing issued Shares; and (b) Bull's-Eye will not acquire any additional Shares in the market until the full conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise in full of the First Allotment Option and the Additional Allotment Option.
2. The entire issued share capital of Bull's-Eye is beneficially owned as to about 63.15% by Mr. Zhang Peter Y. and as to about 36.85% by Mr. Xu Peng, both of whom are executive directors of the Company.
3. The above table assumes that each of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds is converted at the Fixed Conversion Price.

LISTING

No application will be made for the listing of, and permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and upon exercise of the First Allotment Option and the Additional Allotment Option. Upon the issue of the Tranche 2 Bonds, an application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon the conversion of the Tranche 2 Bonds and upon the exercise of the Second Allotment Option.

GENERAL

The principal activity of the Group is the research, development, manufacture and sale of Chinese pharmaceutical products primarily for women and the elderly. The Company is also engaged in the research, development, manufacture and sale of naturally-sourced anti-tumour medicines and western pharmaceutical products.

The Additional Tranche 1 Bonds and the Tranche 2 Bonds may or may not be issued. The Company will issue a further announcement as required by the Listing Rules if any of the Additional Tranche 1 Bonds or the Tranche 2 Bonds are issued.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the respective meanings ascribed opposite them:

“Additional Allotment Option”	the option to be granted by the Company to CSFB for the subscription of new Shares up to the Additional Tranche 1 Share Allotment Amount upon the issue of the Additional Tranche 1 Bonds, exercisable from the Additional Closing Date to the Maturity Date;
“Additional Closing Date”	the date on which the Additional Tranche 1 Bonds are issued (if applicable);
“Additional Tranche 1 Bonds”	2.5 per cent. convertible bonds due 2006 with an aggregate principal amount of up to US\$4,500,000 to be issued by the Company to CSFB upon exercise of the option granted by the Company to CSFB, exercisable during the period from and including the First Closing Date and ending on the Maturity Date;
“Additional Tranche 1 Share Allotment Amount”	up to 5,897,672 Shares, being 20 per cent. of the number of Shares which may fall to be issued by the Company pursuant to the exercise of the conversion rights attached to the Additional Tranche 1 Bonds at a conversion price equal to HK\$1.3094;
“Bonds”	the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds (if applicable);
“Bondholder(s)”	holder(s) of the Bonds for the time being;
“business day”	a day (which opens at 9:30 a.m. and ends at 4.30 p.m. (Hong Kong time)) on which the Stock Exchange is open for trading in Hong Kong;
“Company”	Hua Han Bio-Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Conversion Date”	the date on which the notice of conversion is delivered to the Company in Hong Kong in accordance with the terms of the Subscription Agreement for exercise of the conversion right attached to the Bonds;

“CSFB”	Credit Suisse First Boston (Hong Kong) Limited, the subscriber of the Bonds;
“Directors”	directors for the time being of the Company;
“First Allotment Option”	the option granted by the Company to CSFB for the subscription of new Shares up to the Original Tranche 1 Share Allotment Amount, exercisable from the First Closing Date to the Maturity Date;
“First Closing Date”	22 July 2003 or such other date as the Company and CSFB may agree;
“Fixed Conversion Price”	in respect of the Original Tranche 1 Bonds and Additional Tranche 1 Bonds, HK\$1.4879, and in respect of the Tranche 2 Bonds, the price to be determined by reference to the closing prices of the Shares prior to the Second Closing Date in accordance with the terms and conditions of the Bonds;
“Floating Conversion Price”	the price being 93 per cent. of the average of the closing price per Share for any four consecutive business days as selected by CSFB during the 30 consecutive business days immediately preceding the Conversion Date;
“General Mandate”	the general mandate to allot, issue or deal with 20 per cent. of the issued Shares granted to the Directors pursuant to the written resolutions of the shareholders of the Company on 25 November 2002;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	22 July 2006;
“Original Tranche 1 Bonds”	2.5 per cent. convertible bonds due 2006 with an aggregate principal amount of US\$3,500,000 issued by the Company to CSFB on the First Closing Date;
“Original Tranche 1 Share Allotment Amount”	up to 4,587,078 Shares, being 20 per cent. of the number of Shares which may fall to be issued by the Company pursuant to the exercise of the conversion rights attached to the Original Tranche 1 Bonds at a conversion price equal to HK\$1.3094;
“Second Allotment Option”	the option to be granted by the Company to CSFB upon the issue of the Tranche 2 Bonds for the subscription of new Shares up to the Tranche 2 Share Allotment Amount from the Second Closing Date to the Maturity Date;
“Second Closing Date”	the date on which the Tranche 2 Bonds are issued (if applicable);

“Shareholders”	holders of Shares of the Company;
“Share(s)”	share(s) of par value HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the subscription agreement dated 22 July 2003 entered into between the Company and CSFB in relation to the subscription of the Bonds;
“Tranche 2 Bonds”	2.5 per cent. convertible bonds due 2006 with an aggregate principal amount of up to US\$4,000,000 to be issued by the Company to CSFB upon exercise of the option granted by CSFB to the Company, exercisable during the period from and including the date of conversion of the last of the Original Tranche 1 Bonds to and including the date falling 60 days after that day;
“Tranche 2 Share Allotment Amount”	20 per cent. of the number of Shares which may fall to be issued by the Company pursuant to the exercise of the conversion rights attached to the Tranche 2 Bonds at a conversion price equal to 110 per cent. of the average price of the Shares for the 30 consecutive business days immediately prior to the Second Closing Date;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“US\$”	United States of America dollars, the lawful currency of the United States of America.

By Order of the Board
Hua Han Bio-Pharmaceutical Holdings Limited
Zhang Peter Y.
Chairman

22 July 2003, Hong Kong

Please also refer to the published version of this announcement in The Standard.