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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)

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

Reference is made to the issue of the Bonds to CSFB, details of which have been contained in the Announcement.

As stated in the Announcement, Shares to be issued upon conversion of the Original Tranche 1 Bonds and 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. The Directors wish to provide further information on the maximum number of Shares that could be issued under the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds, the First Allotment Option and the Additional Allotment Option.

Reference is made to the Company's announcement dated 22 July 2003 (the "Announcement") in relation to the issue of up to US\$12,000,000 2.5 per cent. unlisted and unsecured redeemable convertible bonds due 2006. The Directors wish to provide further information on the maximum number of Shares that could be issued under the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds, the First Allotment Option and the Additional Allotment Option. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

Early redemption

As disclosed in the Announcement, in certain circumstances set out in the Subscription Agreement, the Bonds may be redeemed early for an amount agreed between the Company and CSFB after arm's length negotiations. Such circumstances include:

(a) downside redemption option

If at any time during the conversion period, the closing price per Share is, subject to adjustment, less than or equal to HK\$0.7142 (the "Downside Price") on a business day, the Company may redeem any Bond presented for conversion into Shares on the immediately following day in cash at a premium agreed by the Company and CSFB after arm's length negotiations plus all interest accrued thereon.

(b) *depletion of existing general mandate*

If at any time during the conversion period, the number of Shares required to be issued by the Company pursuant to the terms and conditions of the Bonds (which comprise the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and, if applicable, the Tranche 2 Bonds) and the Subscription Agreement is greater than the number of Shares that could be issued by the Company under the general mandate (after taking account of the Company's other share issue commitments), then the Bondholders shall have no further rights to require the Company to convert any Bond into Shares in excess of such general mandate and the Company is required to redeem all outstanding Bonds in cash at a premium agreed by the Company and CSFB after arm's length negotiations plus all interest accrued thereon.

General Mandate

The Subscription Agreement does not contain any provision which requires the Shares to be issued upon conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and upon exercise of the First Allotment Option and the Additional Allotment Option to be issued pursuant to the General Mandate.

As stated in the Announcement, Shares to be issued upon conversion of the Original Tranche 1 Bonds and 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. The General Mandate allows the Company to allot and issue a maximum of 113,600,000 new Shares. Accordingly, the maximum number of Shares that could be issued upon conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and upon exercise of the First Allotment Option and the Additional Allotment Option is 113,600,000 Shares irrespective of the conversion price.

In view of the redemption provisions set out in the paragraph headed "Early redemption" above, the Directors believe that the General Mandate, which, as disclosed in the Announcement, allows the Directors to allot and issue up to 113,600,000 new Shares, is sufficient to cover all the Shares that would fall to be issued upon the conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise of the First Allotment Option and the Additional Allotment Option. If the General Mandate is insufficient to cover all the Shares that would fall to be issued upon the conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise of the First Allotment Option and the Additional Allotment Option, the Bondholders shall have no further rights to require the Company to convert any Bond into Shares in excess of such general mandate and the Company is required to redeem all outstanding Bonds in cash at a premium agreed by the Company and CSFB after arm's length negotiations plus all interest accrued thereon.

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

8 August 2003, Hong Kong

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