

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Han Bio-Pharmaceutical Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 THE TRANCHE 2 BONDS OF THE US\$12,000,000 2.5 PER CENT.
CONVERTIBLE BONDS DUE 2006,
GRANT OF TRANCHE 2 ALLOTMENT OPTION
AND
PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE ITS OWN SHARES**

A notice convening the annual general meeting of the Company to be held at Room 704, 7th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong on 24 November 2003 at 11:00 a.m. is set out on pages 23 to 28 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Additional Allotment Option”	the option granted by the Company to the Subscriber 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”	5 September 2003, being the date on which the Additional Tranche 1 Bonds were issued
“Additional Tranche 1 Bonds”	a tranche of the Bonds in the aggregate principal amount of up to US\$4,500,000 (equivalent to approximately HK\$35,100,000) issued by the Company to the Subscriber on the Additional Closing Date
“Additional Tranche 1 Share Allotment Amount”	up to 5,897,672 Shares, which will be issued at a subscription price equal to HK\$1.3094 per Share. Such maximum number of Shares is equal to 20% 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\$1.1903
“Annual General Meeting”	the annual general meeting of the Company for the year ended 30 June 2003 to be convened and held at Room 704, 7th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong on 24 November 2003 at 11:00 a.m., notice of which is set out on pages 23 to 28 of this circular or any adjournment thereof
“associate(s)”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Bonds”	the 2.5% unsecured convertible bonds due 2006 in the aggregate principal amount of up to US\$12,000,000 (equivalent to approximately HK\$93,600,000) issued and to be issued by the Company under the Subscription Agreement by 3 tranches, comprising the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds
“business day”	a day (which ends at 4:30 p.m. (Hong Kong time)) on which the Stock Exchange is open for trading in Hong Kong

DEFINITIONS

“Call Option”	the Company’s option to require the Subscriber to subscribe and pay for the Tranche 2 Bonds, exercisable on and subject to the terms of the Subscription Agreement
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Hua Han Bio-Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Conversion Date”	the date on which notice of exercise of Conversion Right is received by the Company
“Conversion Period”	subject to the terms and conditions of the Bonds, the period commencing from and including the respective Issue Dates of the Bonds up to the day falling one week prior to the Maturity Date
“Conversion Price”	the price per Share at which a Bondholder may convert the whole or part of the principal amount of its/his Bonds into Shares
“Conversion Right”	the right attaching to the Bonds of a Bondholder to convert the same into Shares on and subject to the conditions of the Bonds
“Conversion Shares”	new Shares falling to be allotted and issued upon conversion of the Bonds
“Directors”	directors of the Company
“Existing Mandate”	the general mandate granted to the Directors for the issue and allotment of new Shares pursuant to the written resolution of the Shareholders passed on 25 November 2002
“Extension Mandate”	a general and unconditional mandate to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Issue Mandate
“First Allotment Option”	the option granted by the Company to the Subscriber 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, being the date of the Subscription Agreement when the Original Tranche 1 Bonds were issued

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“Fixed Conversion Price”	in respect of the Original Tranche 1 Bonds and Additional Tranche 1 Bonds, HK\$1.4875, and in respect of the Tranche 2 Bonds, the price equal to 125% of the average closing price per Share for 30 consecutive business days prior to the Second Closing Date in accordance with the terms and conditions of the Bond
“Floating Conversion Price”	93% of the average of any four consecutive closing prices per Share, as selected by the Bondholder, during the period of 30 consecutive business days immediately prior to the Conversion Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the First Closing Date in respect of the Original Tranche 1 Bonds, the Additional Closing Date in respect of the Additional Tranche 1 Bonds and the Second Closing Date in respect of the Tranche 2 Bonds
“Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the resolution at the Annual General Meeting
“Latest Practicable Date”	27 October 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	for all Bonds, 22 July 2006, being the third anniversary of the First Closing Date
“Original Tranche 1 Bonds”	2.5% convertible bonds due 2006 with an aggregate principal amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) issued by the Company to the Subscriber on the First Closing Date

DEFINITIONS

“Original Tranche 1 Share Allotment Amount”	up to 4,587,078 Shares, which will be issued at a subscription price equal to HK\$1.3094 per Share. Such maximum number of Shares is equal to 20% 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\$1.1903
“Repurchase Mandate”	a general and unconditional mandate to the Directors to enable them to repurchase the Shares the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of passing the relevant resolution at the Annual General Meeting
“Second Closing Date”	the date falling 10 business days after the date of the notice issued by the Company for the exercise of the Call Option or such other date mutually agreed by the Company and the Subscriber when closing of the issue of the Tranche 2 Bonds shall take place
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Credit Suisse First Boston (Hong Kong) Limited, subscriber of the Bonds under the Subscription Agreement
“Subscription Agreement”	the agreement dated 22 July 2003 entered into between the Company and the Subscriber relating to the issue and subscription of the Bonds and the grant of the Subscription Options
“Subscription Options”	the First Allotment Option, the Additional Allotment Option and the Tranche 2 Allotment Option
“Tranche 1 Bonds”	the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds collectively
“Tranche 2 Allotment Option”	the option to be granted by the Company to the Subscriber for the subscription of new Shares up to the Tranche 2 Share Allotment Amount upon issue of the Tranche 2 Bonds, exercisable from the Second Closing Date to the Maturity Date

DEFINITIONS

“Tranche 2 Bonds”	2.5% convertible bonds due 2006 with an aggregate principal amount of up to US\$4,000,000 (equivalent to approximately HK\$31,200,000) to be issued by the Company to the Subscriber upon exercise of the Call Option granted by the Subscriber to the Company
“Tranche 2 Share Allotment Amount”	20% 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 price equal to the average closing price of the Shares for the 30 consecutive business days immediately prior to the Second Closing Date. Such Shares shall be issued at a price equal to 110% of such average closing price
“HK\$”	Hong Kong dollars
“US\$”	United States dollars
“%”	per cent.

In this circular, for information purpose only, certain amounts in US\$ have been translated into HK\$ at US\$1 to HK\$7.80. Such translation should not be construed as a representation that the US\$ amounts have been, could have been or could be, converted into HK\$, as the case may be, at this or any other rates or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr ZHANG Peter Y.

Mr XU Peng

Mr DENG Jie

Mr LONG Xian Feng

Mr WU Xian Peng

Registered Office:

Century Yard, Cricket Square

Hutchins Drive

P. O. Box 2681 GT

George Town, Grand Cayman

British West Indies

Independent non-executive Directors:

Professor KUNG Hsiang-Fu

Professor TSO Wung-Wai

*Head office and principal place
of business in Hong Kong:*

Room 704, 7th Floor

Aon China Building

29 Queen's Road Central

Hong Kong

31 October 2003

*To the Shareholders and, for information only,
the Bondholders*

Dear Sir or Madam,

**ISSUE OF TRANCHE 2 BONDS OF THE US\$12,000,000 2.5 PER CENT.
UNSECURED CONVERTIBLE BONDS DUE 2006,
GRANT OF TRANCHE 2 ALLOTMENT OPTION
AND
PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE ITS OWN SHARES**

INTRODUCTION

The Board refers to the announcement of the Company dated 22 July 2003 in relation to the issue of the Bonds (“**First Announcement**”), the announcement dated 8 August 2003 giving certain further information on the Tranche 1 Bonds, the First Allotment Option and the Additional Allotment Option and the announcement dated 5 September 2003 in relation to the issue of the Additional Tranche 1 Bonds (collectively, the “**Announcements**”).

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As set out in the Announcements, pursuant to the Subscription Agreement made between the Company and the Subscriber:

- (1) the Company issued and the Subscriber subscribed for the Original Tranche 1 Bonds in the aggregate principal amount of US\$3,500,000 (equivalent to HK\$27,300,000) and at the same time granted to the Subscriber the First Allotment Option;
- (2) the Company granted to the Subscriber an option giving the Subscriber the right to require the Company to issue the Additional Tranche 1 Bonds in aggregate principal amount of up to US\$4,500,000 (equivalent to HK\$35,100,000) which may be exercised at any time during the period commencing from the date of the Subscription Agreement (being the First Closing Date) and ending on the Maturity Date;
- (3) the Subscriber had exercised the option referred to in paragraph (2) above and the Additional Tranche 1 Bonds were issued to the Subscriber on the Additional Closing Date and the Additional Allotment Option became exercisable on the Additional Closing Date up to and including the Maturity Date;
- (4) the Subscriber granted to the Company the Call Option giving the Company the right to require the Subscriber to subscribe and pay for the Tranche 2 Bonds in aggregate principal amount of up to US\$4,000,000 (equivalent to HK\$31,200,000) which may be exercised at any time 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 calendar days after that day, subject to the fulfillment of certain conditions which are more particularly described under the sub-paragraph headed “The Call Option and the Tranche 2 Bonds” on page 10 of this circular; and
- (5) upon the issue of the Tranche 2 Bonds, the Tranche 2 Allotment Option would become exercisable.

As stated in the Announcements, 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 Existing Mandate. The Existing 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. Up to the Latest Practicable Date, 32,528,000 Shares had been allotted and issued pursuant to the exercise of the Conversion Rights attaching to the Tranche 1 Bonds and the Additional Tranche 1 Bonds. None of the First Allotment Option and the Additional Allotment Option had been exercised as at the Latest Practicable Date.

Given the Existing Mandate may not be sufficient to cover Shares that may be issued pursuant to the exercise of the Conversion Rights attaching to the Tranche 2 Bonds and the exercise of the Tranche 2 Allotment Option, the Board intends to seek a specific mandate to allot and issue Shares pursuant thereto (“**Specific Mandate**”) from the Shareholders at the Annual General Meeting. The

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Directors consider that the grant of the Specific Mandate will give flexibility to the Directors in a way that it enables the Directors to exercise the Call Option when they consider appropriate without having to revert to the Shareholders for a specific approval on the creation of the Tranche 2 Bonds and the issue of the new Shares pursuant to exercise of the Conversion Rights attaching to the Tranche 2 Bonds.

The Directors has the intention to exercise the Call Option when the circumstances are appropriate. Shareholders should note, however, that the exercise of the Call Option is subject to the satisfaction of a number of conditions precedent which are particularly described in the sub-paragraph headed “The Call Option and the Tranche 2 Bonds” below.

The primary purpose of this circular is to (i) provide you with further information with respect to the Tranche 2 Bonds and the Tranche 2 Allotment Option, and information reasonably necessary to enable you to make an informed decision as to whether to vote for or against the resolutions to be proposed at the Annual General Meeting with respect to, among other matters, the creation of the Tranche 2 Bonds and the issue and allotment of Shares that are required to satisfy the exercise in full of the Conversion Rights attaching to the Tranche 2 Bonds and exercise of the Tranche 2 Allotment Option, the proposed grant of the Repurchase Mandate, the Issue Mandate and the Extension Mandate and (ii) give you notice of the Annual General Meeting.

ISSUE OF TRANCHE 2 BONDS AND GRANT OF TRANCHE 2 ALLOTMENT OPTION

(A) The Subscription Agreement

The principal terms of the Subscription Agreement are as follows:

Date: 22 July 2003

Issuer: the Company

Subscriber: Credit Suisse First Boston (Hong Kong) Limited. Each of the Subscriber and its ultimate parent company is not a connected person (as defined in the Listing Rules) of the Company

Conditions precedent

The Tranche 1 Bonds

The subscription of the Tranche 1 Bonds (comprising the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds) is conditional upon, among other conditions, upon delivery by the Company to the Subscriber 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. The conditions precedent in respect of the issue of the Tranche 1 Bonds have been fulfilled or waived and completion of each of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds has taken place.

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The Call Option and the Tranche 2 Bonds

In addition to the satisfaction of the conditions precedent set out in the sub-paragraph headed “The Tranche 1 Bonds” above, the Company may only exercise the Call Option to require the Subscriber to subscribe and pay for the Tranche 2 Bonds upon the fulfillment of the following conditions:

- (1) the average closing price per Share for the 30 consecutive business days immediately preceding the date of notice of exercise for the Call Option is greater than HK\$0.80 (subject to adjustment on account of dilutive events);
- (2) the average daily trading volume of the Shares during the 30 consecutive business days immediately preceding the date of notice of exercise for the Call Option is greater than US\$400,000 (equivalent to HK\$3,120,000) or the Hong Kong dollars equivalent thereof; and
- (3) the Company has obtained a mandate (whether specific or general) from its Shareholders at general meeting, approving the issue of the maximum number of Shares which could be required to be issued under the terms of the Tranche 2 Bonds.

Subject as aforesaid, the Call Option may be exercised by the Company at any time during the period of 60 calendar days from the date of conversion of the last of the Original Tranche 1 Bonds by giving an exercise notice to the Subscriber. The Call Option is exercisable only once and, if exercised, closing of the issue of the Tranche 2 Bonds will take place on the Second Closing Date which is the date falling 10 business days after the date of the exercise notice or such other date mutually agreed by the Company and the Subscriber.

Subscription Options

Pursuant to the terms and conditions of the Subscription Agreement, the Company has granted various Subscription Options to the Subscriber, namely, the First Allotment Option, the Additional Allotment Option and the Tranche 2 Allotment Option.

Principal terms of the First Allotment Option and the Additional Allotment Option are set out in the Announcements. As stated in the Announcements, new Shares to be issued pursuant to the exercise of the First Allotment Option and the Additional Allotment Option will be issued under the Existing Mandate.

The Tranche 2 Allotment Option, which is exercisable by the Subscriber at any time during the period commencing from the Second Closing Date up to and including the Maturity Date, gives the Subscriber the right to subscribe for up to the Tranche 2 Share Allotment Amount at a subscription price equal to 110% of the average closing price per Share for 30 consecutive

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business days prior to the Second Closing Date in accordance with the terms and conditions of the Subscription Agreement. The Company will make an announcement to inform the Shareholders and the public once the subscription price per Share comprising in the Tranche 2 Share Allotment Amount has been fixed.

If the relevant Subscription Option shall be exercised, the Company shall issue and deliver the Shares issued pursuant to the exercise of the relevant Subscription Option to the Subscriber within two business days.

(B) Terms and conditions of the Bonds

Principal amount of the Bonds

Up to US\$12,000,000 (equivalent to HK\$93,600,000) issued and to be issued by the Company by 3 tranches as follows:

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

Additional Tranche 1 Bonds: US\$4,500,000 (equivalent to approximately HK\$35,100,000) payable in cash by the Subscriber on the Additional Closing Date

Tranche 2 Bonds: up to US\$4,000,000 (equivalent to approximately HK\$31,200,000) payable in cash by the Subscriber upon the exercise of the Call Option by the Company to require the Subscriber 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 calendar days after that day

As at the Latest Practicable Date, the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds had been issued.

Interest

2.5% per annum payable semi-annually in arrears on 30 June and 30 December in each year, with the first interest payment date falling on 30 December 2003. The Bonds will bear interest from their respective Issue Dates. Each Bond will cease to bear interest on conversion or from the due date for redemption. If converted, interest accrued on the converted Bonds from the last interest payment date will be forfeited upon conversion.

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Conversion provisions

Conversion Right

The Bonds are convertible at any time during the Conversion Period into new Shares at the Conversion Price (as detailed below). Such Shares shall rank pari passu in all respects with the Shares in issue on the Conversion Date.

Conversion Period

At any time from and including the respective Issue Dates of the Bonds (and in respect of the Original Tranche 1 Bonds, 15 business days after the First Closing Date) up to the day falling one week prior to the Maturity Date.

Conversion Price

The price at which each Share shall be issued upon exercise of the Conversion Right shall be, at the option of the converting Bondholder either:

- (1) the Fixed Conversion Price; or
- (2) 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 all applicable rules and regulations.

The Company will publish an announcement to inform the Shareholders and the public about the Fixed Conversion Price in respect of the Tranche 2 Bonds once it has been fixed.

Maturity

Maturity date

For all Bonds, 22 July 2006, being the third anniversary of the First Closing Date.

Price of redemption at maturity

On maturity, unless previously redeemed, converted or purchased and cancelled, all outstanding Bonds will be redeemed by the Company at their principal amount plus accrued interest thereon.

Redemption

In certain circumstances set out in the Subscription Agreement, the Bonds may be redeemed early for an amount not more than 110% of the principal amount of the Bonds plus accrued interest. The amount of applicable redemption premium is dependent on the circumstances that have arisen causing the redemption and is fixed in accordance with the terms of the Subscription Agreement.

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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 a price being 60% of the average closing price per Share for 30 consecutive business days prior to the First Closing Date (as regards the Tranche 1 Bonds) or, as the case may be, the Second Closing Date (as regards the Tranche 2 Bonds) (“**Downside Price**”) (for the purposes of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds, such Downside Price being HK\$0.7142) 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 the Subscriber after arm’s length negotiations plus all interest accrued thereon.

The Company will make an announcement to inform the Shareholders and the public once the Downside Price for the Tranche 2 Bonds has been fixed.

Depletion of Existing 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 Tranche 1 Bonds, the First Allotment Option and the Additional Allotment Option is greater than the number of Shares that could be issued by the Company under the Existing 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 Existing Mandate and the Company is required to redeem all outstanding Bonds in cash at a premium agreed by the Company and the Subscriber after arm’s length negotiations plus all interest accrued thereon.

In view of the redemption provisions set out above, the Directors believe that the General Mandate, which, as disclosed in the First 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 (including the Tranche 1 Bonds and if applicable the Tranche 2 Bonds) in cash at a premium agreed by the Company and the Subscriber after arm’s length negotiations plus all interest accrued thereon.

The Shares to be issued under the Tranche 2 Bonds and the Tranche 2 Allotment Option will be issued under the Specific Mandate which is proposed to be sought at the Annual General Meeting.

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Right of First Refusal and Exchange Right

Right of First Refusal

If, so long as any of the Bonds are outstanding, the Company or any of its subsidiaries shall offer and sell by way of private placement any securities which are convertible into or exchangeable for securities of the same class as the Shares or securities substantially similar to the Bonds (“**Equity-Linked Securities**”), then the Bondholders shall have the right (“**Right of First Refusal**”) to purchase or subscribe for any such Equity-Linked Securities prior to them being offered to other persons. The Right of First Refusal is exercisable only by Bondholders holding in aggregate not less than 50% of the Bonds outstanding.

Exchange Right

Subject to the quantity of Equity-Linked Securities issued by the Company during any period of 12 months not exceeding the permissible limit, the Bondholders have the further right to exchange all (but not part) their outstanding Bonds for the new Equity-Linked Securities up to an aggregate amount of their outstanding Bonds on the same terms of those Equity-linked Securities, save as to the maturity date, which shall remain unchanged.

Transferability

The Subscriber may not assign or transfer any of the Bonds to any third party other than its subsidiary or holding company or subsidiary of such holding company without the prior written consent of the Company (such consent not to be unreasonably withheld or delayed) and, if so required, subject to the prior approval of the Stock Exchange. As stated in the First Announcement, 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.

Impact on issued share capital of the Company

The impact of the exercise in full of (a) the Conversion Rights attaching to the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds (assuming that such Bonds are converted at the Fixed Conversion Price); (b) the First Allotment Option; and (c) the Additional Allotment Option on the shareholding structure of the Company is set out in the First Announcement.

As at the Latest Practicable Date, the total number of issued Shares was 620,528,000 and the substantial shareholder of the Company was Bull’s-Eye Limited (“**Bull’s-Eye**”). On such basis, the approximate shareholding of the Company immediately before and after the full

LETTER FROM THE BOARD

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) would be as follows:

	As at the Latest Practicable Date		Immediately after the full conversion of the remaining portion of the Original Tranche 1 Bonds but before the conversion of the remaining portion 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 conversion of the remaining portion 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 <i>(Note 2)</i>	46.98	291,497,024	46.96	291,497,024	46.61	291,497,024	45.30	291,497,024	44.89	291,497,024
Subscriber	5.24	32,528,000	5.28	32,790,114	5.98	37,377,192	8.62	55,463,085	9.45	61,360,757
Others	47.78	296,502,976	47.76	296,502,976	47.41	296,502,976	46.08	296,502,976	45.66	296,502,976
Total	<u>100</u>	<u>620,528,000</u>	<u>100</u>	<u>620,790,114</u>	<u>100</u>	<u>625,377,192</u>	<u>100</u>	<u>643,463,085</u>	<u>100</u>	<u>649,360,757</u>

Notes:

- The table is compiled based on the information available as at the Latest Practicable Date 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 or dispose of any Shares 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.
- 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.
- The above table assumes that each of the remaining portion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds is converted at the Fixed Conversion Price.

Given the Conversion Price of the Tranche 2 Bonds cannot be fixed at this moment, the impact on the shareholding of the Company as a result of the exercise in full of the Conversion Rights attaching to the Tranche 2 Bonds and the exercise in full of the Tranche 2 Allotment Option cannot be ascertained. It is the intention of the Directors that where the Conversion Price reaches the applicable Downside Price, the Company will redeem **all the Bonds which are subject to the applicable Downside Price presented for conversion** if the Company has sufficient cash to do so. Where the Company does not have sufficient cash to redeem all the Bonds presented for conversion in the case where the Conversion Price reaches the Downside Price, the Company will still be under an obligation to issue such number of new Shares to the converting Bondholder(s) at the applicable Conversion Price. Under the Cayman Islands company law, a company incorporated in the Cayman Islands is not permitted to issue share

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below its par value unless with a sanction from the Cayman Islands court. However, the Directors consider that the likelihood that the Company will be issuing Shares upon conversion of the Tranche 2 Bonds at the lowest permissible Conversion Price is remote based on the Group's existing operating fund position.

Shareholders should note that conversion of the Tranche 2 Bonds at a Conversion Price equal to the Downside Price applicable to the Tranche 2 Bonds will significantly dilute your shareholdings in the Company (if any) on the Conversion Date. Shareholders should take such possible scenario into account when you consider the issue of the Tranche 2 Bonds.

(C) Reason for the issue of the Bonds

The reason for the issue of the Bonds is to provide the Company with medium term financing at a fixed and below commercial lending rate of interest and to expand the Company's capital base.

(D) Use of proceeds

The Company has no specific plans for the use of proceeds arising from issue of the Bonds.

In the Subscription Agreement, the Company has undertaken to the Subscriber that the proceeds from the issue of the Bonds will be used only for general working capital purposes and that such proceeds will not be used to pay dividends to the Shareholders, for the purposes of or in relation to any repayment to or reduction of the debt of a related party as defined under Hong Kong Statement of Standard Accounting Practice 20 or to repurchase Shares.

(E) Activities of the Group

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

(F) Listing of the Bonds

No application will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange.

(G) Specific Mandate and listing approval concerning the Conversion Shares

As set out in the Announcements, Shares to be issued upon conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and upon the exercises of the First Allotment Option and the Additional Allotment Option will be issued pursuant to the Existing Mandate.

The Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the new Shares which may be required to be allotted and issued pursuant to the exercise of (a) the

LETTER FROM THE BOARD

Conversion Rights attaching to the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds; (b) the First Allotment Option; and (c) the Additional Allotment Option up to 113,600,000 Shares (being the maximum number of Shares which is permitted to be allotted and issued under the Existing Mandate).

At the Annual General Meeting to be convened, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the grant of the Specific Mandate to the Directors for the issue and allotment of such number of Shares as are required to satisfy the exercise in full of Conversion Right attaching to the Tranche 2 Bonds and exercise of the Tranche 2 Allotment Option.

Application will be made to Listing Committee of the Stock Exchange for the listing of and permission to deal in the maximum number of new Shares which may be required to be allotted and issued upon the exercise of the Conversion Rights attaching to the Tranche 2 Bonds and the Tranche 2 Allotment Option after the issue of the Tranche 2 Bonds.

(H) General

The Tranche 2 Bonds may or may not be issued. The Company will notify the Shareholders by way of press announcement as required by the Listing Rules when the Tranche 2 Bonds are issued.

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

ISSUE MANDATE

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given the Issue Mandate, i.e. a general and unconditional mandate to allot, issue and deal with new Shares up to 20% of the aggregate nominal share capital of the Company in issue as at the date of passing of the relevant resolution. As at the Latest Practicable Date, a total of 620,528,000 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue a maximum of 124,105,600 Shares.

REPURCHASE MANDATE AND EXTENSION MANDATE

At the Annual General Meeting, an ordinary resolution will also be proposed to give the Directors the Repurchase Mandate, i.e. a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, Shares up to a maximum of 10% of the nominal share capital of the Company in issue as at the date of passing of the relevant resolution.

LETTER FROM THE BOARD

In addition, an ordinary resolution regarding the Extension Mandate will be proposed at the Annual General Meeting providing that any Shares repurchased under the Repurchase Mandate (up to a maximum of 10% of the issued Shares as at the date of the grant of the Repurchase Mandate) will be added to the total number of Shares which may be allotted and issued under the Issue Mandate.

The Repurchase Mandate and the Issue Mandate would expire the earliest of: (a) at the conclusion of the next annual general meeting of the Company; or (b) at the end of the period within which the Company is required by the Companies Law or its articles of association to hold its next annual general meeting; or (c) when revoked or varied by ordinary resolutions of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

Under the Listing Rules, the Company is required to give to all Shareholders all information which is reasonably necessary to enable Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the Annual General Meeting. An explanatory statement for such purpose is set out in Appendix I to this circular.

ACTIONS TO BE TAKEN

Set out on pages 23 to 28 of this circular is a notice convening the Annual General Meeting at which ordinary resolutions will be proposed to consider, and if thought fit, approve, among others, (i) the allotment and issue of the Conversion Shares that are required to satisfy the exercise of the Conversion Rights attaching to the Tranche 2 Bonds in full and the exercise of the Tranche 2 Allotment Option in full and (ii) the grant of the Repurchase Mandate, the Issue Mandate and the Extension Mandate.

You will find enclosed a form of proxy for use at the Annual General Meeting. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the enclosed form of proxy that is despatched to you together with this circular, in accordance with the instructions printed thereon as soon as practicable and in any event, not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof if you so wish.

RECOMMENDATION

The terms and conditions of the Bonds were negotiated between the Company and the Subscriber on an arms' length basis and the Directors consider such terms to be fair and reasonable, so far as the Shareholders are concerned. The Directors consider that the Subscription Agreement is in the best interests of the Company and its Shareholders and recommend the Shareholders to vote in favour of the ordinary resolution in relation to the issue of the Tranche 2 Bonds set out in the notice of the Annual General Meeting.

LETTER FROM THE BOARD

The Directors believe that the Issue Mandate, the Repurchase Mandate and the Extension Mandate are beneficial to the Company and the Shareholders as a whole in that:

- (a) an exercise of the Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company; and
- (b) the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with that as at 30 June 2003, being the date of its latest audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions approving the Issue Mandate, the Repurchase Mandate and the Extension Mandate at the Annual General Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection at the principal place of business of the Company in Hong Kong at Room 704, 7th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong during normal business hours until the date of the Annual General Meeting.

Yours faithfully,

For and on behalf of the board of directors of
Hua Han Bio-Pharmaceutical Holdings Limited
Zhang Peter Y.
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information as to the proposed Repurchase Mandate.

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their shares on the Main Board of the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Hong Kong Securities and Futures Commission subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such a company must be fully paid up and all repurchase of shares by such a company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at Latest Practicable Date, there was a total of 620,528,000 Shares in issue.

Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased prior to the Annual General Meeting, the Company will be allowed under Repurchase Mandate to repurchase a maximum of 62,052,800 Shares.

3. REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Main Board of the Stock Exchange or on stock exchange on which the Shares are listed. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset per Share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

Repurchase made pursuant to the Repurchase Mandate would be funded out of funds legally available for the purpose in accordance with the Company's memorandum and articles of association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 30 June 2003, being the date of its latest audited consolidated financial statement. However, the Directors do not intend to make any repurchases to such an extent as would, in circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange since 10 December 2002, being the date of listing of the Shares, are as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
December 2002	0.77	0.51
January 2003	0.78	0.68
February 2003	0.89	0.68
March 2003	1.12	0.85
April 2003	1.40	1.10
May 2003	1.29	1.06
June 2003	1.27	1.11
July 2003	1.28	1.14
August 2003	1.37	1.16
September 2003	1.43	1.23
October 2003 (<i>Note</i>)	1.49	1.26

Note: up to the Latest Practicable Date

6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**"). As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, Bull's-Eye Limited, Kertwell Investment Limited, Zhang Peter Y., Xu Peng, Liu Yu, Liu Jie, Zhang Hongye, Zhou Wu Feng, J.P. Morgan Chase & Co., Credit Suisse Group, Credit Suisse First Boston, Credit Suisse First

Boston (International) Holding AG and Credit Suisse First Boston (Hong Kong) Limited, who were interested in approximately 46.98%, 8.21%, 47.06%, 47.06%, 47.06%, 47.06%, 8.21%, 8.21%, 5.30%, 5.70%, 5.70%, 5.70% and 5.70% respectively of the issued share capital of the Company, were the Shareholders interested in more than 5% of the issued share capital of the Company.

Assuming that none of Bull's-Eye Limited, Kertwell Investment Limited, Zhang Peter Y., Xu Peng, Liu Yu, Liu Jie, Zhang Hongye, Zhou Wu Feng, J.P. Morgan Chase & Co., Credit Suisse Group, Credit Suisse First Boston, Credit Suisse First Boston (International) Holding AG and Credit Suisse First Boston (Hong Kong) Limited dispose of their Shares nor acquire additional Shares, if the Repurchase Mandate were exercised in full, the percentage shareholding of Bull's-Eye Limited, Kertwell Investment Limited, Zhang Peter Y., Xu Peng, Liu Yu, Liu Jie, Zhang Hongye, Zhou Wu Feng, J.P. Morgan Chase & Co., Credit Suisse Group, Credit Suisse First Boston, Credit Suisse First Boston (International) Holding AG and Credit Suisse First Boston (Hong Kong) Limited in the Company would be increased to approximately 52.20%, 9.12%, 52.29%, 52.29%, 52.29%, 52.29%, 9.12%, 9.12%, 5.89%, 6.33%, 6.33%, 6.33% and 6.33% of the issued share capital of the Company respectively.

On the basis of the shareholding interests of Bull's-Eye Limited, Zhang Peter Y., Xu Peng, Liu Yu and Liu Jie set out above, Bull's-Eye Limited, Zhang Peter Y., Xu Peng, Liu Yu and Liu Jie will be obligated to make a mandatory offer under Rule 26 of the Takeovers Code if the Repurchase Mandate is exercised in full. The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%. The Directors also have no intention to exercise the Repurchase Mandate to such an extent that will result in any of Bull's-Eye Limited, Zhang Peter Y., Xu Peng, Liu Yu and Liu Jie becoming obliged to make a mandatory offer under the Takeovers Code.

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

8. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will only exercise the power of the Company to make repurchase pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any securities to the Company nor has any such connected person undertaken not to sell any of the securities held by him to the Company in the event that the Repurchase Mandate is granted.

NOTICE OF THE ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Hua Han Bio-Pharmaceutical Holdings Limited (“**Company**”) will be held at Room 704, 7th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong on 24 November 2003 at 11:00 a.m. to consider and, if thought fit, transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements and the reports of the directors of the Company and the Company’s auditors for the year ended 30 June 2003;
2. to declare a final dividend of HK2 cents per share of HK\$0.10 in the Company for the year ended 30 June 2003;
3. to re-elect directors and to authorise the board of directors to fix the directors’ remuneration;
4. to re-appoint the Company’s auditors and to authorise the board of directors to fix their remuneration;

and, as special businesses, to consider and, if thought fit, pass the following resolutions as ordinary resolutions (with or without modifications):

5. **“THAT:**
 - (a) the creation and issue of up to US\$4,000,000 2.5% unlisted and unsecured convertible bonds (“**Tranche 2 Bonds**”) due 2006 by the Company to Credit Suisse First Boston (Hong Kong) Limited (“**Subscriber**”), convertible into new shares (“**Shares**”) of HK\$0.10 each in the capital of the Company, on and subject to the terms and conditions of the subscription agreement dated 22 July 2003 (“**Subscription Agreement**”, a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and made between the Company and the Subscriber dealing with, among other matters, the issue of the Tranche 2 Bonds and other bonds be and is hereby approved;
 - (b) the grant by the Company to the Subscriber of the option (“**Tranche 2 Allotment Option**”) to subscribe for up to 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 price equal to the average closing price of the Shares for the 30 consecutive business days immediately prior to the day on which the Tranche

NOTICE OF THE ANNUAL GENERAL MEETING

2 Bonds are issued (“**Subscription Shares**”) at the subscription price equal to 110 per cent. of such average closing price per Share (subject to adjustment) on and subject to the terms and conditions of the Subscription Agreement, be and is hereby ratified, confirmed and approved;

- (c) the directors of the Company (“**Directors**”) be and they are hereby authorised to issue the Tranche 2 Bonds on and subject to the terms and conditions of the Subscription Agreement;
- (d) the Directors be and they are hereby generally and specifically authorised to allot and issue such number of new Shares as may be required to be allotted and issued upon the exercise of the conversion right in full attaching to the Tranche 2 Bonds or any of them on and subject to the terms and conditions of the Subscription Agreement;
- (e) the Directors be and they are hereby generally and specifically authorised to allot and issue such number of the Subscription Shares as may be required to be allotted and issued upon the exercise of the Tranche 2 Allotment Option on and subject to the terms and conditions of the Subscription Agreement; and
- (f) the Directors be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Tranche 2 Bonds, the Tranche 2 Allotment Option or any of the transactions contemplated in each of the above sub-paragraphs (a) to (e) of this resolution.”

6. “**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with the unissued shares (each, a “**Share**”) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any

NOTICE OF THE ANNUAL GENERAL MEETING

options granted under all share option schemes of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:

- (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

NOTICE OF THE ANNUAL GENERAL MEETING

7. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase shares (each, a **“Share”**) of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (**“Stock Exchange”**), or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as defined in paragraph (c) below) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, **“Relevant Period”** means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

8. **“THAT** conditional on the passing of resolutions numbered 6 and 7 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution numbered 6 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 7 above.”

By order of the board of directors of
Hua Han Bio-Pharmaceutical Holdings Limited
Zhang Peter Y.
Chairman

Hong Kong, 29 October 2003

NOTICE OF THE ANNUAL GENERAL MEETING

Head office and principal place of business in Hong Kong:

Room 704, 7th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The register of members will be closed from Monday, 17 November 2003 to Monday, 24 November 2003 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 pm on Friday, 14 November 2003 for registration.
6. In relation to proposed resolution numbered 3 above, Messrs. Deng Jie, Long Xian Feng, Wu Xian Peng, Kung Hsiang Fu and Tso Wung Wai, being the directors whose office of director will end at the above meeting pursuant to the Company's articles of association, being eligible, offer themselves for re-election.

NOTICE OF THE ANNUAL GENERAL MEETING

7. In relation to proposed resolutions numbered 6 and 8 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares under the Listing Rules. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
8. In relation to proposed resolution numbered 7 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the shareholders.