

THE MISSION

Strive to be the leading pharmaceutical enterprise specialising in gynecological medicine, bio-pharmaceutical products and medical healthcare products for women in the People's Republic of China.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Peter Y. (*Chairman*)

Mr. Deng Jie

Mr. Long Xian Feng

Non-Executive Directors

Mr. Wee Ee Lim

(*Mr. Chng Hwee Hong as his alternative*)

Mr. Tarn Sien Hao

Independent Non-executive Directors

Professor Kung Hsiang Fu

Professor Tso Wung Wai

Mr. Hon Yiu Ming Matthew

AUDIT COMMITTEE

Mr. Hon Yiu Ming Matthew

(*Chairman of audit committee*)

Professor Tso Wung Wai

Professor Kung Hsiang Fu

Mr. Tarn Sien Hao

REMUNERATION COMMITTEE

Mr. Hon Yiu Ming Matthew

(*Chairman of remuneration committee*)

Professor Tso Wung Wai

Professor Kung Hsiang Fu

Mr. Deng Jie

Mr. Wee Ee Lim

(*Mr. Chng Hwee Hong as his alternative*)

COMPANY SECRETARY

Mr. Wong Ming Chun

(*CPA, ACCA, ACS, ACIS, CFA*)

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman,

KY1-1111,

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3405, 34th Floor

China Merchants Tower,

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited

Bank of China

Guiyang Branch, Jiaxiu Sub-branch

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

40th Floor, Jardine House

1 Connaught Place, Central

Hong Kong

AUDITORS

Ernst & Young

Certified Public Accountants

18th Floor,

Two International Finance Centre

8 Finance Street, Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street, P.O. Box 705

George Town, Grand Cayman

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East,

Wanchai

Hong Kong

UNAUDITED INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Hua Han Bio-Pharmaceutical Holdings Limited (“**Company**”) is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 31 December 2009 (“**Period**”) together with the comparative figures for the corresponding period in 2008 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		31 December	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	683,460	545,698
Cost of sales		<u>(293,201)</u>	<u>(230,427)</u>
Gross profit		390,259	315,271
Other income and gain		3,635	7,944
Selling and distribution costs		(189,350)	(135,422)
Administrative expenses		(41,539)	(50,872)
Finance costs	5	<u>(2,253)</u>	<u>(8,760)</u>
PROFIT BEFORE TAX	6	160,752	128,161
Tax	7	<u>(33,093)</u>	<u>(32,612)</u>
PROFIT FOR THE PERIOD		<u>127,659</u>	<u>95,549</u>
ATTRIBUTABLE TO:			
Owners of the Company		102,384	80,079
Non-controlling interests		<u>25,275</u>	<u>15,470</u>
		<u>127,659</u>	<u>95,549</u>
Dividend	8	<u>–</u>	<u>–</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF			
THE COMPANY			(restated)
– Basic	9	<u>HK7.7 cents</u>	<u>HK7.6 cents</u>
– Diluted	9	<u>HK7.4 cents</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	For the six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	127,659	95,549
OTHER COMPREHENSIVE INCOME		
Exchange difference arising on translation to presentation currency	<u>2,879</u>	<u>(5,369)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>130,538</u>	<u>90,180</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	104,165	75,405
Non-controlling interests	<u>26,373</u>	<u>14,775</u>
	<u>130,538</u>	<u>90,180</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	247,252	256,381
Prepaid land lease payments	87,851	87,953
Intangible assets	339,974	360,773
Deferred expenditure	56,128	56,061
Goodwill	128,222	128,222
Deposits and prepayments	224,668	6,751
Deferred tax assets	–	1,107
	1,084,095	897,248
CURRENT ASSETS		
Inventories	26,789	27,339
Accounts receivable	10 630,513	439,327
Prepayments, deposits and other receivables	98,307	89,396
Cash and cash equivalents	628,039	719,438
	1,383,648	1,275,500
CURRENT LIABILITIES		
Accounts payable	11 54,619	46,090
Tax payable	47,727	40,383
Accrued liabilities and other payables	84,824	65,757
Bank loans	69,780	69,827
Dividend payable	37,064	–
	294,014	222,057
NET CURRENT ASSETS	1,089,634	1,053,443
TOTAL ASSETS LESS CURRENT LIABILITIES	2,173,729	1,950,691
NON-CURRENT LIABILITIES		
Bank loans	–	2,196
Deferred tax liabilities	71,441	76,155
	71,441	78,351
Net assets	2,102,288	1,872,340
EQUITY		
Equity attributable to owners of the Company		
Issued capital	12 132,760	132,110
Reserves	1,637,553	1,496,679
	1,770,313	1,628,789
Non-controlling interests	331,975	243,551
Total equity	2,102,288	1,872,340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 July 2009 to 31 December 2009
Attributable to equity holders of the Company

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling Interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 July 2009	132,110	421,276	13,122	91,627	201,229	-	732,434	36,991	1,628,789	243,551	1,872,340
Issue of Shares upon exercise of share options	650	5,720	-	-	-	-	-	-	6,370	-	6,370
Net increase in non-controlling interests arising from partial disposal and deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	62,051	62,051
Gain on partial disposal and deemed disposal of a subsidiary	-	-	-	-	-	68,053	-	-	68,053	-	68,053
Final 2009 dividend declared	-	-	-	-	-	-	(73)	(36,991)	(37,064)	-	(37,064)
Profit for the Period	-	-	-	-	-	-	102,384	-	102,384	25,275	127,659
Exchange realignment	-	-	-	-	1,781	-	-	-	1,781	1,098	2,879
At 31 December 2009	132,760	426,996	13,122	91,627	203,010	68,053	834,745	-	1,770,313	331,975	2,102,288

From 1 July 2008 to 31 December 2008
Attributable to equity holders of the Company

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling Interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 July 2008	88,073	248,273	11,113	76,680	244,609	-	637,874	-	1,306,622	224,878	1,531,500
Profit for the Period	-	-	-	-	-	-	80,079	-	80,079	15,470	95,549
Exchange realignment	-	-	-	-	(4,674)	-	-	-	(4,674)	(695)	(5,369)
At 31 December 2008	88,073	248,273	11,113	76,680	239,935	-	717,953	-	1,382,027	239,653	1,621,680

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	48,484	33,249
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(188,117)	(405)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	47,377	(89,363)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(92,256)	(56,519)
Cash and cash equivalents at beginning of Period	719,438	816,298
Effect of foreign exchange rate changes, net	857	(2,288)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	628,039	757,491
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	628,039	757,491

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2009 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2009, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include Hong Kong Accounting Standards and interpretations) in current period for the first time as disclosed in note 2 below. This interim financial statements should be read in conjunction with the 2009 annual financial statements of the Group for the year ended 30 June 2009.

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

The following new and revised HKFRSs were adopted for the first time for the Period’s financial statements:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, paragraph 80 to HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT (continued)

2. **Impact of New and Revised Hong Kong Financial Reporting Standards** (continued)

The application of the new and revised HKFRSs had the following effect on the condensed consolidated financial statements of the Group.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the condensed consolidated financial statements) and changes in the format and content of the condensed consolidated financial statements.

The adoption of other new and revised HKFRSs had no material effect on the condensed consolidation financial statements of the Group.

Certain new standards, amendments and interpretations to existing standards which have been published are relevant to the Group's business and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods. The Group has not early adopted these standards, amendments and interpretations for the six months ended 31 December 2009. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a material impact on the Group's results and financial positions for the Period.

3. **Turnover**

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

4. Segment information

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

	Manufacturing		Trading		Consolidated	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>669,191</u>	<u>528,697</u>	<u>14,269</u>	<u>17,001</u>	<u>683,460</u>	<u>545,698</u>
Segment results	<u>167,733</u>	<u>139,445</u>	<u>1,456</u>	<u>1,756</u>	<u>169,189</u>	<u>141,201</u>
Interest income and unallocated income					3,633	3,103
Unallocated expenses					(9,817)	(7,383)
Finance costs					<u>(2,253)</u>	<u>(8,760)</u>
Profit before tax					160,752	128,161
Tax					<u>(33,093)</u>	<u>(32,612)</u>
Profit for the Period					<u><u>127,659</u></u>	<u><u>95,549</u></u>

5. Finance costs

	For the six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	<u><u>2,253</u></u>	<u><u>8,760</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

6. Profit before tax

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

	For the six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	132,037	92,262
Employee benefits expense (including directors' remuneration)	47,840	21,751
Depreciation	6,777	6,465
Amortisation of prepaid land lease payments	682	675
Amortisation of intangible assets	21,543	20,664
Interest income	(3,633)	(3,103)

7. Tax

	For the six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Mainland China	33,093	32,612

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to an approval received from 貴州省科學技術廳 on 25 December 2000, Guizhou Hanfang Medicine Manufacture Co., Ltd. (“GHMM”), a subsidiary of the Company, was classified as one of the approved “High and New Technology Enterprises” in Mainland China. Accordingly, GHMM is entitled to a preferential Mainland China Corporate Income Tax rate of 15% effective from 1 January 2002. In addition, pursuant to an approval received from the local tax bureau in 2003, Guiyang De Chang Xiang Pharmaceutical Company Limited (“DCX”), a subsidiary of the Company, was approved a Mainland China Corporate Income Tax rate of 15% effective from years 2003 to 2010 with respect to the preferential tax policy granted by the local government for the entities established in western part of Mainland China.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

8. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: Nil).

9. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share ("Share") is based on the profit for the Period attributable to owners of the Company of HK\$102,384,000 (2008: HK\$80,079,000) and the weighted average of 1,321,554,000 (2008: the weighted average of 1,055,120,000 as adjusted for the effect of an open offer) ordinary Shares in issue during the Period.

The calculation of diluted earnings per share ("Share") is based on the profit attributable to owners of the Company of HK\$102,384,000 and on 1,386,145,000 ordinary Shares outstanding during the Period, adjusted for the effects of dilutive potential ordinary Shares.

A reconciliation of the weighted average number of Shares used in calculating the basic and diluted earnings per Share for the Period is as follows:

	Number of Shares
Weighted average number of ordinary Shares in issue used in basic earnings per Share calculation	1,321,554,000
Weighted average number of ordinary Shares assumed issued at no consideration on deemed exercise of all share options outstanding during the Period	<u>64,591,000</u>
Weighted average number of ordinary Shares used in diluted earnings per Share calculation	<u><u>1,386,145,000</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

10. Accounts receivable

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of up to 180 days and extended to one year for certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts receivable are related to a large number of diversified customers, there is no significant concentration of credit risk.

An ageing analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Within 90 days	368,560	184,851
91 – 180 days	114,457	158,642
181 – 365 days	147,496	95,834
	<u>630,513</u>	<u>439,327</u>

11. Accounts payable

The ageing analysis of the accounts payable as at the balance sheet date is as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Within 90 days	48,000	39,492
91 – 180 days	3,317	3,370
181 – 365 days	1,542	1,531
Over 365 days	1,760	1,697
	<u>54,619</u>	<u>46,090</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

12. Share capital

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
<i>Authorised:</i>		
2,000,000,000 (30 June 2009: 2,000,000,000) ordinary Shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,327,601,600 (30 June 2009: 1,321,101,600) ordinary Shares of HK\$0.10 each	<u>132,760</u>	<u>132,110</u>

During the Period, the Company issued 6,500,000 ordinary Shares at the subscription price of HK\$0.98 each for a total consideration of approximately HK\$6,370,000 upon the exercise of share options granted under the share option scheme of the Company.

13. Operating lease commitments

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for original terms ranging from one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Within one year	1,793	2,490
In the second to fifth years, inclusive	<u>617</u>	<u>170</u>
	<u>2,410</u>	<u>2,660</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

14. Commitments

As at 31 December 2009, the Group had contracted commitments of HK\$37,028,000 (30 June 2009: HK\$34,032,000) in respect of purchases of technical know-how/patent.

In addition, as at 31 December 2009, the Group had contracted commitments of HK\$15,843,000 (30 June 2009: HK\$15,824,000) in respect of the purchases of and construction of plant and equipment.

15. Contingent liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities (30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the professional research and development, manufacture and sale of gynecological medicine and bio-pharmaceutical products in the People's Republic of China ("PRC" or "China"). During the Period, the Group continued to achieve a positive return through its own and joint national distribution channels as well as its extensive marketing network.

MARKET REVIEW

During the Period, albeit the intruding impact of the financial crisis, however, with the introduction of various domestic measures one after another aiming at boosting economic growth, the PRC pharmaceutical industry continued to sustain a stable growth. The particular strong demand for medicine and expansion in healthcare industry were the major factors catalysing the economic growth of the pharmaceutical industry.

During the Period, the development of the PRC pharmaceutical industry was mainly characterised by: (1) the universal healthcare scheme catalysing the growth in pharmaceutical consumption; (2) the industrial production which was able to sustain its growth but in a dampening pace; (3) the active demand in end-user markets with surges in growth in third-tier end-user markets represented by rural and community markets, despite slowing down of growth in retail point-of-sales. The above characteristics had indicated that the PRC pharmaceutical industry was facing an adjustment phase synchronising with both opportunities and challenges. On one hand, competition in both generic drugs and general medicine became more and more intense, with companies making significant efforts in reducing prices and enhancing efficiency. Also, emphasis on product quality control and cost reduction had restricted the development of pharmaceutical enterprises. On the other hand, however, with the restructuring within the PRC pharmaceutical industry and increasing awareness by ordinary citizens towards branded medicine, the competitiveness of those enterprises with unique product resources and distinctive distribution advantages will be enhanced and branded enterprises with exclusive products will have more and more market development opportunities.

BUSINESS REVIEW

During the Period, shadowed by the global financial crisis and the gradual implementation of domestic new medical reforms, the Group had adopted proactive measures to overcome the external adverse factors and to make breakthrough for our internal bottlenecks. This enabled the Group to sustain a continuous and rapid growth. In addition, the Group continued to focus on the critical areas of its development strategy, to deepen its professional distribution model comprehensively, to enforce stringent control in procurement and production costs, to integrate human resources and to improve its operational management service standards. The above had laid a solid foundation for the Company in sustaining a healthy and rapid development position.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL PERFORMANCE

During the Period, the Group's turnover was approximately HK\$683.5 million, of which approximately HK\$669.2 million was derived from turnover of the Group's own products, representing an increase of approximately 26.6% as compared to HK\$528.7 million of the corresponding period last year. Traditional gynecological medicine contributed to approximately HK\$304.9 million in sales during the Period, representing approximately 45.6% of total sales of the Group's own products, and an increase of approximately 4.2% as compared to the corresponding period last year. Bio-pharmaceutical products recorded approximately HK\$79.3 million in turnover during the Period, accounting for approximately 11.8% of the total sales of the Group's own products and an approximately 37.4% increase over the corresponding period last year. Feminine medicinal healthcare products recorded approximately HK\$285.0 million in sales during the Period, representing approximately 42.6% of total sales of the Group's own products and an approximately 60.1% increase over the corresponding period last year. Apart from the above, approximately HK\$14.3 million of the Group's turnover during the Period was attributable to trading business.

Market Performance

During the Period, in terms of distribution, the Group primarily implemented the distribution strategy of its three business segments: traditional gynecological medicine, bio-pharmaceutical products and feminine medicinal healthcare products. The Group adopted a professional and rationalised approach as a foundation in managing its distribution, introducing its new products, developing its markets and integrating its internal and external resources; and had continued to enhance its sales and marketing efforts for its core products. While expanding and improving its products in market sales, the Group also endeavour to develop the market share of other products.

On one hand, the Group consolidated the existing hospital market for its traditional gynecological products through rationalisation and immaculate development, with further extension of clinical life of old products and maintenance of its profit contribution to the Group. With “**Fuke Zaizaowan (婦科再造丸)**” as the leading product in its portfolio, through establishing our own sales network and assigning agents to distribute products on a synchronising basis, our market presence had already expanded to 24 provinces throughout the country, with increase in number of retail point-of-sales and rapid enhancement in brand recognition. At the same time, by leveraging on advantageous opportunities of the Group's 31 products registered in the National Essential Drugs Catalogue, we strive to develop the markets in municipal communities, community hospitals and counties. Through the relentless efforts of our third-tier end-user sales teams of the Group, rapid growing results were precipitated.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL PERFORMANCE (continued)

Market Performance (continued)

On the other hand, the Group had strengthened its sales efforts of the two national category one new bio-pharmaceutical medicines. Using “**Yi Fu** (易孚)” and “**Yi Bei** (易貝)” as the leading innovative bio-pharmaceutical products, we aimed at speeding up the development in hospital market and increasing its prescription volume. Our target was to promote our products in reaching about 2,000 end-user hospitals. At the same time, high quality sales teams were established. New promotion efforts were put forth in enhancing our communications with medical practitioners, achieving breakthrough in our marketing results. Furthermore, the sales teams are also fully prepared for the introduction of our new “**Human Nerve Growing Factor** (人神經生長因子)” products in the market.

With regard to feminine medicinal healthcare products, as the number of retail point-of-sales in supermarket kept growing, the point-of-sales of “**Magic** (美即)” continued to increase and its sales volume increased accordingly. Furthermore, apart from continuing to strengthen our primary sales network and sales promotion in local major sales channels, the products had also entered into the second-tier and third-tier markets nationwide and began to establish local personal care shops, striving in exploring and setting up the future standardized nationwide marketing system. Through the relentless efforts in promoting new products, we aimed at enhancing the sales results of individual stores for “**Magic** (美即)”. By increasing the selling price of single piece face mask, sales results continued to improve.

In general, through our immaculate development in hospital markets, our massive development efforts in third-tier end-user rural and municipal communities, the feminine medicinal healthcare market had achieved a stable growth in its sales results by leveraging on the strategy of rapid developments through those channels. It is worth to mention that under the expansion of healthcare sector, it had resulted in 73 of the Group’s products and specifications being registered at the National Medical Insurance Catalogue, of which 4 of them are exclusive products. The above registrations had laid a solid foundation in promoting the future significant growth potential of our sales.

In respect of production, the Group had further strengthened its enterprise internal management. Through tendering, fixed and central procurement, with stringent control in procurement and production costs, the cost pressure arising from the increases in raw materials and staff costs was mitigated. We further rationalised our internal resources and established the “GMP” production lines for our bio-pharmaceutical, gynecological, antitumour and exclusive products.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL PERFORMANCE (continued)

Market Performance (continued)

With regard to product research and development and technological innovation, the Company stands on focusing the development of projects in gynecological products, bio-pharmaceutical products and feminine medicinal healthcare products and initiated the co-operative research and development models based on our self-developed and innovative products. During the Period, the research and development of new drugs had entered into new stages. The addition of “**Recombinant Human Epidermal Growth Factor Eye Drops** (重組人表皮生長因子滴眼液)” for the adaptation symptoms of Xerophthalmia (i.e. dry eyes), the development of new forms of “**Recombinant Human Epidermal Growth Factor Eye-Use Gel** (重組人表皮生長因子眼用凝膠)”, the new biological product drug “**Interferon- (干擾素-λ)**”, a new type of immunization biological dosage form product which had completed its pre-clinical virus suppression testing, the ophthalmological product “**Levotloxacin Eye Drops** (左氧氟沙星滴眼液)” which had completed its pre-clinical testing and is applying for production approval, the “**Placenta Blood White Protein** (人胎盤血白蛋白)” which had passed the laboratory testing stage, and the new Chinese herbal product “**Capsules of Grosvenor Momordica Fruit for Arresting Cough** (羅漢果止咳膠囊)” which had obtained production approval and was already launched into the market. In total, the Group had completed 5 prestige research and development projects, obtained 1 production approval and had 2 patent applications under progress; currently 8 research and development projects are in progress.

PROSPECTS

In 2009, global economy suffers a serious downturn due to the financial crisis. China also needs to face the double threats of cyclical and structural adjustments of the economy. However, with the various advantageous factors like the proactive promotion of the medical and public health system reform in the PRC, higher market standardization, continuous development of national economy, population growth, urbanization and aging population, as well as the particular strong demand for medicine and expansion in healthcare industry, the pharmaceutical industry in China was still able to sustain a sound development trend.

Hence, it can be concluded that once the new medical reforms are thoroughly implemented, it will further drive a new stage of reform in the pharmaceutical industry – enhancement of enterprise quality standard, development of scalable structure and centralization. Competition within the industry will become more and more systematic and chaotic situation will wither away through continuous restructuring. It is expected that in 3 years’ time, those pharmaceutical enterprises with no advantageous product and are smaller in scale will be gradually eliminated and market share will be clustered towards leading enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

With such a development trend of the industry, the Directors are of the view that the “new medical reforms” will bombard the traditional structure of the pharmaceutical industry. Firstly, it will demarcate the hospitals based on their functional capabilities, i.e. the functionality and responsibility of municipal hospitals, community hospitals, county and rural (town) hospitals will be re-defined, with municipal hospitals principally providing treatments for emergency and serious cases and difficult illnesses; and community hospitals primarily providing basic clinical services for ordinary and repetitive illnesses, chronic disease management and sickness recovery services. Secondly, it will establish a basic drugs system, including those medical products in the essential drugs catalogue for ordinary disease treatments, which requires municipal and rural fundamental medical healthcare organizations to be fully equipped with and will be used as essential drugs. At the same time, the government encourages innovative drugs development and with various beneficial policies in place for the development of innovative drugs.

Under the new situation and market conditions, the Directors believe the overall development strategies of the Group are to leverage on the adjustment opportunities of the industry and market brought by the “new medical reforms”, consolidate the overall resources of the Group, contribute more efforts and speed up the capturing of the high-end market using the innovative products of our bio-pharmaceutical business segment; utilize our traditional Chinese herbal products in developing the low to medium end markets and to achieve breakthrough of our products in the two most profitable and fastest growing markets; strive to develop the bio-pharmaceutical products and speed up the establishment of the product and technological chain of bio-pharmaceutical products, enabling the Group to enter into a market with broader development potential. After the introduction of the ready-to-launch new drug “**Human Nerve Growing Factor Injection** (人神經生長因子注射液)”, the Group will commence projects like the “**Placenta Blood White Protein** (人胎盤血白蛋白)” development, which aims at establishing a unique national and global bio-pharmaceutical product enterprise using placenta tissues as materials. In general, the Group will fully leverage on and utilize our competitive edge, take pro-active move, continue to be innovative, strive for further development, aim at higher achievement and attain a stable, speedy and sustained growth, and deliver encouraging results for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC and Hong Kong. As at 31 December 2009, the Group had unpledged cash and bank balances of approximately HK\$628.0 million (30 June 2009: approximately HK\$719.4 million). Its gearing ratio calculated as a ratio of total debt to equity attributable to equity holders of the Company was approximately 3.9% (30 June 2009: approximately 4.4%). Net current assets was approximately HK\$1,089.6 million (30 June 2009: approximately HK\$1,053.4 million) and the current ratio was maintained at the healthy level of approximately 4.7 (30 June 2009: approximately 5.7) as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The finance costs of the Group for the Period amounted to approximately HK\$2.3 million (2008: approximately HK\$8.8 million), representing approximately 0.3% (2008: approximately 1.6%) of the Group's total turnover and a decrease of approximately HK\$6.5 million over the corresponding period in 2008.

COMMITMENTS

As at 31 December 2009, the Group had contracted commitments of HK\$37.0 million (30 June 2009: HK\$34.0 million) and HK\$15.8 million (30 June 2009: HK\$15.8 million) in respect of purchases of technical knowhow/patent and construction of property, plant and equipment, respectively.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liabilities (30 June 2009: Nil).

BANK BORROWINGS

As at 31 December 2009, the Group had outstanding bank loans of approximately HK\$69.8 million from the banks in the PRC (30 June 2009: approximately HK\$72.0 million), 100% (30 June 2009: approximately 97.0%) of which were short term bank loans with maturity within one year. All the bank loans of the Group were denominated in Renminbi and Hong Kong Dollar.

As at 31 December 2009, the Group's bank borrowings were secured by (i) certain plant and machinery of the Group; (ii) certain prepaid land lease payments and buildings of the Group; and (iii) corporate guarantees executed by certain subsidiaries of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2009, the Group had a total of 2,572 employees (2008: 2,552), of whom 2,563 were based in the PRC, with the rest stationed in Hong Kong. The employees of the Group were remunerated based on their experience, qualifications, the Group's performance as well as market conditions. During the Period, staff costs (including Directors' remunerations) amounted to approximately HK\$47,840,000 (2008: approximately HK\$21,751,000). Staff costs accounted for 7.0% of the Group's turnover (2008: 4.0%) during the Period. The Group participates in retirement benefit schemes for its staff both in Hong Kong and the PRC.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2008: Nil).

ADDITIONAL INFORMATION

SHARE OPTION SCHEME

On 17 August 2009, a total of 88,000,000 share options were granted to certain of the Directors of the Company and employees of the Group in respect of their services to the Group. These share options vested on 17 August 2009 and have an exercise price of HK\$0.98 per share and an exercise period ranging from 17 August 2009 to 16 August 2011.

The share options exercised during the Period resulted in the issue of 6,500,000 ordinary shares of the Company of HK\$0.10 each.

At the date of this report, the Company had 81,500,000 share options outstanding under the Scheme, which represented approximately 6.14% of the Company's shares in issue as at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 81,500,000 additional ordinary shares of the Company of HK\$0.10 each.

ADDITIONAL INFORMATION (continued)

SHARE OPTION SCHEME (continued)

The following table sets out the details of the share options which were granted, exercised or outstanding under the share option scheme adopted by the Company (“Scheme”) during the Period:

Name or category of participants	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$	Price of the Company's share at the date immediately preceding the date of grant of options** HK\$	Weighted average closing price of the Company's share before the date of exercise of options** HK\$
	At 1 July 2009	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 31 December 2009					
Directors										
<i>Executive</i>										
Mr. Zhang Peter Y.	-	1,300,000	-	-	1,300,000	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	-
Mr. Deng Jie	-	1,300,000	-	-	1,300,000	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	-
Mr. Long Xian Feng	-	13,000,000	-	-	13,000,000	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	-
Mr. Bian Shu Guang***	-	1,300,000	-	-	1,300,000	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	-
<i>Non-executive</i>										
Mr. Wee Ee Lim	-	1,300,000	(1,300,000)	-	-	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	1.66
Mr. Tarn Sien Hao	-	1,300,000	(1,300,000)	-	-	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	1.66
<i>Independent non-executive</i>										
Professor Kung Hsiang Fu	-	1,300,000	(1,300,000)	-	-	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	1.80
Professor Tso Wung Wai	-	1,300,000	(1,300,000)	-	-	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	1.80
Mr. Hon Yiu Ming, Matthew	-	1,300,000	(1,300,000)	-	-	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	1.80
		<u>- 23,400,000</u>	<u>(6,500,000)</u>	<u>- 16,900,000</u>						
Other employees ****	-	64,600,000	-	-	64,600,000	17 August 2009	17 August 2009 to 16 August 2011	0.98	1.00	-
		<u>- 88,000,000</u>	<u>(6,500,000)</u>	<u>- 81,500,000</u>						

ADDITIONAL INFORMATION *(continued)*

SHARE OPTION SCHEME *(continued)*

Notes:

- * *Pursuant to the Scheme, the exercise price of the share option of HK\$0.98 per share is subject to adjustment in the case of capitalisation of profits or reserves, rights issue, consolidation, sub-division, reduction of the Company's share capital, or other similar changes in the Company's share capital.*
- ** *The price of the Shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the date immediately preceding the date of the grant of the options. The weighted average closing price of the Company's shares is the weighted average closing price of the Shares as quoted on the website of the Stock Exchange for the 5 days immediately preceding the date of the exercise of the share options.*
- *** *Mr. Bian Shu Guang was a Director as at the date of grant of the share options. He retired as a Director by rotation at the annual general meeting of the Company held on 18 December 2009.*
- **** *Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group.*

ADDITIONAL INFORMATION *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SF Ordinance**”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Number and class of securities/percentage in equity interest <i>(Note 1)</i>	Approximate percentage of interest
Mr. Zhang Peter Y.	The Company	Interest of controlled corporation	451,138,174 Shares (L) <i>(Note 2a)</i>	33.98%
	The Company	Beneficial owner	1,300,000 Shares (L) <i>(Note 2b)</i>	0.10%
Mr. Deng Jie	Guizhou Hanfang Xifeng Medical Industry Co., Ltd. (“GHXM”)	Interest of controlled corporation	5% (L) <i>(Note 3)</i>	5%
	The Company	Beneficial owner	1,300,000 Shares (L) <i>(Note 2b)</i>	0.10%
Mr. Long Xian Feng	The Company	Beneficial owner	13,000,000 Shares (L) <i>(Note 2b)</i>	0.98%
Professor Kung Hsiang Fu	The Company	Beneficial owner	1,300,000 Shares (L)	0.10%
Professor Tso Wung Wai	The Company	Beneficial owner	1,300,000 Shares (L)	0.10%
Mr. Hon Yiu Ming, Matthew	The Company	Beneficial owner	1,260,000 Shares (L)	0.09%

Notes:

1. The letter “L” represents the Director’s interests in the Shares and underlying Shares or, as the case may be, the equity interest of the Company or its associated corporations.

ADDITIONAL INFORMATION *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

- 2a. These 451,138,174 Shares were held by Bull's-Eye Limited (“**BEL**”), more than one-third of the issued share capital of which is beneficially owned by Mr. Zhang Peter Y.. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SF Ordinance, Mr. Zhang Peter Y. is deemed to be interested in all the Shares held by BEL.
- 2b. These Shares were Shares which would be allotted and issued upon the exercise in full of the options granted under the share option scheme of the Company. These options, all of which remained exercisable as at 31 December 2009, are exercisable at the subscription price of HK\$0.98 per share at any time during a period of two years commencing from and including 17 August 2009 to 16 August 2011.
3. These equity interests were held by Guiyang Headboy Kids Accessories Company Limited (“**GHKA**”), which is beneficially owned as to 95% by Mr. Deng Jie and as to the remaining 5% by Mr. Long Xian Feng. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SF Ordinance, Mr. Deng Jie is deemed to be interested in the equity interests in GHXM held by GHKA.

Save as disclosed above, as at 31 December 2009, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares or, as the case may be, the equity interests and debentures of the Company or its associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

ADDITIONAL INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SF ORDINANCE

After having made reasonable enquiry, the Directors are aware that as at 31 December 2009, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of shareholder	Number of Shares <i>(Note 1)</i>	Nature of interest	Approximate percentage of interest
BEL <i>(Note 2)</i>	451,138,174 (L)	Beneficial owner	33.98%
Liu Yu <i>(Note 3)</i>	451,138,174 (L)	Interest of spouse	33.98%
Haw Par Pharmaceutical Holdings Pte. Ltd <i>(Note 4)</i>	277,898,600 (L)	Beneficial owner	20.93%
Haw Par Corporation Limited <i>(Note 4)</i>	277,898,600 (L)	Interest of controlled corporation	20.93%
Atlantis Investment Management Ltd.	132,396,000 (L)	Investment manager	9.97%
Chartered Asset Management Pte. Ltd.	91,880,000 (L)	Investment manager	6.92%
Kingston Finance Limited <i>(Note 5 and 6)</i>	238,000,000 (L)	Person having a security interest in Shares	17.93%
Chu Yuet Wah <i>(Note 5)</i>	238,000,000 (L)	Interest of controlled corporation	17.93%
Ma Siu Fong <i>(Note 6)</i>	238,000,000 (L)	Interest of controlled corporation	17.93%

Notes:

1. The letter "L" represents the person's or the entity's interests in Shares of the Company.

ADDITIONAL INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SF ORDINANCE *(continued)*

2. More than one-third of the issued share capital of BEL is beneficially owned by Mr. Zhang Peter Y. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Mr. Zhang Peter Y., an executive Director, is deemed to be interested in all the Shares held by BEL. Mr. Zhang Peter Y. is a director of BEL.
3. Ms. Liu Yu is the wife of Mr. Zhang Peter Y., an executive Director, and is deemed to be interested in the Shares and underlying Shares in which Mr. Zhang Peter Y. is deemed to be interested under the provisions of Division 2 and 3 of Part XV of the SF Ordinance.
4. Haw Par Pharmaceutical Holdings Pte. Ltd. is a wholly-owned subsidiary of Haw Par Corporation Limited, a company incorporated in Singapore whose shares are listed on the Singapore Exchange Securities Trading Limited. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Haw Par Corporation Limited is deemed to be interested in all Shares in which Haw Par Pharmaceutical Holdings Pte. Ltd. is interested.
5. Kingston Finance Limited is owned as to 51% by Mrs. Chu Yuet Wah. By virtue of the provisions of Division 2 and 3 of part XV of the SF Ordinance, Mrs. Chu Yuet Wah is deemed to be interested in all Shares in which Kingston Finance Limited is deemed to be interested.
6. Kingston Finance Limited is owned as to 49% by Ms. Ma Siu Fong. By virtue at the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Ms. Ma Siu Fong is deemed to be interested in all Shares in which Kingston Finance Limited is deemed to be interested.

Save as disclosed above, as at 31 December 2009, no person, or entity, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

ADDITIONAL INFORMATION *(continued)*

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Hong Kong, 22 February 2010