



Hua Han Bio-Pharmaceutical Holdings Limited 華瀚生物製藥控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 587)

Interim Report

2010/2011



THE MISSION

Strive to be the leading pharmaceutical enterprise specialising in traditional Chinese medicine (including mainly gynecological medicine) as well as bio-pharmaceutical products and bio-technology 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
Mr. Zhou Chong Ke

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

Industrial and Commercial Bank of
China (Asia) Limited

Bank of China
Guiyang Branch, Jiaxiu Sub-branch

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
43th Floor, The Lee Gardens
33 Hysan Avenue, Causeway Bay
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 condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 31 December 2010 (“**Period**”) together with the comparative figures for the corresponding period in 2009 and the relevant explanatory notes as set out below. The condensed consolidated interim financial statements 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	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
CONTINUING OPERATIONS			
Turnover	3	549,942	398,503
Cost of sales		<u>(155,126)</u>	<u>(117,539)</u>
Gross profit		394,816	280,964
Other income and gains		2,665	3,574
Selling and distribution expenses		(202,243)	(156,399)
Administrative expenses		(35,154)	(30,449)
Fair value gain on derivative financial instruments		5,534	–
Gain on deemed disposal of a subsidiary	7	146,962	–
Share of profit of an associated company		6,935	–
Finance costs	5	<u>(1,163)</u>	<u>(2,205)</u>
Profit before taxation		318,352	95,485
Taxation	6	<u>(36,308)</u>	<u>(23,893)</u>
Profit for the period from continuing operations		282,044	71,592
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	7	<u>33,110</u>	<u>56,067</u>
Profit for the period	8	<u><u>315,154</u></u>	<u><u>127,659</u></u>
Dividend	9	<u><u>–</u></u>	<u><u>–</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the Company		
From continuing operations	270,315	69,384
From discontinued operations	<u>12,052</u>	<u>33,000</u>
	<u>282,367</u>	<u>102,384</u>
Non-controlling interests		
From continuing operations	11,729	2,208
From discontinued operations	<u>21,058</u>	<u>23,067</u>
	<u>32,787</u>	<u>25,275</u>
	<u>315,154</u>	<u>127,659</u>
EARNINGS PER SHARE		
<i>10</i>		
From continuing and discontinued operations		
Basic	<u>HK17.6 cents</u>	<u>HK7.7 cents</u>
Diluted	<u>HK16.9 cents</u>	<u>HK7.4 cents</u>
From continuing operations		
Basic	<u>HK16.8 cents</u>	<u>HK5.3 cents</u>
Diluted	<u>HK16.2 cents</u>	<u>HK5.0 cents</u>
From discontinued operations		
Basic	<u>HK0.8 cents</u>	<u>HK2.4 cents</u>
Diluted	<u>HK0.7 cents</u>	<u>HK2.4 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>315,154</u>	<u>127,659</u>
OTHER COMPREHENSIVE INCOME (EXPENSES)		
Exchange differences arising from translation of foreign operations	65,447	2,879
Release of other reserve upon deemed disposal of a subsidiary	<u>26,100</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>406,701</u></u>	<u><u>130,538</u></u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	368,419	104,165
Non-controlling interests	<u>38,282</u>	<u>26,373</u>
	<u><u>406,701</u></u>	<u><u>130,538</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	251,847	251,141
Prepaid lease payments	30,820	30,238
Intangible assets	278,910	295,275
Deferred expenditure	58,077	56,649
Goodwill	112,450	112,450
Interest in associates	285,920	–
Deposits and prepayments	134,212	139,561
Deferred tax assets	5,213	6,171
	<u>1,157,449</u>	<u>891,485</u>
CURRENT ASSETS		
Inventories	33,160	33,184
Trade receivables	530,449	492,362
Other receivables, deposits and prepayments	244,367	285,422
Bank balances and cash	1,481,188	1,406,536
	<u>2,289,164</u>	<u>2,217,504</u>
Assets classified as held for sale	–	319,928
	<u>2,289,164</u>	<u>2,537,432</u>
CURRENT LIABILITIES		
Trade payables	52,791	37,013
Other payables and accrued expenses	55,703	38,396
Obligation under a finance lease	216	74
Bank borrowings	31,612	55,526
Derivative financial instruments	–	5,534
Tax payable	60,212	56,388
Dividend payable	48,070	–
	<u>248,604</u>	<u>192,931</u>
Liabilities directly associated with assets classified as held for sale	–	88,344
	<u>248,604</u>	<u>281,275</u>
NET CURRENT ASSETS	<u>2,040,560</u>	<u>2,256,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><u>3,198,009</u></u>	<u><u>3,147,642</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	13	162,094	160,234
Reserves		2,830,225	2,522,645
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
SHARE AWARD RESERVE OF A SUBSIDIARY		2,992,319	2,682,879
NON-CONTROLLING INTERESTS		–	11,269
		143,819	388,498
TOTAL EQUITY		3,136,138	3,082,646
NON-CURRENT LIABILITIES			
Obligation under a finance lease		727	281
Deferred tax liabilities		61,144	64,715
		61,871	64,996
		3,198,009	3,147,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Share award reserve of a subsidiary HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 30 June 2010	160,234	1,103,626	19,009	104,256	256,300	22,306	35,006	934,072	48,070	2,682,879	11,269	388,498	3,082,646
Profit for the Period	-	-	-	-	-	-	-	282,367	-	282,367	-	32,787	315,154
Other comprehensive income (expense) for the Period	-	-	-	-	59,952	-	-	26,100	-	86,052	-	5,495	91,547
Total comprehensive income (expense) for the Period	-	-	-	-	59,952	-	-	308,467	-	368,419	-	38,282	406,701
Issue of shares upon exercise of share options	1,860	17,958	-	-	-	(4,627)	-	-	-	15,191	-	-	15,191
Deemed disposal of a subsidiary	-	-	-	-	-	-	(26,100)	-	-	(26,100)	(11,269)	(228,513)	(265,882)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(54,448)	(54,448)
Final dividend declared	-	-	-	-	-	-	-	-	(48,070)	(48,070)	-	-	(48,070)
At 31 December 2010	<u>162,094</u>	<u>1,121,584</u>	<u>19,009</u>	<u>104,256</u>	<u>316,252</u>	<u>17,679</u>	<u>8,906</u>	<u>1,242,539</u>	<u>-</u>	<u>2,992,319</u>	<u>-</u>	<u>143,819</u>	<u>3,136,138</u>
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
Profit for the period	-	-	-	-	-	-	-	102,384	-	102,384	-	25,275	127,659
Other comprehensive income (expense) for the period	-	-	-	-	1,781	-	-	-	-	1,781	-	1,098	2,879
Total comprehensive income for the period	-	-	-	-	1,781	-	-	102,384	-	104,165	-	26,373	130,538
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
Partial disposal/deemed disposal of subsidiaries	-	-	-	-	-	-	68,053	-	-	68,053	-	-	68,053
Final dividend declared	-	-	-	-	-	-	-	(73)	(36,991)	(37,064)	-	-	(37,064)
At 31 December 2009	<u>132,760</u>	<u>426,996</u>	<u>13,122</u>	<u>91,627</u>	<u>203,010</u>	<u>-</u>	<u>68,053</u>	<u>834,745</u>	<u>-</u>	<u>1,770,313</u>	<u>-</u>	<u>331,975</u>	<u>2,102,288</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	200,097	48,484
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(152,971)	(188,117)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	<u>(9,311)</u>	<u>47,377</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,815	(92,256)
Cash and cash equivalents at beginning of period	1,406,536	719,438
Effect of foreign exchange rate changes, net	<u>36,837</u>	<u>857</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,481,188</u>	<u>628,039</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>1,481,188</u>	<u>628,039</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2010 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 2010, 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 2010 annual financial statements of the Group for the year ended 30 June 2010.

2. Application of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”)

The Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) issued a number of new and revised standards, amendments to standards and interpretations (“**new and revised HKFRSs**”) that are first effective for the current accounting period of the Group, as follow.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7
HKFRS 2 (Amendment)	Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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 2011 or later periods. The Group has not early adopted these standards, amendments and interpretations during the Period. 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

Turnover represents the amounts received and receivable from the manufacturing, sale and trading of pharmaceutical products during the Period. The following is an analysis of the Group’s turnover from continuing operations:

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Manufacturing, sale and trading of pharmaceutical products	<u>549,942</u>	<u>398,503</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. Segment information

The Group's operating and reportable segments under HKFRS 8 are as follows:

Pharmaceutical products – the manufacturing, sale and trading of Chinese and Western pharmaceutical products, mainly including gynecological medicines, bio-pharmaceutical and bio-technological products in the People's Republic of China ("PRC").

During the year ended 30 June 2010, the operations of facial mask and skincare products were classified as discontinued operations. Details of the discontinued operations are set out in Note 7.

Segment revenues, results, assets and liabilities

The Group's continuing operation has only one single category of products, namely pharmaceutical products and accordingly no further segment information is presented.

Geographical information

No geographical information is presented as the Group's business is principally carried out in the PRC and the Group's revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

Information about major customers

During the two six-months ended 31 December 2010 and 2009, no revenues from transactions with any single external customer amounted to 10% or more of the Group's revenues.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. Finance costs

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
Interest expenses on:		
– bank borrowings repayable within five years	1,146	2,205
– finance lease charges	17	–
	<u>1,163</u>	<u>–</u>
Total borrowing costs charged to the condensed consolidated income statement	<u>1,163</u>	<u>2,205</u>

6. Taxation

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	36,308	23,893
	<u>36,308</u>	<u>23,893</u>

Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements as there was no estimated assessable profit derived from Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

During the year ended 30 June 2009, Guizhou Hanfang Medicine Manufacture Co., Ltd. (“GHMM”), a subsidiary of the Company was classified as an approved “High and New Technology Enterprises” in the PRC and was entitled to a preferential EIT rate of 15%. During the Period, GHMM is subject to the tax rate of 25%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

6. Taxation (continued)

Pursuant to an approval received from the local tax bureau during 2003, Guiyang De Chang Xiang Pharmaceutical Company Limited (“**DCX**”), a subsidiary of the Company, was approved a PRC 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 the western part of the PRC.

Pursuant to the laws and regulations in the PRC, Guizhou Factorr Bio-Technology Company Limited (“**Guizhou Factorr**”), a sino-foreign cooperative subsidiary of the Company, was granted a 2-year exemption followed by a 3-year 50% reduction with effect from 1 January 2008.

Pursuant to the laws and regulations of the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the BVI.

7. Discontinued operations and gain on deemed disposal of a subsidiary

During the year ended 30 June 2010, the Group proposed to spin-off its operations in facial mask and skincare products through separate listing of its non-wholly owned subsidiary Magic Holdings Group Limited (“**Magic Holdings**”) and its subsidiaries (collectively referred to as the “**Magic Group**”) on the Stock Exchange. On 24 September 2010, the shares of Magic Holdings International Limited (the holding Company and the listing vehicles of the Magic Group) was listed on the Stock Exchange, details of which are set out in the prospectus of Magic Holdings International Limited dated 10 September 2010. Upon the listing of the Magic Group (the “**Listing**”), the Group’s interests in the Magic Group were diluted from 36.4% to 25.94% and pursuant to the cancellation of the Voting-in-Concert Undertakings, the Group’s investments in Magic Group were reclassified from investments in subsidiaries to interest in associates.

Accordingly, the operations in facial mask and skincare products were classified as discontinued operations before Listing of the Magic Group. Subsequent to the Listing, the assets and liabilities attributable to this business classified as held for sale were reclassified to interest in associates.

After the Listing of the Magic Group, the Group’s interest in Magic Group was diluted and the Group recognised a gain on deemed disposal of approximately HK\$146,962,000, representing the increase in the consolidated net assets of the Magic Group attributable to the Group’s interest therein.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. Discontinued operations and gain on deemed disposal of a subsidiary (continued)

The results of the operations in facial mask and skincare products for the period ended 31 December 2010 which have been included in the condensed consolidated income statement were as follows:

	For the period from 1 July 2010 to 23 September 2010 (Unaudited) HK\$'000	For the six months ended 31 December 2009 (Unaudited) HK\$'000
Turnover	187,125	284,957
Cost of sales	(39,584)	(67,584)
Gross profit	147,541	217,373
Other income and gains	21	61
Selling and distribution expenses	(102,886)	(152,990)
Administrative expenses	(8,080)	(11,090)
Fair value gain on derivative financial instruments	5,100	11,961
Finance costs	–	(48)
Profit before taxation	41,696	65,267
Taxation	(8,586)	(9,200)
Profit for the period from discontinued operations	<u>33,110</u>	<u>56,067</u>
Profit for the period attributable to:		
Owners of Magic Holdings	33,346	56,713
Non-controlling interests	(236)	(646)
	<u>33,110</u>	<u>56,067</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. Discontinued operations and gain on deemed disposal of a subsidiary (continued)

Profit for the Period from discontinued operations including the following:

	For the period from 1 July 2010 to 23 September 2010 (Unaudited) HK\$'000	For the six months ended 31 December 2009 (Unaudited) HK\$'000
Amortisation of intangible assets	957	1,892
Cost of inventories sold	39,584	67,584
Staff costs (including directors' emoluments)	4,383	10,199
Depreciation of property, plant and equipment	43	304
Loss on disposal/write-off of property, plant and equipment	–	99
Interest income	(12)	(61)
Fair value gain on derivative financial instruments	(5,100)	(11,961)
	<u>(5,100)</u>	<u>(11,961)</u>

8. Profit for the period

	For the six months ended 31 December 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
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Profit for the period arrived at after charging and (crediting):

Continuing operations:

Amortisation of intangible assets	19,882	19,651
Amortisation of prepaid land lease payments	675	682
Cost of inventories sold	155,126	117,539
Staff costs (including directors' emoluments)	20,708	37,641
Depreciation of property, plant and equipment	6,243	6,473
Interest income	(2,664)	(3,572)
	<u>(2,664)</u>	<u>(3,572)</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

9. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2010 (corresponding period in 2009: Nil).

10. Earnings per share

From continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the owners of the Company	282,367	102,384
<i>Less:</i> Profit for the period attributable to the owners of the Company from discontinued operations	<u>(12,052)</u>	<u>(33,000)</u>
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u>270,315</u>	<u>69,384</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. Earnings per share (continued)

From continuing operations (continued)

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,602,746	1,321,554
Effect of dilutive ordinary shares in respect of share options	<u>71,096</u>	<u>64,591</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,673,842</u>	<u>1,386,145</u>

	For the six months ended	
	31 December	
	2010	2009
	(Unaudited)	(Unaudited)
Basic earnings per share (in HK cents)	<u>16.8</u>	<u>5.3</u>
Diluted earnings per share (in HK cents)	<u>16.2</u>	<u>5.0</u>

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.8 cents per share (corresponding period in 2009: HK2.4 cents per share) and diluted earnings per share for the discontinued operations is HK0.7 cents per share (corresponding period in 2009: HK2.4 cents per share), based on the profit for the Period attributable to the owners of the Company from discontinued operations of HK\$12,052,000 (corresponding period in 2009: HK\$33,000,000) and the denominators detailed above for both basic and diluted earnings per share.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

11. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of up to 180 days and extended to one year for certain customers with long-established relationship and good past repayment history. The Group does not hold any collateral over these balances.

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

	31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
Within 90 days	283,529	242,480
91 – 180 days	177,047	152,405
181 – 365 days	68,767	96,890
Over 365 days	1,106	587
	<u>530,449</u>	<u>492,362</u>

12. Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
Within 90 days	45,816	27,329
91 – 180 days	2,514	6,905
181 – 365 days	2,241	779
Over 365 days	2,220	2,000
	<u>52,791</u>	<u>37,013</u>

The average credit period on purchases of goods ranged from 90 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. Share capital

	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.10 each		
<i>Authorised:</i>		
30 June 2010	2,000,000,000	200,000
Increase of authorised share capital	<u>2,000,000,000</u>	<u>200,000</u>
31 December 2010	<u>4,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
30 June 2010	1,602,341,600	160,234
Issue of shares upon exercise of share options (<i>Note (a)</i>)	<u>18,600,000</u>	<u>1,860</u>
31 December 2010	<u>1,620,941,600</u>	<u>162,094</u>

Note:

- (a) During the Period, an aggregate of 18,600,000 share options had been exercised by certain employees of the Group at a subscription price of HK\$0.8167 per share for a total consideration of approximately HK\$15,190,620, resulting in an issue of 18,600,000 new ordinary shares of HK\$0.10 each. The new shares rank pari passu with the existing shares in all respect.

14. Capital commitments

At the end of the reporting period, the Group had the following commitments:

	31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
Contracted but not provided for		
Acquisition of property, plant and equipment	16,393	15,990
Acquisition of technical knowhow	120,551	117,585
Acquisition of patent	23,504	22,926
Acquisition of additional interest in a subsidiary	<u>–</u>	<u>27,224</u>
	<u>160,448</u>	<u>183,725</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

15. Operating lease commitments

The Group as a 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 end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2010 (Unaudited) HK\$'000	30 June 2010 (Audited) HK\$'000
Within one year	1,723	1,723
In the second to fifth year inclusive	2,210	2,827
More than five years	45	44
	<u>3,978</u>	<u>4,594</u>

Leases are negotiated for a term of two years with fixed rentals over the term of the lease.

16. Contingent liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities (30 June 2010: Nil).

17. Comparative figures

Certain comparative figures have been reclassified to conform to current Period's presentation. The directors of the Company consider that reclassification of commission expenses from cost of sales to selling and distribution expenses in the condensed consolidated income statement is more meaningful.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET REVIEW

During the Period, the PRC pharmaceutical market continued to maintain its rapid growth. Both the amount of medicine consumption and the level of medicine class achieved a significant increase as compared to previous years, and had become the fifth largest pharmaceutical market in the world. The development prospect of PRC pharmaceutical industry continued to expand and had unveiled a promising start of the "Golden Decade".

The new national medical and health system reform is moving towards a comprehensive and in-depth development, while implementation efforts on the "National Essential Drugs Catalogue (2009 Edition) (2009年版《國家基本藥物目錄》)" had been further strengthened and the new version of "National Essential Drugs Catalogue for Medical Insurance (《國家基本醫療保險藥品目錄》)" has been adopted and followed in every provincial market within the nation. It is worth to mention that the three ministries, namely the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部), the Ministry of Health (衛生部) and the State Food and Drug Administration (國家食品藥品監督管理局) jointly issued the "Guiding Opinions on Accelerating the Structural Adjustment in the Pharmaceutical Industry (《關於加快醫藥行業結構調整的指導意見》)" in October 2010, demonstrating that the PRC government will further drive the development of the pharmaceutical industry with determination and direction under the "12th Five-Year Plan (2011-2015) (第十二個五年計劃)". Among others, it has taken measures to acknowledge clearly and provide concrete support to enterprise innovation, technology improvement, industry upgrade, enterprise merger and acquisition, and reorganization. Therefore, it is an important and encouraging news for enterprises that persist on expansion and growing stronger and stronger based on innovative pharmaceutical products and development momentum of international pharmaceutical markets.

The PRC government will continue to administer and control the pharmaceutical market to some extent. Following the publication of the "National Drug Price Control Measures (a draft for discussion) (《國家藥品價格管理辦法(徵求意見稿)》)", the government had directed and implemented a new round of price reduction measure on "National Medical Insurance Catalogue (醫保)" (all being generic drugs). Such measure has exerted some uncertainties in the pharmaceutical market.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

MARKET REVIEW *(continued)*

Nevertheless, with the arrival of the great era of PRC pharmaceutical market, those enterprises with strong development prospects, tier-strategies in keeping up with market development, unique product series and advanced technologies, strong and established nationwide end-user sales marketing network and excellent implementation capacity will eventually excel others in the market and become a conglomerate pharmaceutical enterprise based in PRC, growing stronger and stronger and heading towards international competition.

BUSINESS REVIEW

During the Period, under the background of the gradual implementation of domestic new medical reform policies and pharmaceutical market competition further intensified, the Group had adopted proactive measures to sustain a continuous and rapid growth for the Group's results. During the Period, the Group continued to focus on the critical areas of its designated development strategy, to vigorously develop bio-pharmaceutical medicines and technologies while keeping the steady growth of traditional Chinese medicines mainly specialising in gynecological pharmaceutical products, and new structure to support the Group's future development has been established. Meanwhile, the Group's ability to estimate expenditure scientifically, to enforce stringent control in procurement and production costs, and to improve its operational management service standards, helped achieved the rapid expansion of business scale and great growth of profits, and had established a solid foundation for the Company in sustaining a healthy and rapid development position.

FINANCIAL PERFORMANCE

During the Period, the Group's turnover was approximately HK\$549.9 million (corresponding period in 2009: approximately HK\$398.5 million), of which approximately HK\$399.0 million (representing 72.6% of the Group's turnover) was derived from traditional Chinese medicines mainly specialising in gynecological pharmaceutical products, representing an increase of approximately 25.0% as compared to the corresponding period of last year. During the Period, sales in bio-pharmaceutical and bio-technological products was approximately HK\$150.9 million, (representing 27.4% of the Group's turnover), representing an increase of approximately 90.3% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MARKET PERFORMANCE

During the Period, the Group mainly implemented its marketing strategy for its two biggest business sectors of traditional Chinese medicines mainly specialising in gynecological pharmaceutical products and bio-pharmaceutical medicines. The Group had continued to enhance its sales and marketing efforts for its core products under a professional and refined marketing management approach, market development for new products and integrated internal and external resources, and had basically reached its pre-determined targets.

On one hand, the Group continued to consolidate and expand the market for traditional Chinese medicines mainly specializing in gynecological pharmaceutical products. As for the hospital market, the Group paid more attention and used various measures to prolong the clinical useful life of its old products, to sustain the contribution of those old products to the cash flows and profits of the Company. At the same time, the Group grasped the good opportunity that 73 of its products and specifications were registered in the “**National Essential Drugs Catalogue for Medical Insurance (2009 New Edition)**” (《2009年新版國家基本醫療保險藥物目錄》), and especially gave profound attention to its 4 exclusive products registered in the “**Catalogue**”, namely “**Yi Fu (易孚)**”, “**Yi Bei (易貝)**”, “**Qijiao Shengbai Capsules (芪膠升白膠囊)**” and “**Zhisou Huatan Pills (止嗽化痰丸)**”. The Group made elaborate designs, meticulous steps and important inputs for the above products, aiming at achieving rapid sales revenue growth so as to make them become the new growth point of the Group’s prescription drugs.

On the other hand, by leveraging on the advantageous opportunities of the Group’s 31 products registered in the “**National Essential Drugs Catalogue (《國家基本藥物目錄》)**”, and making full use of the established brand advantages and rich personal network resources of the Group in south-western part of China, the Group strengthened the development of the markets in counties and municipal communities in that region, and this business sector has achieved rapid growth. The business development of “**OTC**” drugs was speeded up and its market presence was further expanded. For our “**Fuke Zaizaowan (婦科再造丸)**” series products, there was an increase in number of retail point-of sales, sales volume expansion and continuous enhancement in brand recognition. During the Period, its sales volume was ranked the top four among the domestic gynecological recuperation products.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESEARCH AND DEVELOPMENT

During the Period, the Group continued to conduct research and development activities entwining on basic materials like human placenta and cord blood, with the purpose of establishing itself as an international leading, complete and high-end production and technology chain within this industry. Recently, the emphasis of our research and development activities rests on the development and applications of “**Placenta Blood Albumin (人胎盤血白蛋白)**”, “**Cord Blood Stem Cell Bank (臍血幹細胞庫)**” and “**Mesenchymal Stem Cell (間充質幹細胞)**”.

With the support of the “**Guizhou Province Stem Cell and Tissue Engineering Centre (貴州省幹細胞與組織工程中心)**”, a centre of which its establishment was already approved by Guizhou Science and Technology Bureau (貴州省科技廳), the Group co-operated with domestic leading bio-technology companies in terms of stem cell technology and applications and had begun to construct the largest domestic public stem cell bank.

In addition, in respect of the development of placenta protein, the Group has commenced its co-operation with famous scientists who carried out studies and researches on proteomics in China, established the world’s first Individual Placenta Proteomics Engineering Technology Research Centre, carried on the functional protein product and technology development, and had made key progress on the technology of making use of placenta small peptides on skin cells improvements. Its first product of “**Zihemeisu (紫河美素)**” will be launched into the market.

PRODUCTION FACILITIES CONSTRUCTION

The Group’s project of “**Human Nerve Growing Factor Injection (人神經生長因子注射液)**” which is a State category one new bio-pharmaceutical medicine, is expected to obtain the GMP certification from the State Food and Drug Administration (國家食品藥品監督管理局) in the first half year of 2011, and will launch into production and sales thereafter.

The Group’s production line for its new product “**Placenta Blood Albumin (人胎盤血白蛋白)**” and the respective supply chain for placenta and cord blood collection in Guizhou Province have commenced construction. The whole project is expected to be completed in the first half year of 2012 and will be put into operation.

INVESTMENT AND CO-OPERATION

Magic Holdings International Limited is an investing enterprise of the Group. The market share of the “**Magic (美即)**” series products is continuing to expand and has all along been maintaining its leading position well in the PRC facial masks market. During the Period, its result continued to grow rapidly, and its brand awareness and reputation had been further enhanced.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS

The relevant data show that the PRC has become the world's fifth largest drugs market in 2010, and will surpass Japan to become the world's second largest drugs market by 2018. Therefore, the Group's continuing goal is to become a highly competitive pharmaceutical enterprise with unique innovative products and technology in the PRC pharmaceutical market, sharing the achievements of high-speed growth of this sector in the PRC, and possess the comprehensive marketing network with abundant operation resources.

The Directors consider that, under the guidance of a three-year leaping-forward development plan, the Group will continue to move forward the designated overall development strategies. These strategies are to consolidate the channel and internal resources system, adapt to the industry and market changes brought by the “**new medical reform (新醫改)**”; continue to capture the high-end market with innovative products, and utilize our traditional Chinese herbal products in exploring the low-to-medium-end market, aiming at making breakthrough to expand the market shares of our products in these two most profitable and fastest growing markets continuously; adjust our product mix and marketing strategies and attentively expand our important branded product categories; establish a national and global leading products and technologies chain in respect of technology, market, brand and quality in the area of biology subdivision, aiming at forming our sustainable competitiveness based on innovative pharmaceutical products.

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 2010, the Group had unpledged cash and bank balances of approximately HK\$1,481.2 million (30 June 2010: approximately HK\$1,406.5 million). Its gearing ratio calculated as a ratio of total debt to equity attributable to owners of the Company was approximately 1.1% (30 June 2010: approximately 2.1%). Net current assets was approximately HK\$2,040.6 million (30 June 2010: approximately HK\$2,256.2 million) and the current ratio was maintained at the healthy level of approximately 9.2 (30 June 2010: approximately 9.0) as at 31 December 2010.

The finance costs of the Group for the Period amounted to approximately HK\$1.2 million (corresponding period in 2009: approximately HK\$2.2 million), representing approximately 0.2% (corresponding period in 2009: approximately 0.6%) of the Group's total turnover and a decrease of approximately HK\$1 million over the corresponding period in 2009. The decrease in finance costs was principally due to decrease in bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any material contingent liabilities (30 June 2010: Nil).

BANK BORROWINGS

As at 31 December 2010, the Group had outstanding bank loans of approximately HK\$31.6 million from the banks in the PRC (30 June 2010: approximately HK\$55.5 million), all 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 2010, 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

COMMITMENTS

As at 31 December 2010, the Group had contracted commitments of approximately HK\$144.1 million (30 June 2010: approximately HK\$140.5 million), HK\$16.4 million (30 June 2010: approximately HK\$16.0 million) and nil (30 June 2010: approximately HK\$27.2 million) in respect of purchases of technical knowhow/patent, construction of property, plant and equipment and acquisition of additional interest in a subsidiary, respectively.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2010, the continuing business of Group had a total of 1,180 employees (corresponding period in 2009: 1,406), of whom 1,171 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 under continuing business of the Group (including Directors' remunerations) amounted to approximately HK\$20,708,000 (corresponding period in 2009: approximately HK\$37,641,000). Staff costs under continuing business of the Group accounted for 3.8% of the Group's turnover (corresponding period in 2009: 9.4%) 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 (corresponding period in 2009: Nil).

ADDITIONAL INFORMATION

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

As at 31 December 2010, 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 (Note 1)	Approximate percentage of interest
Mr. Zhang Peter Y.	The Company	Interest of controlled corporation	455,466,174 shares (L) (Note 2a)	28.10%
	The Company	Beneficial owner	1,560,000 shares (L) (Note 2b)	0.10%
Mr. Deng Jie	Guizhou Hanfang Xifeng Medical Industry Co., Ltd. (“GHXM”)	Interest of controlled corporation	5% (L) (Note 3)	5%
	The Company	Beneficial owner	1,560,000 shares (L) (Note 2b)	0.10%
Mr. Long Xian Feng	The Company	Beneficial owner	15,600,000 shares (L) (Note 2b)	0.96%
Mr. Zhou Chong Ke	The Company	Beneficial owner	12,000,000 shares (L) (Note 2b)	0.74%
Professor Kung Hsiang Fu	The Company	Beneficial owner	988,000 shares (L)	0.06%
Mr. Hon Yiu Ming, Matthew	The Company	Beneficial owner	100,000 shares (L)	0.01%

ADDITIONAL INFORMATION *(continued)*

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

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.
- 2a. These 455,466,174 shares were held by Bull's-Eye Limited ("BEL"), more than one-third of the issued share capital of which was 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. was 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 2010, are exercisable at the exercise price of HK\$0.8167 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 was deemed to be interested in the equity interests in GHXM held by GHKA.

Save as disclosed above, as at 31 December 2010, 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)*

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. These share options were vested on 17 August 2009 and have an exercise price of HK\$0.8167 per share of the Company (“Share”) and an exercise period commencing from 17 August 2009 to 16 August 2011.

The share options exercised during the Period resulted in the issue of 18,600,000 ordinary Shares.

At the date of this report, the Company had 67,200,000 share options outstanding under the Scheme, which represented approximately 3.46% 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 67,200,000 additional ordinary Shares.

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 Scheme during the Period:

Name or Category of participants	Number of share options						At 31 December 2010	Date of grant of share options	Exercise period of share options	Exercise price of share options (Note (b)) HK\$	Price of the Share at the date immediately preceding the date of grant of options (Note (c)) HK\$	Weighted average closing price of the Share before the date of exercise of options (Note (d)) HK\$
	At 1 July 2010	Granted during the Period	Exercised during the Period	Cancelled or lapsed during the Period	Adjustment made during the Period (Note (a))							
Directors												
<i>Executive</i>												
Mr. Zhang Peter Y.	1,300,000	-	-	-	260,000	1,560,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	-	
Mr. Deng Jie	1,300,000	-	-	-	260,000	1,560,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	-	
Mr. Long Xian Feng	13,000,000	-	-	-	2,600,000	15,600,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	-	
Mr. Zhou Chong Ke	10,000,000	-	-	-	2,000,000	12,000,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	-	
Mr. Bian Sha Guang (Note(e))	1,300,000	-	-	-	260,000	1,560,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	-	
	<u>26,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,380,000</u>	<u>32,280,000</u>						
Other employees (Note(f))	44,600,000	-	(18,600,000)	-	8,920,000	34,920,000	17 August 2009	17 August 2009 to 16 August 2011	0.8167	0.80	2.69	
	<u>71,500,000</u>	<u>-</u>	<u>(18,600,000)</u>	<u>-</u>	<u>14,300,000</u>	<u>67,200,000</u>						

ADDITIONAL INFORMATION *(continued)*

SHARE OPTION SCHEME *(continued)*

Notes:

- (a) In accordance with the Scheme, the exercise price of the share options was adjusted from HK\$0.98 per share to HK\$0.8167 per share, and the total number of Shares to be issued upon exercise of the outstanding share options was also adjusted correspondingly on 7 January 2011, as a result of the bonus issue of Shares by the Company in January 2011. Such adjustment took retroactive effect from 20 December 2010, being the day immediately following the record date.*
- (b) Pursuant to the Scheme, the exercise price of the share option of HK\$0.8167 per Share is adjusted from HK\$0.98 per share due to the bonus issue of Shares as explained in note (a) above, subject to further 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.*
- (c) 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 (being adjusted from HK\$1.00 per Share to HK\$0.80 per Share due to the bonus issue of Shares as explained in note (a) above).*
- (d) The weighted average closing price of the 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.*
- (e) 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.*
- (f) Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group.*

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 2010, 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>	455,466,174 (L)	Beneficial owner	28.10%
Liu Yu <i>(Note 3)</i>	457,026,174 (L)	Interest of spouse	28.20%
Haw Par Pharmaceutical Holdings Pte. Ltd	277,898,600 (L)	Beneficial owner	17.14%
Haw Par Corporation Limited <i>(Note 4)</i>	277,898,600 (L)	Interest of controlled corporation	17.14%
Atlantis Investment Management Ltd.	178,016,000 (L)	Investment manager	10.98%
Liu Yang <i>(Note 5)</i>	178,016,000 (L)	Interest of controlled corporation	10.98%
Kingston Finance Limited	238,000,000 (L)	Person having a security interest in Shares	14.68%
Amber Cheer Limited <i>(Note 6)</i>	238,000,000 (L)	Interest of controlled corporation	14.68%
Best Forth Limited <i>(Note 7)</i>	238,000,000 (L)	Interest of controlled corporation	14.68%
Chu Yuet Wah <i>(Note 8)</i>	238,000,000 (L)	Interest of controlled corporation	14.68%

ADDITIONAL INFORMATION *(continued)*

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

Notes:

1. The letter “L” represents the person’s or the entity’s interests in Shares of the Company.
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 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. Atlantis Investment Management Limited is owned as to 40% by Ms. Liu Yang. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance, Ms. Liu Yang is deemed to be interested in all Shares in which Atlantis Investment Management Limited is deemed to be interested.
6. Kingston Finance Limited is owned as to 100% by Amber Cheer Limited. By virtue of the provisions of Division 2 and 3 of part XV of the SF Ordinance, Amber Cheer Limited is deemed to be interested in all Shares in which Kingston Finance Limited is deemed to be interested.
7. Amber Cheer Limited is owned as to 80% by Best Forth Limited. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Best Forth Limited is deemed to be interested in all Shares in which Amber Cheer Limited is deemed to be interested.
8. Best Forth Limited is owned as to 100% 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 Best Forth Limited is deemed to be interested.

Save as disclosed above, as at 31 December 2010, 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.

ADDITIONAL INFORMATION *(continued)*

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, have purchased, redeemed or sold any of the Company's listed securities during the 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, 16 February 2011