

To: Business Editor (For immediate release)



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

(HK STOCK CODE: 587)

**ANNOUNCES ITS INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2005**

**GROSS PROFIT UP 34% TO HK\$133,833,000**

**NET PROFIT UP 21% TO HK\$61,472,000**

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REFLECTING THE SUCCESSFUL IMPLEMENTATION OF STRATEGIC REDISTRIBUTION OF BUSINESS MIX  
AS WELL AS SYNERGY FROM MERGER & ACQUISITIONS

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<u>Financial Highlights</u>	For 6 months ended 31 December (HK\$'000)		
	2005	2004	Change (%)
<b>Turnover thereof,</b>	302,435	324,588	-7%
<b>Manufacturing</b>	223,531	174,378	+28%
<b>Trading</b>	78,904	150,210*	-47%
<b>Gross profit</b>	133,833	99,937	+34%
<b>Gross profit margin</b>	44%	31%	+13%
<b>Net profit</b>	61,472	50,684	+21%
<b>Net profit margin</b>	20%	16%	+4%

\* In six months ended 31 December 2004, the sales contributed by Hubei Kanglai Medicine Company Limited (“**Kanglai Medicine**”) amounted to HK\$78,500,000. No sales was contributed by Kanglai Medicine in six months ended 31 December 2005 because Kanglai Medicine ceased to be a subsidiary in October 2004.

(Hong Kong, 20 March 2006) – **Hua Han Bio-Pharmaceutical Holdings Limited** (“Hua Han” or the “Group”)(Stock Code: 587), a leading manufacturer of naturally sourced gynecological medicines and medicinal healthcare products for women, today announced its interim results for the six months ended 31 December 2005 (the “Period”).

During the Period, the Hua Han’s turnover was approximately HK\$ 302,435,000 (2004: HK\$324,588,000), of which approximately HK\$223,531,000 (2004: HK\$174,378,000) was attributable to the turnover of the Group’s manufacturing business, representing a growth of 28% as compared with the corresponding period last year. In addition, approximately HK\$78,904,000 (2004: HK\$150,210,000) was attributable to the turnover of trading business, representing a decrease of 47% as compared with the corresponding period last year. The turnover of trading business decreased because Kanglai Medicine, which contributed the sales of HK\$78,500,000 in the same period last year, ceased to be a subsidiary in October 2004. The slightly decrease of 7% in the Group’s overall turnover is the result of the Group’s reduced exposure in its low-margin trading business. Hua Han has focused more on the high value added manufacturing business.

During the Period, the Group’s gross profit and net profit rose to HK\$133,833,000 (2004: HK\$99,937,000) and HK\$61,472,000 (2004: HK\$50,684,000), representing a robust growth of 34% and 21% respectively

over the same period last year. Gross profit margin and net profit margin reached at 44% and 20% respectively during the Period. It demonstrated a good result of the Group's strategic redistribution of business mix and efficient cost control.

Mr. Deng Jie, Chief Executive Officer of Hua Han, said, "Although the pharmaceutical industry is undergoing a stage of consolidation, marked with increasingly fierce market competitions, the Group achieved a steady progress through the synergy as manifested by its own and other joint distribution channels across the country as well as its extensive marketing network. We are very pleased that while maintaining the development of the Group's prescription drugs, our major over-the-counter ("OTC") drug, **Fuke Zaizaowan** (婦科再造丸), and the medicinal healthcare products under its brand series of "**Magic 美即**" have achieved robust growth with their unique edges."

Mr. Deng added, "The Group will continue to stress on product development, further enrich the Group's product mix of gynecological products, increase the variety of products that are unique in the market and that are patent-protected. Capitalizing on the overall growing demand of traditional Chinese medicine, and enlarged market of gynecological medicinal market, we are confident that the Group will achieve further growth in gynecological medicines and feminine medicinal healthcare products and bring significant returns to the shareholders."

### **Business Review**

Underpinned by the steady upswing of PRC's macro-economic environment, the pharmaceutical industry, on the whole, has manifested its momentum in its robust industrial production, active commercial sales, steadily increasing import and export, and improving performance. The Group achieved a steady progress in the Period. The Group's turnover was approximately HK\$302,435,000, of which approximately HK\$223,531,000 (73.9% of the Group's turnover) was attributable to the turnover of the Group's own products, representing a growth of 28.2% as compared with the same period last year.

Besides, approximately HK\$62,600,000 of the turnover was attributable to Guiyang De Chang Xiang Pharmaceutical Company Limited ("**Guiyang DCX**") (貴陽德昌祥藥業有限公司) and Guangdong Qunhe Pharmaceutical Company Limited ("**Guangdong Qunhe**") (廣東群禾藥業有限公司) which were acquired in October 2004 and July 2004 respectively, representing a growth of 331.7% as compared with corresponding period last year.

### **Mergers & Acquisition**

The acquisition of Guiyang DCX and Guangdong Qunhe have greatly enriched the variety of the Group's gynecological products, helping the Group to penetrate into the promising market of OTC drugs and medicinal healthcare products for women and symbolising the Group's initiative of significance in improving its operation efficiency and competitiveness as a whole.

### **Robust growth of Fuke Zaizaowan (婦科再造丸) & "Magic 美即" Series**

Though prescription drugs represented the majority of the Group's turnover, OTC drugs and medicinal healthcare products achieved robust growth in the Period, where sales of **Fuke Zaizaowan** (婦科再造丸) and "**Magic 美即**" series achieved a growth of 485.7% and 227.7% respectively as compared with corresponding period last year.

To enhance the growth of its business and establish itself as the leading professional pharmaceutical manufacturer of classic Chinese gynecological medicines in China, Guiyang DCX is determined to turn **Fuke Zaizaowan** (婦科再造丸) into its core product and make the OTC sales to be its major market by means of brand name promotion and consolidation and integration of distribution channels.

During the Period, Guangdong Qunhe, under the Group's strategic guidance, expanded the medicinal healthcare product lines of "**Magic 美即**", from originally 29 products to now 35 products under three main

product series, covering facial treatment, eye treatment and body treatment. The “**Magic 美即**” series are now sold in Watsons, Carrefour, Jusco and other famous national retail channels, covering more than 10 medium-sized or major cities, namely Guangzhou, Shenzhen and Beijing, Wuhan, Dongguan, Chongqing, Chengdu, Dalian, Tianjin and Urumqi, During the period, Guangdong Qunhe fully made use of the strategic cooperation agreement entered into with Watsons, an international renowned personal healthcare products chain store, and successfully expanded the sales of the “**Magic 美即**” series products through Watsons’ extensive chain store marketing network throughout the country.

### **New Products in the Pipeline**

Given its extensive gynecological specialist network, together with R&D strategic alliances with distinguished medical research institutions in China and Hong Kong, Hua Han expects to launch at least 20 new products (three to five new products belong to gynecological medicines and the rest belong to medicinal healthcare products) into the market next year. The Group will continue to enhance its gynecological product mix via research and development of new products, which aims at maintaining the persistent growth in business and uplift its competitiveness in the future.

New products with great potential are expected to launch in 2006 include:

- **Omeprazole Sodium**(奧美拉唑鈉)(anti-inflammatory product)
- **Levofloxacin Lactate Injection** (乳酸左氧氟沙星注射液)( anti-inflammatory product)
- **Secnidazole Tablets and Capsules** (塞克硝唑片及膠囊)(curing gynecological trichomoniasis and anerober)
- **Oxaliplatin** (奧沙利鉑)(curing patients who suffer from rectum cancer but fail to recover after chemotherapy)
- **Rupikang Capsules** (乳癖康膠囊)(curing hyperplasia of mammary gland and breast tenderness)
- **Cihang Capsules** (慈航膠囊)(curing gynecological menstrual blood irregularities, masses and lumps in the abdomen, post-partum blood dizziness and lochiorrhoea)
- “**Magic 美即**” series new products

During the Period, the Group has also obtained the production approval of **Pacilitaxel Injection** (紫杉醇注射液) – **Jinbaka** (金巴卡), an anti-tumour medicine that was successfully launched in the market, and undertaken the second phase of clinical trials of **Fu Shu Le Tablets** (婦舒樂片), a new Chinese medicine for curing gynecological atrophic vaginitis, which is expected that the third phase of clinical trials to be completed in 2006. The Group has also obtained the exclusive rights for the production of **Fuke Zaizaowan Capsules** (婦科再造丸膠囊).

### **Prospects**

PRC’s stable social development and its booming economy, together with the steady growth of income level and living standard of its population and the increased awareness in health, will all serve as the long-term driving force for propelling the rapid growth in the PRC’s pharmaceutical market demand.

In this year, the Group will continue to dedicate itself to the promotion of **Fuke Zaizaowan** (婦科再造丸) in the OTC market, enlarging the market share and raising its market profile which allows it to be one of the Group’s major OTC drugs.

Meanwhile, the Group will also focus on the promotion of “**Magic 美即**” series products and develop a nationwide sales network through the business cooperation with famous national retail channels. “**Magic 美即**” series target to double its points of sales from the existing approximately 350 to approximately 700 in the coming year.

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**About Hua Han Bio-Pharmaceutical Holdings Limited**

Hua Han Bio-Pharmaceutical Holdings Limited is a leading manufacturer of a range of naturally sourced gynecological medicines and medicinal healthcare products for women. Hua Han is NOT a generic drug producer. Capitalizing on China's huge pharmaceutical market, Hua Han has enjoyed robust growth in both turnover and net profit in the past 4 years. Moreover, its quality products and proprietary production technology are unrivaled in the marketplace. In addition to its extensive gynecological specialist network, Hua Han has a strong focus on R&D and various strategic alliances with distinguished medical research institutions in China and Hong Kong. Furthermore, Hua Han has a nationwide sales and distribution network with offices in 29 major provinces and municipalities in China and direct distribution channels to over 3,000 hospitals, 70,000 drugstores and 2,000 supermarkets. Hua Han has recently formed a strategic alliance with Haw Par Corporation Limited, which is a Singapore-listed multinational pharmaceutical enterprise. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 10 December 2002.