

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 SIX MONTHS ENDED 31 DECEMBER 2007**

**GROSS PROFIT UP 37.6% TO HK\$221,437,000**

**NET PROFIT UP 7.5% TO HK\$73,204,000**

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OPTIMIZATION OF BUSINESS MIX DRIVES GROSS MARGIN IMPROVEMENT  
EXPLOSIVE GROWTH IN “MAGIC” SERIES HEALTHCARE PRODUCT BOOSTS TURNOVER

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<u>Financial Highlights</u>	For the Six Months ended 31 December (HK\$'000)		
	2007	2006	Change (%)
Turnover <i>thereof,</i> <i>Manufacturing</i> <i>Trading</i>	364,969 363,616 1,353	366,061 267,915 98,146	-0.3% +35.7% -98.6%
Gross profit (Gross profit margin)	221,437(60.7%)	160,965(44.0%)	+37.6%
Net profit attributable to equity holders of the company (net profit margin)	73,204 (20.1%)	68,094 (18.6%)	+7.5%

(Hong Kong, 20 March 2008) – **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 2007 (the “Period”).

During the Period, Hua Han recorded a turnover of approximately HK\$364,969,000, of which approximately HK\$363,616,000 (2006: HK\$267,915,000) was attributable to the Group’s manufacturing business, representing a growth of 35.7% and contributed 99.6% of the Group’s turnover. The growth in manufacturing business was mainly attributable to the strong sales growth of the “**Magic美即**” series healthcare products and OTC drugs, which increased by approximately 108.2% and approximately 35.7% respectively. The Group has been strategically eliminating its trading business which has a lower margin, and only HK\$1,353,000 was attributable to this segment, contributing 0.4% to the Group’s turnover during the Period.

During the Period, the Group’s gross profit and net profit rose to approximately HK\$221,437,000 (2006: HK\$160,965,000) and approximately HK\$73,204,000 (2006: HK\$68,094,000) respectively, representing a growth of approximately 37.6% and 7.5% respectively over the corresponding period in 2006. Gross profit margin and net profit margin increased to approximately 60.7% and 20.1% respectively during the Period. The elimination of the lower margin trading business has enhanced the Group’s overall profitability, pushing the Group’s gross margin drastically upward.

During the Period, the Group launched a new product named **Fuke Zaizaowan capsule** (“婦科再造丸膠囊”), so as to further diversify the Group’s product mix and consolidate its position in the gynecological medicines market. And the Group’s proprietary product, **Fenfenzhong® Nano Silver Anti-Inflammatory Gel** (“分分鐘®納米銀婦女外用抗菌凝膠”, “NSAIG”) which is an external ointment used for curing the common gynecological ailment of vaginitis, is ready to be launched into the market in the second half of the financial year. During the Period, the Group has also endeavored to enhance the product portfolio of “**Magic美即**”, launching 21 new products to the market, enriching the series in terms of variety forms and price levels, as well as strengthen the image of “MG Facial Mask Centre”.

Mr. Deng Jie, Chief Executive Officer of Hua Han, said, “We are thrilled by the growth that the Group has achieved during the Period. We have been proactively optimizing our business mix and consolidating our leading position in the gynecological medicine market. Healthcare products and OTC drugs continued to succeed in the market, and both core branded products of “**Magic美即**” series and **Fuke Zaizaowan** (婦科再造丸) have been providing the Group with high and sustainable sources of revenue and profit growing point. The explosive growth of “**Magic美即**” has given us an impetus to expand geographical coverage of the products and further diversify the product portfolio in terms of prices and variety. Together with the deepened and expanded distribution channels to further penetrate the market, it will remain a strong growth momentum of the Group in the future.”

Mr. Deng added, “The new rural cooperative medical scheme is set to benefit the rural community, and the resulting increase in purchasing power will bring a new growth momentum to the pharmaceutical industry. With its established brand name, our flagship OTC product of **De Chang Xiang** (“德昌祥”, “DCX”) will enable the Group to fully penetrate into the rural market, and capitalize on the emerging business opportunities. The Group is well-positioned to benefit from the consolidation of the pharmaceutical industry. Going forward, we will continue to develop high value-added proprietary products as our core development strategy, and will further broaden the Group’s geographical coverage to go parallel with product mix enhancement, hence maximizing shareholders’ value.”

## **BUSINESS REVIEW**

During the period, the Group continued the sale strategy of placing parallel focuses on prescription drugs, OTC drugs and feminine medicinal healthcare products, including further penetration into the hospital market, tapping into the rural pharmaceutical market and widen the market share of OTC drugs. The Group had integrated the internal corporate structure to refine the production line, recruited more high-quality expertise and built up a professional management team. We continued to grasp opportunities in our steady development and exerted great effort on working out the balance between the pace of corporate development and quality and efficiency. These measures would enable healthy, stable and rapid development of the Group, thereby enhancing our economic efficiency.

### *Prescription drugs*

The Group continued its efforts in the improvement of its sales network and penetration of distribution channels, strengthened the build-up of a strong professional sales team by recruiting high-caliber professionals, system standardization and strengthening internal training programs and endeavored to devote more sales and marketing efforts to its key products through a number of means including academic and public welfare promotion. Meanwhile, the Directors believe that the Company's sales would strengthen by offering a variety of product combinations, developing and introducing new products to the market, re-articulating the marketing and promotion strategies, and to put the Group's selling plans into practice.

### *OTC drugs*

**Fuke Zaizaowan** remains the Group's core branded product, complimented by other products that adapts to the market trend. The main promotional strategy of this product line lies in product branding and enhancement of the Group's corporate image through brand promotion and points of sale promotion. Meanwhile, with the changes taking place in pharmaceutical market, and the driving forces from the State New Rural Cooperative Medical Scheme ("NRCM"), the new medical system in the community, the medical reform and the State medical insurances for all citizens, the Company will take measure to redesign the packages of the products to meet the markets' demand and recruit high-caliber professionals to the sales teams and establish professional marketing teams to enhance the infiltration rate of the Company's products in the third points of sale (including rural region and medical units in communities). The Group's market share in the OTC drugs market will be strengthened and achieve better sales performance in this market.

### *Feminine medicinal healthcare products*

Facial mask products under the Group's "**Magic 美即**" series will undergo another stage of research, development and production. Cream mask, Stretch mask, TU combination mask and DIY fresh mask in "**Magic 美即**" series have been introduced to the market during the Period. This in turn will strengthen the implementation of the leading brand strategy and differentiation strategy. With appropriate marketing and selling & promotion strategies, the Directors believe that sales of "**Magic 美即**" series products in famous nationwide hyper-store channels like Watsons, Carrefour and Wal-Mart will be enhanced, coverage of sales channels in major cities throughout the PRC will be more comprehensive and sales network will strengthen. Meanwhile, to meet demands arising from Hong Kong and Macau, the Group has launched a specially-designed packing for "**Magic 美即**" series products. Results of this product in such markets are encouraging.

## **PROSPECTS**

The Group will continue to optimize operational efficiency, fortify internal control systems in

the second half of the current financial year. The Group will articulate an overall strategic plan for the Group's development and readjust the strategic plans step by step. Marketing promotion will be the main theme in the Group's strategy, good quality production will be the basis for the Company's development with the assistance from the corporate culture, to fortify internal control systems, to strengthen cost control and risk management through continuous internal consolidation, efficient resources reallocation and construction of a fully integrated operation platform. In the mean time, the Group is continuing to identifying opportunities to acquire pharmaceutical enterprises which would contribute to the proprietary product, leading brand, distribution network and profits of the Group, additional efforts will be made on identify new products with exclusive intellectual property rights and good treatment effects or to merge with and acquire other pharmaceutical enterprises which have a strong capability on field research and development to broaden the strength and scale of the Group.

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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 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 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.

Released by **CCG Elite Investor Relations Ltd.** for and on behalf of **Hua Han Bio-Pharmaceutical Holdings Limited**. For further information, please contact:

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