

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 ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2006**  
**NET PROFIT UP 21.41 % TO HK\$123,146,000**  
**HEALTHCARE PRODUCTS AND OTC DRUGS ACHIEVED TREMENDOUS GROWTH**

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ACQUIRED PATENT AND TECHNOLOGICAL KNOW-HOW OF CATEGORY ONE NEW MEDICINE  
FOR NERVE CELL GROWING FACTOR

A MILESTONE IN PRODUCT TECHNOLOGY ADVANCEMENT AND MARKET EXPANSION

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<u>Financial Highlights</u>	For the Year ended 30 June (HK\$'000)		
	2006	2005 (restated)	Change (%)
<b>Turnover thereof,</b>	627,925	601,921	+4.3%
<b>Manufacturing</b>	465,237	383,618	+21.3%
<b>Trading</b>	162,688	218,303*	-25.5%
<b>Gross profit</b>	274,469	225,336	+21.8%
<b>Gross profit margin</b>	43.7%	37.4%	+16.7%
<b>Net profit</b>	123,146	101,427	+21.4%
<b>Net profit margin</b>	19.6%	16.9%	+16.4%

\*In the financial year 2005, 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 the financial year 2006 because Kanglai Medicine ceased to be a subsidiary in October 2004.

(Hong Kong, 18 October 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 annual results for the year ended 30 June 2006 (the “Year”).

During the Year, Hua Han’s turnover was approximately HK\$627,925,000 (2005: HK\$601,921,000), representing a growth of 4.3% compared with last year. Approximately HK\$465,237,000 (74.1% of the Group’s turnover) was attributable to the turnover of the Group’s own products, representing a growth of 21.3% as compared with approximately HK\$ 383,618,000 of last year. The Group strategically reduced exposure in its low-margin trading business and focused more on the high value added manufacturing business during the Year.

During the Year, the Group’s gross profit and net profit rose to HK\$274,469,000 (2005: HK\$225,336,000) and HK\$123,146,000 (2005: HK\$101,427,000) respectively, representing a growth of 21.8% and 21.4% respectively over last year. Gross profit margin and net profit margin reached at 43.7% and 19.6% respectively during the Year. The significant growth was mainly attributable to the growth of the Group’s high margin products, especially in medicinal healthcare product “Magic 美即” series and the Over the Counter (“OTC”) products segments. The sales of healthcare products and OTC drugs increased 97.3% and 29.7% respectively over last year.

The Board of Directors has recommended a final dividend of HK 2 cents per share (2005: HK 2 cents).

During the Year, the Group has acquired an exclusive intellectual property right and a national patent right of a category one new medicine, **Human Nerve Growth Factor** (“**人神經生長因子**”, “**NGF**”) to positively enlarge the Group’s portfolio in prescription drugs market. NGF, an effective treatment for nerve system

disease, improves growth of the nerve system and leads to normal recovery of the injured nerve. It is widely used for the treatment of physically injured nerve systems in cases of diabetic neuropathy, cerebral palsy, or sequels of cerebrovascular disease. As a category one new medicine, NGF injection reserves priority in pricing, tender invitation, entry of social medical insurance systems and sales in hospitals.

Mr. Deng Jie, Chief Executive Officer of Hua Han, said, “We are pleased to announce that the Group has achieved another record growth during the Year. The Group has made its effort to proactively expand the market, distribution channels, and product portfolios, especially the sales in healthcare products and OTC market. **Fuke Zaizaowan (婦科再造丸)** and “**Magic 美即**” series have become a new profit growing point since they were introduced to the market and have also successfully sustained high growth through our efforts in network expansion.”

Mr. Deng added, “Looking forward, the Group will continue to stress for expanding its market to broader nation-wide level and developing high margin products. Upon the successful acquisition of NGF injection, the Group has entered into a new era in the prescription market. We are confident that the launch of the new medicine will further strengthen the Group’s sales with stronger brand awareness and profit growth. Capitalizing on the growing awareness for health and promising outlook for the Chinese medicines and bio-pharmaceutical medicines, the Group will adhere to its strategic goal of becoming ‘a leading manufacturer of gynecological pharmaceutical products and feminine medicinal healthcare products’, and bring significant returns to our shareholders.”

### **Business Review**

The Group managed to maintain satisfactory business performance during the year. Its turnover was approximately HK\$627,900,000. Amongst, prescription drugs contributed approximately HK\$293,600,000 in sales during the Year, representing approximately 63.1% of the total sales of the Group’s own products. OTC drugs recorded approximately HK\$97,400,000 in sales, accounting for 20.9% of the total turnover of the Group’s own products and a 29.7% increase over the last year. Feminine medicinal healthcare products recorded approximately HK\$74,200,000 in sales, representing 16.0% of the total turnover of the Group’s own product and a 97.3% increase over last year.

#### *Fuke Zaizaowan (婦科再造丸)*

It is the Group’s core branded product under the OTC drugs category. The main promotional strategy for this product line lies in product branding and enhancement of the Group’s corporate image through brand promotion and point-of-sales promotion. The Group’s integrated marketing plan had yielded good results in Guizhou, Yunnan, Sichuan, Chongqing, Shaanxi and Gansu provinces, and had been extended to more than 10 other regions such as Guangdong, Hubei, and Beijing. The overall sales of this drug were encouraging.

#### *Magic (美即)*

During the Year, in line with the trend of commercial restructuring in the PRC and as part of the Group’s strategies, a brand strategy and a differentiated strategy were introduced to the “**Magic 美即**” series product. Overwhelming responses were received from the market and customers, with the product varieties under the “**Magic 美即**” series products increased from 35 products last year to approximately 50 products at present, covering three main categories of products, namely facial treatment, eye treatment and body treatment. Sales of this product series had been conducted through the Group’s strategic partners, including Watsons, Carrefour, Wal-Mart, Jusco and other famous nation-wide retail channels whose sales channels cover most of the major cities throughout the PRC. Points of sales for this product series had grown significantly from approximately 350 last year to around 700 this year.

### **Research and Development**

During the Year, the Group obtained the production approval for **Jinbaka (金巴卡) – Paclitaxel Injection (紫杉醇注射液)**, a naturally-sourced anti-tumour medicine. The gynecological recuperation proprietary product **Fuke Zaizao capsules (婦科再造膠囊)** had passed the technical assessment of the State Food and Drug Administration of the PRC (“SFDA”) and was granted an exclusive right of production of this product. The Group has commenced the production and sales of these two products.

During the Year, the Group completed phase IIa of the clinical trials of **Fu Shu Le Tablets (婦舒樂片)**, a new Chinese medicine for curing gynecological atrophic vaginitis which is common in women at menopause. It is currently undergoing phase IIb of the clinical trials. The Group expects that phase IIb of the clinical

trials will be completed by the end of 2006 and an application for the new medicine certification with SFDA will then be made.

Clinical trails of Secmidazole Tables and Capsules (塞克硝唑片及膠囊), a new product for curing gynecological trichomoniasis and anerobe, had been completed and reports on the clinical trials and other related information had been duly prepared. Application for production of this new medicine with SFDA will be made in the near future. The approval for sales of this product is expected to be obtained in early 2007. Other ongoing R&D projects mainly concern gynecological medicines and prescription drugs.

### **Prospects**

The Group has expedited the launch and sales of a category one new medicine, namely **Human Nerve Growth Factor (人神經生長因子)**. The Group is confident that the sales and introduction of the NGF will definitely enhance the Group's brand recognition in the prescription drugs market and strengthen its competitiveness, thus further improving its profitability in the field of prescription drugs. In addition, the separation process of "Placenta (紫河車)" will produce other products, which could be developed into various anti-ageing beauty products through further R&D.

Regarding "Magic 美即" series, the Group will keep abreast of the consumer market trend in order to rapidly response to changing market demands. The Group will take great leaps in establishing closer connections with large chain hyper-markets and supermarkets. Moreover, in reaction to changing market changes, and by capitalizing on modern scientific research fruits, "Magic 美即" series products will be diversified and refined in terms of product varieties and functions. To consolidate its sales performance and network in Eastern China, Southern China and Northern China, the Group will also tap into cities in these regions in order to build up stronger brand influence and boost sales of its "Magic 美即" series products in national market.

Furthermore, the Group will take great steps in flourishing, high-margin agency business through acquiring exclusive operational rights. Meanwhile, with the development of new rural infrastructure and the implementation of new rural cooperative medical systems, the rural pharmaceutical market is expected to have tremendous growing potentials in the foreseeable future. The Group will take advantage of the expanding rural pharmaceutical market through its subsidiaries to sharply increase its sales in the rural market and enlarge its sales scale in order to yield higher profit return.

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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 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 **Dream Touch Financial Services Limited** for and on behalf of **Hua Han Bio-Pharmaceutical Holdings Limited**. For further information, please contact:

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