

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hua Han Bio-Pharmaceutical Holdings Limited (“**Hua Han**”, together with its subsidiaries the “**Group**”), I am pleased to present the annual results of the Group for the year ended 30 June 2004 (“**Year**”).

### BUSINESS REVIEW

During the Year, the results of Hua Han continued to maintain its remarkable growth. For the Year, the Group recorded a turnover of approximately HK\$507.0 million, representing a growth of 131.5% as compared to the turnover of HK\$219.0 million in the preceding year, approximately HK\$273.2 million of which was attributable to the turnover of the Group's products, representing a growth of 24.7% over last year and maintaining a high gross profit margin of 53.8%. Approximately HK\$233.8 million of the turnover was the revenue from pharmaceutical trading activities. Profit attributable to shareholders of the Group for the Year was approximately HK\$95.0 million, representing an increase of 10.6% over the corresponding period last year.

### OPERATION REVIEW



*Yeosure series*



Notwithstanding the additional stipulation on monitoring the PRC pharmaceutical industry, active mergers and acquisitions activities, increasingly ferocious elimination of enterprises and keen market competition during the Year, the Group upheld the implementation of operating strategy of “**Prestigious Brand Name Building**”, “**Legend Products**” and “**Nationwide Sales Network**”, and consequently, attained a superior operating results.

The Group's superior operating results are on the basis of the stable growth of hospital sales of **Yeosure series of gynecological pharmaceutical products** (日舒安婦科系列藥品) and **Camptothecine series of gynecological anti-tumour products** (喜樹碱系列婦科抗腫瘤藥品), the fruitful promotional of “**Huangqi 黃芪**” brand, the integration and enhancement of the sales resources of the hospital networks of Chengdu Hechuang Pharmacy Company Limited (成都禾創藥業有限公司) and the optimal utilisation of the sales resources of Hubei Kanglai Medicine Company Limited (湖北康萊醫藥有限公司) which has a well-established and extensive sales network. The newly-acquired Guiyang De Chang Xiang Pharmaceutical Company Limited (貴陽德昌祥藥業有限公司), which owns the classic Chinese gynecological recuperation products “**婦科再造丸**”, and Guangdong Qunhe Pharmaceutical Company Limited (廣東群禾藥業有限公司), which has favourable advantages at the sales of feminine medicinal healthcare products, coupled with its ownership of “**Magic 美即**” brand and a team of sales elite, contributed a united support to the Group's products, brand and sales network resources and establish a firm foundation in the pursuit of persistent and rapid growth.



*Camptothecine series*

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### PROSPECTS



*Huangqi Granules*

It is expected that the growth momentum of the PRC pharmaceutical industry will be maintained in the future. However, the obvious trend of decreasing overall profit growth of the industry players is observed. While the profit margin of chemical preparations (化學製劑) and chemical raw medicine (化學原料藥) dropped significantly, that of the traditional Chinese medicine was managed to keep its growing pace. The continuous growth and high profitability of the traditional Chinese medicine industry have created a tremendous development opportunity for the speedy growth of the Group's manufacture and sales of gynecological Chinese medicine, one of the core businesses of the Group.

In the financial year 2004/2005, the Group will endeavour in the strategic planning of establishing itself as the leading enterprise of manufacture and sales of gynecological pharmaceutical products and feminine medicinal healthcare products. The Group will put an emphasis on the effective integration of its existing products, brand and sales network resources, optimisation of internal resources allocation and manifestation of combined advantages of its products, sales, manufacture and operation management. The Group is determined to advance and consolidate its leading position in the PRC gynecological prescription medicine market, strengthen the sales effort and increase its amount of investment in developing over-the-counter product ("OTC") portfolio of gynecological Chinese pharmaceutical products, "婦科再造丸", **Yeosure (日舒安)** and **Huangqi (黃芪)** and feminine medicinal healthcare products, "**Magic 美即**" series of products. Meanwhile, in pursuing an expanding market share of the abovementioned OTC products, the Group is projecting the positive image of Hua Han pharmaceutical products as a premium brand and top manufacturer to its customers. In addition, the Group intends to employ the sales network after the integration as a result of the acquisitions took place during the Year in order to expand the distribution proportion of Hua Han's own products in the Group's sales network platform, seek national or regional agents for highly profitable gynecological products, develop high-value-added product agency business and increase the profit contribution of the Group's distributing enterprise. The Group's resolved execution of such series of operating strategies is believed to bring about enduring and maximum value to shareholders.

### APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to our management and staff for their contribution and dedication throughout the year. In addition, I would also like to express my appreciation to the shareholders for their continued support to the Group. We firmly believe that the assistance and concerted effort of various parties to the Group would enable us to gather solid support and lay down a winning foundation in establishing the Group as a leading enterprise of gynecological pharmaceutical products and feminine medicinal healthcare products in the PRC. Looking ahead, the Group will spare no effort in bringing about a more profitable return for shareholders.

**Zhang Peter Y.**  
*Chairman*

Hong Kong  
20 October 2004



*Magic*