

## CHAIRMAN'S STATEMENT

On behalf of the board (“**Board**”) of directors (“**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 2005 (“**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\$601.9 million, representing a growth of 18.7% as compared with the turnover of HK\$507.0 million in the preceding year. Approximately HK\$383.6 million of the turnover for the Year was attributable to the turnover of the Group's own products, representing a growth of 40.4% over last year and maintaining a



Guiyang De Chang Xiang  
Pharmaceutical Company Limited



Guizhou Hanfang Medicine  
Manufacture Co. Ltd.

high gross profit margin of 37.8%, and approximately HK\$218.3 million of the turnover was the revenue from pharmaceutical trading activities. Profit attributable to shareholders of Hua Han for the Year was approximately HK\$102.1 million, representing an increase of 7.5% over that of last year.

### OPERATION REVIEW

Notwithstanding the additional stipulation on monitoring the People's Republic of China (“**PRC**”) pharmaceutical industry and active mergers and acquisitions activities, increasingly ferocious elimination of enterprises and keen market competition in the industry during the Year, Hua Han still attained superior operating results, attributable to its competitive product series and appealing product



Yeosure Series



Fuke Zaizaowan

brands, extensive sales network and distribution channels that cover the whole country as well as its effort in implementing the business growth strategy of “**Prestigious Brand Name Building**”, “**Legend Products**” and “**Nationwide Sales Network**”.

The Group's superior operating results are premised on 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), while the classic Chinese gynecological recuperation medicine **Fuke Zaizaowan** (婦科再造丸) and “**Magic 美即**” Series of feminine medicinal healthcare products have become the Group's new focus of results growth. The Group's manifestation of its edges in products, brand names and sales network has continued to prepare the Group to achieve steady growth.

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### PROSPECTS

Benefiting from the influence of the growing trend of the PRC's macro economy, the overall economy of the PRC pharmaceutical industry showed signs of development trends such as continuous growth of industrial production, steady and active commercial sales, steady growth of import and export and stable efficiency level with a decreasing tendency. The continuous growth and high profitability of the traditional Chinese medicine industry



*Huangqi Granules*

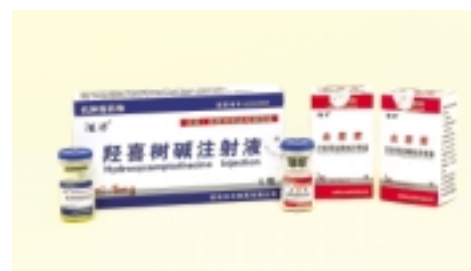
have created a tremendous development opportunity for the speedy growth of the Group's manufacture and sales of gynecological Chinese medicine, one of the core businesses of the Group.

In this financial year ending 30 June 2006, 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 medical healthcare products in the PRC. The Group will put an emphasis on effective integration of its existing products, brand and sales network resources, optimization of internal resources allocation

and manifestation of combined advantages of its products, sales, manufacture and operation management. The 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) in the hospital market, timely introduction of new products such as anti-tumour medicine **Paclitaxel** (紫杉醇) in the hospital market are expected to advance and consolidate the Group's leading position in the PRC gynecological prescription medicine market. The Group will also strive to strengthen the sales effort and increase its amount of investment in developing the market portfolio of gynecological Chinese medicine, **Fuke Zaizaowan** (婦科再造丸) and feminine medicinal healthcare products, the product series of "**Magic 美即**". Through expanding the market share of the abovementioned products, the Group can better project the positive image of Hua Han as a leading enterprise of gynecological pharmaceutical products and feminine medical healthcare products to its customers in the OTC market and healthcare market in the PRC. In addition, the Group intends to make use of the sales network after integration to expand the sales proportion of Hua Han's own products and, at the same time, through high-value-added product agency, increase the profit contribution of the Group's distributing enterprise. The implementation of such operational strategies is believed to bring about enduring and maximum value to shareholders of Hua Han.

### APPRECIATION

On behalf of the Board, 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 our shareholders for their continued



*Camptothecine Series*



*Magic*

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support to the Group. We firmly believe that the assistance and concerted effort from various parties to the Group would enable us to gather solid support and lay down a winning foundation in establishing Hua Han a leading enterprise of gynecological pharmaceutical products and feminine medicinal healthcare products in the PRC.

**Zhang Peter Y.**

*Chairman*

Hong Kong

28 October 2005