

**HUA HAN BIO-PHARMACEUTICAL HOLDINGS LTD:
STICK TO WESTERN MEDICINE, FOLKS**

It is becoming more and more expensive to float a company on The Stock Exchange of Hongkong Ltd, these days.

When Hua Han Bio-Pharmaceutical Holdings Ltd (Code: 587, Main Board) went public on November 28, 2002, it cost Management of this Chinese medicine company about 5 percent of the aggregate Offer Price of all of the Offered Shares.

This is double the 'normal' commission that is usually paid to Underwriters of flotations in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

In cold, hard cash, Hua Han Bio-Pharmaceutical paid out a little more than \$HK21 million in order to garner about \$HK73.56 million, gross, coming down to a little less than \$HK60 million, net of expenses.

(More about the matter of the share price and aligned considerations, later on in this analysis).

Hua Han Bio-Pharmaceutical is a Company that '*is principally engaged in the research, development, manufacture and sale of Chinese pharmaceutical products primarily for women and the elderly. The Group is also engaged in the research, development, manufacture and sale of naturally-sourced anti-tumour medicines and western pharmaceutical products.*' (Page 43 of the Prospectus)

As with many, PRC-domiciled companies, those that are manufacturing and selling goods, which are claimed to be pharmaceuticals, some of the statements as to the efficacy of their products are quite laughable.

Here is an example of some of the claims, made by this Company, taken from Page 44 of the Prospectus:

'The Group also co-operated with the Institute of Materia Medica of the Chinese Academy of Medical Sciences, a research institute located in Beijing, for the joint development of topotecan hydrochloride for injection – Jin Xi Su, a treatment for cancer patients of various malignancies such as ovarian cancer and small cell lung cancer ...'.

One would expect that Hua Han Bio-Pharmaceutical would share its pharmacological secrets with the West – because TARGET is certain that this is the only company in the world, today, with a viable treatment for '*various malignancies ... ovarian cancer and small-cell lung cancer.*'

Of course, the operative word here is '*treatment*', isn't it?

This commonly used word could mean a number of things, but the generally accepted meaning is the administration or application of remedies to a patient or for a disease or an injury; medicinal or surgical management; therapy.

Still, while one may take issue in respect of some of the outrageous claims of this Company, one can hardly take issue with its Bottom Line, over the past 3 Financial Years.

The following table is lifted from Page 131 of the Prospectus:

	Financial Year ended June 30		
	2000	2001	2002
	All Figures are Denominated in \$HK'000 (except where otherwise stated)		
Turnover	81,484	160,958	173,176
Cost of Sales	(31,215)	(57,145)	(62,465)
Gross Profit	50,269	103,813	110,711
Gross Profit Margin*	61.69 percent	64.50 percent	63.93 percent
Other Revenue	2,191	843	1,957
Selling and Distribution Costs	(5,194)	(8,904)	(7,512)
Administrative Expenses	(4,388)	(7,718)	(10,292)
Profit from Operating Activities	42,878	88,034	94,864
Financing Costs	(2,448)	(2,529)	(2,842)
Profit before Taxation	40,430	85,505	92,022
Taxation	(4,916)	(10,787)	(13,378)
Profit before Minority Interests	35,514	74,718	78,644
Minority Interests	(1,157)	(2,562)	(2,775)
Net Profit from Ordinary Activities Attributable to Shareholders	34,357	72,156	75,869
Net Profit Margin*	42.16 percent	44.83 percent	43.81 percent

* These are TARGET's calculations

For a company that has only been in business since 1992, the above results of the past 3 Financial Years are quite
... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.