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**Linkwell Corporation****OTC BB: LWLL**

CURRENT PRICE: \$0.18

52-WEEK RANGE: \$0.14 - \$0.43

AVERAGE DAILY VOLUME (50-DAY): 25,700

FLOAT: 10.0 million

OUTSTANDING SHARES: 65.2 million

MARKET CAPITALIZATION: \$11.7 million

PRICE TARGET: \$0.55

**INITIATING COVERAGE: SPECULATIVE STRONG BUY**

central government for the production of medical and chemical products.

Offering one of the most complete product lines in the country, the Company has approximately 5,000 active and recurring customers, including hospitals, various healthcare facilities, medical suppliers and distributors. Marketing and sales are performed by 19 full-time employees based in Shanghai and supported by contractual relationships with 23 independent wholesale dealers and agents, including Shanghai Likang Pharmaceuticals Technology Co., Ltd, an affiliate owned by two of the Company's executive officers, which uses 72 independent sales representatives in other provinces in China. Recently, the Company has devoted significant efforts to diversify its product mix and expand its distribution reach in China and internationally. By repackaging some of its commercial products used in medical settings, the Company positioned them for sales to a new customer base within the retail/consumer market, including hotels, schools, supermarkets, and drugstores. In January 2005, the Company signed a two year agreement with Shanghai Likang Meirui Pharmaceutical High-Tech Co., Ltd, a 68% owned subsidiary of Shanghai Shanhai Group, with a sales network covering certain sectors of the consumer and other retail markets in China. In addition, the Company has also recently begun penetrating the civil, industrial, livestock and agricultural disinfection markets in China. Finally, the Company has just established an import/export subsidiary to distribute its products internationally.

**INDUSTRY**

Estimated in 2004 at approximately 6.25 billion yuan, or approximately \$800 million, according to a survey conducted by China Federation of Industrial Economics, the disinfectant industry in China represents an emerging market driven by public concern and government regulatory activities. Having witnessed a variety of infectious disease crises in recent years, with the widely publicized November 2002 SARS and October 2005 bird flu outbreaks among them, the Chinese government has been taking a wide range of initiatives to improve public health and living standards, boosting the growth of the Chinese healthcare industry in general and driving the demand for disinfectant products. In July 2002, the 27th Order of Ministry of Health of the People's Republic of China established national standards for the disinfection industry, mandating new operating guidelines for manufacturers, including a requirement that an official hygiene permit be obtained from the Chinese Ministry of Health (MOH) as well as the appropriate provincial health bureau prior to releasing disinfectant products to the market. While each successive crisis stimulated the Chinese consumers to stockpile

**COMPANY PROFILE**

Linkwell Corporation, [www.linkwell.us](http://www.linkwell.us), a Florida incorporated company with principal operations in Shanghai, is a leading developer, manufacturer and distributor of healthcare related disinfectants in the People's Republic of China (PRC). Through its 90% owned subsidiary Shanghai Likang Disinfectant High Tech Co., Ltd, a science and technology enterprise with approximately 165 employees founded by the China Army Second Military Medical University in 1988, the Company produces a wide variety of disinfectants in liquid, tablet, powder and aerosol form, as well as air sterilization devices, hot press bags, swabs and testing indicators. As one of a few nationally recognized domestic brands with rich R&D traditions, the Company's products are marketed, sold and distributed to hospitals and medical facilities throughout all 22 provinces, 5 autonomous regions, and 4 special municipalities of China. In light of recent SARS and avian flu outbreaks, particularly in Asia, which catalyzed initiatives to improve public health standards by the Chinese central government and resulted in heightened public awareness, the Company is focused on expanding its product portfolio to target the retail consumer market for disinfectants, as well as industrial, livestock, agricultural and other specialized segments of the disinfectant industry. Trading on the OTC Bulletin Board under the symbol LWLL, the Company has capitalized on its technical expertise and distribution structure to become a prominent and influential leader of the emerging disinfectant industry in China and the only publicly traded Chinese disinfectant company in the US.

**STRATEGY**

The Company operates through its wholly-owned subsidiary, Linkwell Tech Group, Inc., which in turn owns 90% of Shanghai Likang Disinfectant High Tech Co., Ltd, a science and technology enterprise founded in 1988 by the China Army Second Military Medical University (SMMU) to develop, manufacture and sell disinfectant healthcare products to the medical industry in China. Capitalizing on the connection with a well recognized, prestigious medical institution, which pioneered technology application in the Chinese disinfectant industry, the Company has become one of the domestic R&D leaders in the healthcare segment. The Company operates two factory facilities licensed by the Shanghai City Government to manufacture and distribute disinfectants with a total production capacity of 300 metric tons of tablets, 180 metric tons of powder and 9 million liters of liquid disinfectant annually. The main 21,500 square foot plant, located in the Jiading district of Shanghai, meets internationally recognized good manufacturing practice (GMP) standards established by the

disinfectant products swelling the demand, the MOH regulations effectively forced out of the market smaller unlicensed companies competing in the disinfectant marketplace composed of approximately 18,700 hospitals and 41,700 healthcare clinics, according to 2005 MOH statistics. In the US, the \$2 billion disinfectant and antimicrobial chemical market is expected by Freedonia Group to grow 5% annually through 2009.

## FINANCIALS AND OUTLOOK

Following consistent rapid revenue growth in excess of 20% annually in the last two fiscal years, for the first six months ended June 30, 2006 the Company reported revenues of \$3,331,777 as compared to \$2,120,027 for the same period in 2005, an increase of \$1,211,750, or approximately 57%, attributable primarily to the growth of sales to an affiliate, Shanghai Likang Pharmaceuticals Technology Co., Ltd, resulting from heightened demand and introduction of new products. The Company reported a six months net income of \$390,692, or \$0.01 per share, in 2006 versus a \$127,546, or nil per share, for the first six months of 2005, a 206% increase. In the most recent quarter ended June 30, 2006 the Company reported revenues of \$1,463,251 and net income of \$188,752.

The Company has been financing its recent R&D activities and sales growth with private equity placements completed last year. In July 2006, a group led by the Company's management and directors repurchased the equivalent of 7,250,000 common shares at \$0.24, and subsequently an additional 500,000 common shares, in separate private transactions. Paying \$0.24 per share to buy back approximately 40% of prior \$1.8 million accredited investor funding originally offered to institutions at \$0.10 per share sends a clear message of insiders' confidence in the Company's growth prospects. *The registration statement covering all of the aforementioned shares and additional warrants has become effective earlier this month.*

As a result of the funding and a positive operating cashflow for the six months ended June 30, 2006, the Company has a strong balance sheet with \$1,212,562 in cash, working capital of \$2,665,641 yielding a current ratio of 2.2, and a net worth of \$3,347,485, positioning it for planned expansion. Currently manufacturing at about 50% of its full capacity, the Company has the capability to quickly expand production to meet increasing demand and introduce new products. Focused on penetration of new markets for disinfection products through geographical and product segment expansion, the Company's aggressive strategy should result in continued revenue growth acceleration. With the central government's continuing effort on

educating the Chinese population about the benefits of proper sanitation procedures, the Company will target the consumer, civil, industrial, veterinary, livestock and agricultural market segments with an emphasis on retail distribution. The management expects to launch 2 to 4 new products per year. The Company is seeking to expand its distribution capability in the PRC through the potential acquisition or partnerships with existing independent sales networks, and develop an export structure for international distribution initially concentrating within the US. Finally, the Company is continually evaluating strategic acquisitions, looking most particularly at consolidation of smaller companies in healthcare related disinfectants.

With rapid revenue growth and improvement of gross profit margins, the Company is positioned to significantly improve its profitability. Gross margin for the six months ended June 30, 2006 rose to 40.3%, compared to 29.4% reported in the same period of 2005. Net profitability reached 11.7%, almost doubling from 6.0% in the previous year. Assuming the current trends continue in the second half of the year, 2005 fiscal revenues of \$5,465,933 could grow to over \$8.5 million, resulting in net income of over \$1.0 million, yielding a forward PE ratio of less than 12, based on the current amount of shares outstanding. As such, the shares at the current level of \$0.18-0.20 seem undervalued and appear to present an excellent buying opportunity for speculative long-term investors willing to accept the general high risks associated with emerging growth companies, such as potential dilution, the overhang of newly registered shares, reduced liquidity and price volatility of bulletin board companies in general, as well as certain risks specific to doing business in China, including complex political system, foreign exchange fluctuations and currency restrictions. Indeed, when the Company begins to report improved earnings levels, which are likely to occur due to the increased revenue trends and higher expected profit margins, the shares can possibly return to new highs approaching \$0.55 within the next eighteen months, especially given the Company's recent commitment to a more intensive investor relations campaign. The strong and committed management team also positions the Company well for future shareholder growth. With the quiet period ending from the effectiveness of the registration statement, the Company anticipates a much more active investor relations campaign, which should bode well for shareholder liquidity and value.

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