JIWA BIO-PHARM HOLDINGS LIMITED
積華生物醫藥控股有限公司
(incorporated in Bermuda with limited liability)
www.jiwa.com.hk

e-Newsletter

Issue 10 · January 2008

Top stories of this issue

Corporate News

Jiwa Group Named "Outstanding Hong Kong Enterprise"

Numerous guests, including legislative councillors and celebrities in the industrial, commercial and finance sectors attended the grand award ceremony and cocktail party organised by the "Economic Digest", a Hong Kong finance magazine, in connection with "Outstanding Hong Kong Enterprises Parade 2007" on 11 December 2007. Jiwa Bio-pharm Holdings Limited, the Group's holding company was selected as one of the 36 award-winning enterprises. The other award-winning companies for the year included MTR Corporation Limited, Henderson Land Development, China Resources Enterprise and COSCO Pacific.

This is the fourth year of the "Outstanding Hong Kong Enterprises Parade". The Parade, regarded as a high-profile and important annual event of the industrial and commercial sectors in Hong Kong, aims at recognising the remarkable business performance of groups of business elites, elected based on the appraisal standard of three important success factors, namely distinguished results, good corporate governance and popularity among shareholders. Jiwa Group was awarded "Outstanding Hong Kong Enterprise" in 2007, demonstrating its strength among Hong Kong listed enterprises.

Kunming Jida Sterile Preparation Workshops have obtained GMP Certificates from Columbia INVIMA

In October 2007, four sterile preparation workshops of Kunming Jida Pharmaceutical Company Limited ("Kunming Jida"), the Group's preparation production base, formally obtained GMP Certificates issued by Instituto Nacional de Vigilancia de Medicamentos y Alimentos (INVIMA) of Columbia. Such workshops, together with the certified capsules, tablets, granules, oral suspensions and sterile concentrates for injections, open up a new channel for the Company's export business and will have a profound impact on its future development.

Over the years, Mr. Lau Yau Bor, Chairman of the Group, has laid down a comprehensive quality management philosophy for Kunming Jida. Mr. Lau Kin Tung, Chief Executive Officer of the Group, has pointed out clearly that the Company will continue to apply for more international certificates in the future, including US and European GMP Certificates. Such a development strategy and objectives will accelerate the pace at which the Group develops in line with international standards.

The Sterile Powder for Injection Production Line Obtained a GMP Certificate

In December 2007, the sterile powder for injection production line of "Song Tai Si" (Reduced Glutathione Sodium for Injection), the Group's key product, successfully obtained a GMP Certificate. Since numerous materials are involved in the production of "Song Tai Si", and with the GMP trial version implemented in January 2008, the number of examination clauses has drastically increased. Additionally, certain general defects in the 98 version of the GMP are now regarded as serious defects, making it more difficult for products to be certified because the certification procedures and examination that we underwent this time followed the trial version of GMP. Our success in obtaining the certificate this time shows that the Group's GMP management has reached a new level, and such certification provides even stronger momentum for the rapid development of the Company.

Kunming Jida Recognised as "A Foreign-invested Advanced Technology Enterprise"

On 21 November 2007, leaders of the relevant departments of the Bureau of Commerce of the PRC visited and inspected Kunming Jida, and conducted an on-site appraisal of the Company in connection with its application to be recognised as a "foreign-invested advanced technology enterprise". During the meeting, officials participating in the examination and appraisal announced the relevant appraisal requirements for "foreign-invested advanced technology" and conducted an on-site inspection of the workshop after listening to basic conditions as reported by management. The officials participating in the examination and appraisal had very high regard for Kunming Jida, decided unanimously that Kunming Jida passed the appraisal and recognised that Kunming Jida's "Certificate of Foreign-invested Advanced Technology Enterprise" would be valid until December 2010, according to the relevant requirements specified in the "Provisions of the State Council on the Encouragement of Foreign-invested Enterprises".

Kunming Jida Successfully Passed the Uninformed Inspection of the Yunnan Food and Drug Administration

In 2006, the pharmaceutical industry in the PRC was troubled by the "Qier" and "Xinfu" drug events, which had aroused widespread concern over drug and food safety. To strengthen the GMP supervision and examination of pharmaceutical products and ensure drug safety, the State Food and Drug Administration formulated the "Provisional Regulations on Uninformed Inspection of GMP Standards for Pharmaceutical Products", which strengthens regulation of pharmaceutical manufacturing enterprises by way of uninformed inspections.

In October 2007, the uninformed inspection team of Yunnan Food and Drug Administration visited Kunming Jida. After an on-site inspection and review of the documents, the inspection team held high regard for Kunming Jida's GMP management and indicated that the Company's pharmaceutical production and quality management was standardised and drug quality could be fully assured. Ultimately, only one general defect was found and the Company passed the uniformed inspection with flying colours.

Kunming Jida Recognised as "An Innovative Pilot Enterprise" of Yunnan Province

The designation of "Innovative Pilot Enterprises" aims at promoting technological advancement throughout the country and the province, strengthening guidance to enterprises on independent innovation, assisting enterprises to develop into entities that emphasise technological innovation, improving the core competitiveness of enterprises and creating a group of innovative enterprises with independent intellectual property rights, renowned brands and sustainable innovative capabilities.

After extensive review by the province's Science and Technology Department, State-owned Assets Supervision and Administration Commission, Economic Commission and Federation of Trade Unions, Kunming Jida was recognised as one of the 21 innovative pilot enterprises (second batch) of the province. The Group will continue to develop in line with the direction of the PRC, build its brand and be profitable through technological innovation.

Interview with Mr. Lau Kin Tung, the Chief Executive Officer of the Group – Update on the PRC Pharmaceutical Market and Development Strategy of the Group

Recently, Xie Xu Ren, the Minister of Finance of the PRC emphasised at the Work Conference on National Finance that the State would be stepping up the reform and trial implementation of the medical and healthcare system and would support the establishment of the public health system, the medical service system, the medical insurance system and the drug supply system. According to the Ministry of Finance, national expenses reached RMB3,708.477 billion for the first eleven months of 2007, representing a year-on-year increase of 25.2%. Medical health expenses accounted for RMB141.885 billion, up 40.6%, a growth rate higher than that of the national expense and reflecting increased support by the Central government towards the development of the medical system.

The editor of the quarterly publication interviewed Mr. Lau Kin Tung, Chief Executive Officer of the Group, on the Group's latest development strategy.

Editor: Mr. Lau, can you explain to our readers the latest developments in the PRC pharmaceutical market?

Lau: The domestic drug supply system is under consolidation and quality adjustments have led to a decrease in the number of domestic pharmaceutical plants to approximately 4,600. The new administrative measures for drug registration will increase product development costs and reduce low-level replication. After the reform of the medical system, profit-seeking private medical institutions will exist side-by-side with public medical institutions that aim to provide welfare. The prescription drug market will clearly shift its focus to three levels: new patent drugs developed for the affluent class in urban areas; drugs under medical insurance and targeted at urban workers and residents; and medical and pharmaceutical products developed for farmers in a large number of rural villages. The drug procurement procedure will lead to polarisation in terms of specialty and price.

On the other hand, costs in the pharmaceutical market will continue to rise. The appreciation of the RMB, the rise in resource prices, general inflation, the implementation of the new labour law, the increase in wages and the more stringent requirements on environmental protection, will lead to an increase in costs in the pharmaceutical industry and such a trend will persist for some time.

Editor: What is the development strategy of the Group when faced with such a trend in the PRC pharmaceutical industry?

Lau: With the government spending nearly RMB200 billion on medical reform from next year, we believe that renewed growth in the demand for domestic drugs will be driven by the wider coverage of the medical welfare network. In response to such a significant change, the Group has consolidated its resources promptly to establish a competitive edge in serving domestic drug consumers at different levels. The Group will optimise the use of its existing bulk material and preparation base to cater to basic drug demand from a large number of rural villages in the PRC, to establish competitive strength in terms of product prices and to explore the antibiotic market. Meanwhile, targeting at the consumption of drugs under medical insurance and developed for urban workers and residents, the Group will launch approximately 15 highly innovative generic drugs in the next three years and aims to increase sales drastically with the assistance of its strong market coverage team. At the same time, the Group will continue to introduce newly patented drugs through international cooperation and technology acquisition, to satisfy treatment demand from developed cities.

Editor: The PRC pharmaceutical industry continues to accelerate its pace of internationalisation. In the first ten months of 2007, the PRC's total import and export of medical and healthcare products amounted to USD31.2 billion, representing a growth of 24.3% from the corresponding period the year before. Exports rose to a record high of USD19.8 billion, representing a growth of 23.3% from the same period the year before. Western bulk materials top the list of export products in terms of exports, which reached USD11 billion. Diagnosis and

treatment devices for hospitals ranked second, with exports reaching USD2.2 billion and medical dressings ranked third, with exports of USD1.94 billion. The shifting of production bases and the placing of processing orders by overseas companies, have now created more than ten enterprises that have obtained GMP Certificates from the US and Europe and that are qualified to engage in the export of preparations, while more than 30 enterprises are now applying for the Certificates. One hundred and sixty products from 80 enterprises have been awarded the EU's Bulk Material COS Certificates and DMF documents from 317 enterprises have been accepted and are now handled by the US FDA. In 2006, the export of preparations amounted to USD500 million and the amount exceeded USD630 million from January to October 2007. It is expected that growth in 2008 will be even stronger.

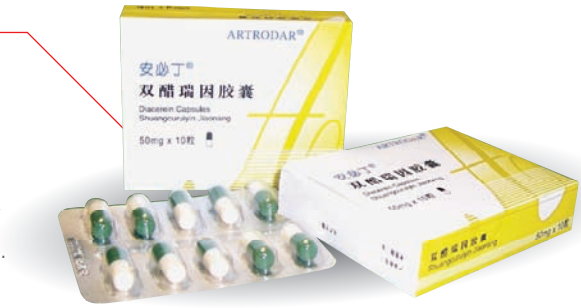
Editor: The Group now focuses its sales in the domestic market. Will the management consider developing the international market?

Lau: Besides the domestic market, the Group will conduct sales in international non-standardised markets to realize its objective of drastically increasing profit and reducing the risk from reliance on a single market. With regard to medium-term development strategy, the Group will proactively develop international non-standardised markets, mainly because we see rapid growth in demand from this sector. On the other hand, pharmaceutical products manufactured by the Group can meet their market demand and thus represent a unique business opportunity for the Group. Moreover, the Group's production base is close to the ASEAN region, and is therefore favourable for exploration of markets in the region. We mainly compete on product concept and price advantages. By exporting domestically mature products, and establishing a focused drug registration team and a cooperation network with international distributors, the Group strives to achieve strong growth in profits.

Editor: Mr. Lau, I believe that this interview will enable our readers to have a better understanding of the development blueprint of the Company.

Lau: As a member of the Board of Directors of a listed company, I am responsible for ensuring that each and every shareholder and investor understand clearly the Company's development direction and operating status. In the future, management will continue to conduct reviews from time to time and adjust the enterprise's development and operation strategies in a timely manner.

Post-launch Clinical Trials of "Artrodar" Successfully Completed



After more than one year of efforts, the Group's Medical Department successfully completed the post-launch clinical trials of "Artrodar" (Diacerein Capsules) as scheduled.

Artrodar has attracted much attention since it was launched in the domestic market. The fact that it is not covered by medical insurance has adversely affected its sales. These trials aim at further evaluating the post-launch clinical efficacy and safety of Artrodar in treating osteoarthritis and focusing on the examination of its safety to allow more extensive scientific and examination information to be provided to speed up the pace at which the drug gets listed in the State or Local Medical Insurance Catalogue.

A total of 14 hospitals, including the Peking Union Medical College Hospital, participated in these trials. We adopted a multi-centre and open approach under which patients' conditions before and after taking the drug are compared and clinical observations were conducted on 372 osteoarthritis patients. Patients had to take one tablet of Artrodar (50 mg) twice a day after meals for 12 weeks and efficacy evaluation was done by comparing the patients' conditions before and after taking the drug. The trial results show that after 12 weeks of treatment, patients experienced much less pain when walking 20 metres and in the joint areas. Both the patients and the doctor have a high regard for the treatment. Of the patients, 89.62% indicated that the treatment was good and very good, and 89.93% of the doctors indicated similarly, in the overall rating 84 days after the treatment. Moreover, the occurrence of adverse reactions is low (6.72%), and most such reactions were associated with modest gastrointestinal upset. No serious adverse reactions were reported. The trials demonstrate that Artrodar is very effective in treating osteoarthritis, causes only modest adverse reactions and that it is good for clinical use.

In addition, the "Multi-centre Clinical Observation of the Efficacy and Safety of Diacerein in the Treatment of Osteoarthritis" compiled on the basis of the trial information will soon be published in the "Chinese Journal of Clinical Pharmacology", a State core publication of the PRC. After publication, we will start applying for the inclusion of the drug into the Medical Insurance Catalogue.

Jiwa Group Develops Reduced Glutathione in Collaboration with GeneHarbor (Hong Kong) Technologies Limited

In December 2007, Jiwa Group set up a joint venture with GeneHarbor (Hong Kong) Technologies Limited to produce low-cost reduced glutathione. GeneHarbor is a technology company established in 2001 by Professor Wang Jun, an expert in biochemistry at the Chinese University of Hong Kong. Over the years, the Company has been committed to developing a technological platform that reaches world-class advanced levels, possesses independent intellectual property rights and is forward looking.

Reduced glutathione, the product developed jointly by Jiwa Group and GeneHarbor (Hong Kong) Technologies Limited, is one of the Group's best-selling products. Reduced glutathione is an active peptide with important physiological functions and is a major reducing substance inside cells. It can protect the cells from the attack of oxidised radicals, toxic compounds and radiation. Meanwhile, glutathione is the cofactor of certain enzymes inside cells, and participates in the metabolic cycle inside cells. Therefore, glutathione is widely used for medical purposes in food and cosmetics. Since the product can be used clinically for liver protection, treatment of tumours and oxygen intoxication, prevention of aging and the treatment of diseases such as endocrine disorder, demonstrates high efficacy and has no toxic side effects, it has been widely used in the medical and healthcare product processing industry in countries, such as Japan and Italy in particular. The Chinese are now seeking improvements in living standards, and have a better understanding of quality of life and an enhanced awareness of healthcare. This has paved the way for reduced glutathione to enter into the medical and healthcare industry as a natural, active antioxidant substance. As an antioxidant, reduced glutathione is increasingly used in the food and pharmaceutical industry.

The PRC is currently one of the countries in which liver diseases have become a serious issue. In remote villages, carriers of the Hepatitis B virus account for more than 30% of the population and the disease seriously affects the physical and psychological well-being of our people. However, glutathione, as a liver protection drug, still cannot be mass-produced in the PRC, resulting in its persistently high price and huge restrictions we face when promoting the product. If, through this joint venture, the Group can grasp the advanced bioengineering technology and mass-produce reduced glutathione with a price advantage, and provide pharmaceutical manufacturing plants with the bulk material for liver protection, then we can solve the domestic problem of tight supply of the bulk material, skyrocketing prices and market shortages. Therefore, the massive production of reduced glutathione at a low cost and in an efficient manner has very important social implications. At present, the annual demand for reduced glutathione reaches at least 30 tons in the PRC and ten times larger in the international medical and healthcare market. Therefore, the successful development of reduced glutathione will bring enormous profits and returns to the Group.

The Second Annual National Orthopaedic Conference

"The Second Annual National Orthopaedic Conference" was held in Zhengzhou, Henan during 8–11 November 2007. More than 5,000 orthopaedic experts from all over the country attended the conference and the "Manual for the Diagnosis and Treatment of Osteoarthritis" compiled by the Society of Osteology of the Chinese Medical Association was also released, making this conference a significant event.

"Artrodar" (Diacerein) was again listed in the "2007 Manual for the Diagnosis and Treatment of Osteoarthritis" after being included in the "2003 Manual for the Diagnosis and Treatment of Osteoarthritis". In the manual, "Artrodar" is classified as "a drug that can improve patients' conditions and a cartilage protective agent" that can effectively adjust structures. To better promote "Artrodar", Kunming Jida organised an "Artrodar satellite symposium" during the conference. The symposium was chaired by Professor Qiu Gui Xing, chairman of the conference and committee member of the Society of Osteology of Chinese Medical Association. We also invited Professor Pelletier from the Faculty of Medicine of Montreal University of Canada to explain the functions, mechanism and clinical studies of Artrodar. Moreover, Professor Yang Qing Ming, a renowned orthopaedic expert in the PRC, introduced "drugs that can improve patients' conditions" and the famous ECHODIAH studies. Besides serving promotional ends, our participation in this conference enabled us to exhibit the Group's overall image.

The 58th National Pharmacy Trade Conference

The 58th National Pharmacy Trade Conference (PHARMCHINA) was held at the Kunming International Convention and Exhibition Center from 6 December to 8 December 2007. As one of the "Grade A exhibitions" supported and recognised by the Ministry of Commerce, the National Pharmacy Trade Conference launched an exhibition on various sessions that involved the development and research, production, operation and service of pharmaceutical companies. The exhibition attracted around 80,000 visitors.

As the most authoritative, largest, the best-in-brands and longest running industry event in the history in the PRC pharmaceutical sector, the Trade Conference attracted elites from pharmaceutical enterprises from all over the country. The Group has continued to participate in the chemical drug exhibition launched by the National Pharmacy Trade Conference for numerous years. The three-day exhibition allowed us to demonstrate our good corporate image, enhance communication with both new and existing clients and collect lots of information from potential clients, which was helpful to our exploration of potential business opportunities.

The 14th National Urology Academic Conference

The 14th National Urology Academic Conference and the 9th Global Chinese Conference on Urology were held successfully at the Xiamen International Convention and Exhibition Center during 16–18 November 2007. Approximately 2,400 experts, professors and doctors in urology from all over the country attended the conference.

The Marketing Department of Kunming Jida took this opportunity to promote Jida Bente, the Group's key potential product. While exchanging information with clients, we gained much useful information and identified several potential users. This will help us in preparing for our future marketing activities.

Editorial
Chief Editor: Lau Kin Tung (Vice Chairman and CEO of the Group)
Executive Editor: Carol Yue
Editorial Board: Kelvin Chu, Feng Pu Chun, Ma Ze Wen, Weng Zi Zhong, Yang Min, Yu Qi

Enquiries: carol-finc-hk@jiwa.com.hk **Website:** www.jiwa.com.hk