JIWA BIO-PHARM HOLDINGS LIMITED
積華生物醫藥控股有限公司
(incorporated in Bermuda with limited liability)
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# e-Newsletter

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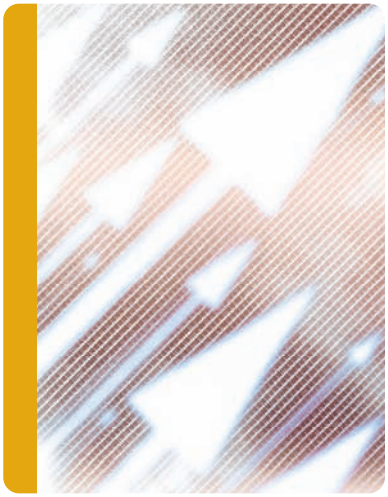
## Corporate News



### The Group announces its annual performance results for the year ended 31 March 2008, with the net profit increasing sharply by 129%

**Financial summary**

| | 12 months as at 31st March (HK$ thousands) | | |
|---|---|---|---|
| | Year 2008 | Year 2007 | Change |
| Turnover | 317,429 | 206,572 | +53.7% |
| Gross profit (gross profit rate) | 146,004 (46%) | 97,310 (47%) | +50% |
| Profit attributable to shareholders | 48,255 | 21,060 | 1.29 times |
| Basic earnings per share | 3.07 HK cents | 1.40 HK cents | 1.19 times |
| Dividend | 1 HK cents | 0.4 HK cents | 1.5 times |

On 25th June, 2008, the Group announced their annual results for the year ended 31st March, 2008. Due to good performance, the Board of Directors suggested that the dividend payout ratio for this year be increased from the previous 25% to 35%, i.e. HK$ 0.01 dividend per share to be paid out to shareholders of the Group. Based on the closing price of HK$ 0.165 on 31st March, 2008, the dividend yield is 6.1%.

In order to strengthen communication between investors and the media, the management met with the media the day the results were announced, and also during the following weeks. “The Group’s net profit has risen sharply due to the increase of Chinese input into medical care as well as the management’s strategic deployment of the market system over the past few years.” The Group’s Vice Chairman and CEO Mr. Lau Kin Tung said. “

When asked to estimate the Group’s earnings for the coming year, Mr. Lau said: “Management is confident that the Group will maintain a double-digit growth next year. The Group’s medium and long-term goal is to become a market leader in China in major therapeutic areas and enter the international market, taking new steps for the group and bringing exponential growth to the company’s profits.”

In 2008, the Chinese government will inject more funds to continue building the medical and health service system in rural areas, to improve county, township, and village-level medical and health service networks, and improve the basic medical and health service conditions in rural areas. On top of that, reforms to achieve the coordination of medical services, pharmaceuticals and medical insurance will bring new business opportunities for the industry. The Group has made strategic decisions, including the timely adjustment of product portfolios, coordination of supply, production and sales, the accelerated introduction of specific pharmaceuticals, and the establishment of an intellectual property rights team responsible for the work concerning the patent rights of products.


As for decisions on the international pharmaceutical market, next year the Group will expand the management team with an international view, create technologies for independent intellectual property rights, and gradually expand the international market with advantages in cost and technology. Currently, the Group has selected high-quality and marketable medical preparations to penetrate non-regulated markets, and cooperate with international pharmaceutical companies to open up regulated markets with crude drugs whose patent rights have ceased. Last year, the Group set up a joint venture with GeneHarbor (Hong Kong) Technologies Limited, jointly developing reduced glutathione and a key cephalosporin with independent intellectual property rights using GeneHarbor's technological advantages and the Group’s funding platform, operational experience, professional management and marketing advantages. So far, these two essential R&D projects are well under way. Reduced glutathione is estimated to be introduced into the market at the end of 2009, and the success of the development of this project will create a series of very competitive, low-cost and high-quality products for the Group, which will bring good return to shareholders, rapidly increase the domestic market share, and help the Group to expand into the international market.

“In the future, in addition to actively developing businesses, the management will strengthen communication with investors and increase the company’s transparency. The management are dedicated to making the company’s prospects and true value be reflected in share prices.” Mr. Lau emphasised.

## Kunming Jida wins awards for the Top 100 Main Operating Income Enterprise and Top 100 Tax Contribution Enterprise

Under the leadership of the Kunming Municipal Committee and the Municipal Government, after more than three months' work, the ninth Kunming municipal appraisal leading group, consisting of eighteen city-level departments, selected the ninth outstanding entrepreneurs in Kunming and the top enterprises in the Kunming region for 2007. On 22nd April, 2008, the commending meeting and the annual meeting of the Kunming Entrepreneurs' Association were held in the hall of the Kunming Municipal Committee. At the meeting, Kunming Jida won all the awards – the Group's CEO Mr. Lau Kin Tung won the title of the Ninth Outstanding Entrepreneur in Kunming, and Kunming Jida won awards for the Top 100 Main Operating Income Enterprise and Top 100 Tax Contribution Enterprise. This marked the Group's position as a leading company in Kunming.


## Kunming Jida highly praised during the cGMP auditing

In order to stay at the front of the line with the current Good Manufacturing Practice (cGMP), two foreign experts visited the Group's medical preparation production base to carry out gap analyse of the cGMP management. The foreign experts conducted a comprehensive examination on the company in accordance with FDA's regulations and requirements. They particularly concentrated on spot checks and assessment of the company's quality assurance system, verification of manufacturing equipment and manufacturing techniques, control of manufacturing processes, sterility inspection results, product release and quality assessment, variation treatment, and changing management. After itemised and comprehensive assessments had been carried out, the experts fully recognised Kunming Jida's work and highly praised the company's management team and quality management system. They also provided relevant reform suggestions and advice.

cGMP require the entire process to be verified, including production and logistics. cGMP, which is enforced by the FDA, is a much respected authority around the world. Therefore, if products are certified by cGMP, their value in the international market usually multiplies. Today, the pharmaceutical market is increasingly global, and it is a general trend for companies to obtain cGMP certification. Although the Chinese government hasn't demanded pharmaceutical companies to enforce the cGMP, it doesn't mean that there is no urgency to enforce cGMP in China. Presently in China, forward-looking pharmaceutical companies have realised the long-term significance of cGMP and put it into practice.

## Risedronate sodium bulk materials production unit passes GMP certification

From 23rd to 24th June, 2008, Kunming Jida's risedronate sodium bulk materials production unit successfully passed the GMP certification. This marked the Group having another new drug available, strengthening the company's competitiveness in the market. Risedronate sodium, a third-generation bisphosphonate, acts as an inhibitor for the formation of osteoclast cells, and thereby inhibits bone resorption making it a very effective bone resorption inhibitor. It can also be combined with hydroxyapatite in bones to inhibit its growth and solution, and thereby interfere with the bone resorption of osteoclast cells. It is a new class 2 chemical drug and is very effective in the treatment of osteoporosis.

## The cephalosporin factory zone completes environmental inspection and acceptance

In May 2008, the Jiangyin Municipal Environmental Monitoring Station sampled and monitored waste water and gas at the Group's material production base – Jiangsu Jiwa Rintech and the results complied with environmental requirements. In addition, the Jiangyin Municipal Environmental Protection Agency, Chengxi Branch and Huangtu Township Environmental Protection Station formed an inspection and acceptance team in late July, and visited Jiangsu Jiwa Rintech to conduct a spot inspection and acceptance. The team agreed that during the construction process, the project had implemented the environmental policy stating that installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project during the construction process, and all pollution control measures met the requirements stated in the Environmental Impact Statement and its reply. The project conformed to the inspection and acceptance conditions and it was agreed that the Cephalosporin factory zone of Jiangsu Jiwa Rintech would pass the environmental inspection and acceptance.

## Kunming Jida receives RMB 500,000 scientific research funding from Yunnan Provincial Scientific and Technological Commission

In order to implement the spirit of the 16th Plenary Session of the 5th Central Committee of the Chinese Communist Party, the National Science Conference, and the Provincial Science Conference, and the requirements of the Decision of the CCCPC and the State Council on Implementing the Outline of the Scientific and Technological Plan and Enhancing the Independent Innovation Capacity and the Notice of All China Federation of Trade Unions on Implementing the Experimental Work of Innovative Enterprises, the Provincial Science and Technology Bureau, the Provincial State-owned Assets Supervision and Administration Commission, the Provincial Economic Commission, and the Provincial Federation of Trade Unions decided to launch experimental work in association with innovative enterprises in Yunnan. Kunming Jida was successfully selected as one of the experimental enterprises and received RMB 500,000 to fund its scientific research. Its continuous innovative capacity was recognised.

## Three new products (Citalopram, Sucralfate, Risedronate Sodium) are approved by the country, driving increased profits for the Group

The Group's current key business areas include the fighting of anti-infectious, gastrol-intestinal, musculo-skeletal system, cerebral-cardiovascular diseases, antidepressants and psychiatric disorders. In order to further extend the areas covered by products and to optimise the industrial structure, in addition to continuing to work with renowned European manufacturers, the Company has also increased its input into its own research and development, and the effects are gradually beginning to show. During the latter half of this year, the Group will launch three products that have been developed by the Company itself. The marketing strategies for these products have been established, and promotional materials are already prepared. The tendering in different locations has been under way since May. The first batches of the latest orthopaedic products – risedronate sodium will be available from the end of July. The other two products – Sucralfate gel suspension treating peptic ulcers and the antidepressant Citalopram will begin production in September. The Company's management will hold regular meetings to coordinate work. It took just less than three months from the receipt of the SFDA registration approval to product launch. It is estimated that in one year, these three new products will bring good returns to the company.

## The pharmaceutical market stays strong during the economic slowdown in Vietnam

Kunming Jida's four products obtained registration approval from the Ministry of Health of Vietnam during May and July this year, and can now officially be sold in Vietnam. With the support of Yunnan Government, the Group participated in this year's 8th Vietnam International Medical and Pharmaceutical Expo held in Hanoi from 18th to 25th May. This expo has become the most professional international expo in the medical and pharmaceutical field in Vietnam. Therefore, an increasing number of international companies are going there to enter the Vietnamese market and are achieving substantial effects through this professional platform. Exhibiting Chinese companies are always in the spotlight at every expo in Vietnam, especially with pharmaceuticals that cannot be produced there such as proprietary Chinese medicines, new special medicines, crude drugs and immune medicines, which are the most popular.



The Vietnamese population in 2007 was 87 million, with Vietnam being the largest pharmaceutical market in South-eastern Asia, excluding China. In 2007, the average annual pharmaceutical consumption per person was US$ 12.3 and it is increasing by about 14% each year. It is estimated that it will be US$ 14.5 and US$ 16 this year and next year respectively. As medicine is closely connected to social hygiene and health care, the current economic slowdown in Vietnam will not affect, but actually benefit the Group's plan for expanding the local pharmaceutical market. Vietnam has been influenced by America for a long time, and the pharmaceuticals required for local medical treatments are mainly exported patented and branded pharmaceuticals. Although there are parallel imports of these drugs, their prices are still higher than generic drugs. When the economy is good, their prices don't appear to be expensive, but with the economy declining, it is the time for generic drugs to take off. The Group's development of the Vietnamese pharmaceutical market from Kunming, Yunnan at this time will surely be crowned with great success.

# Sidelights of Corporate Activities


## Forum for Strengthening Cooperation in Trade in Services between Yunnan and Hong Kong

On 8th April, 2008, the Governor of Yunnan Province, Qin Guangrong, leading over 500 people arrived in Hong Kong, and the Forum for Strengthening Cooperation in Trade in Services between Yunnan and Hong Kong, and a series of other events lasting three days begun. This was the first big event in which both the Governor and the Deputy Governor of Yunnan Province led a group to visit Hong Kong. It was dedicated to driving the healthy development of cooperation of Yunnan and Hong Kong, and helping Hong Kong to develop in South-eastern Asia and South Asia through Yunnan.

As a Hong Kong company that has invested in Yunnan for over ten years, the Group has achieved some successes and made some contributions to the development of the Yunnan medical and pharmaceutical economy. Mr. Lau Yau Bor, the Group's Chairman and Mr. Lau Kin Tung, the Group's Vice Chairman and CEO were invited to participate in the opening ceremony and relevant activities. During the presentation on the Group's investment in Yunnan Province, Mr. Lau analysed the current background, situation and development tendencies of the Yunnan biological and pharmaceutical industry, and presented the Group's future development plans for Yunnan to the attending leaders. The management's foresight and commitment to the development of the biological and pharmaceutical industry were recognised and praised by the attending leaders.

"Yunnan's long-term friendly relationship with its bordering South-eastern and South Asian countries has become its unparalleled potential advantage. Yunnan and Hong Kong's strengthened cooperation in trade in services has helped consolidate Hong Kong's position as the coordination, management and control centre for mainland China and Asia Pacific and global businesses, and has also helped Yunnan to extend and deepen its trade in services in South-eastern Asia and South Asia." Mr. Lau said in an interview.



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