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SPECIAL REPORT

2011, First Year of China's
12th Five Year Plan

ECONOMY

China's Recent Fight
Against Inflation

Lau Kin Tung, ▶
CEO of Jiwa
Group

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COVER STORY



Lau Kin Tung:

BUILDS

A RISING PHARMACEUTICAL FIRM

with Innovation and
Entrepreneurship



Founded in 1978, Jiwa Group was engaged in trade between China and Europe, Middle East and South Asia at the early stage of reform and opening up. Until mid 1980's, the Group began to concentrate on pharmaceuticals, acting as agent for such multinational pharmaceutical enterprises as Roche and Glaxo and introducing several European and American pharmaceutical brands. As a forerunner among the Hong Kong pharmaceutical enterprises to enter the pharmaceutical market of Chinese mainland, Jiwa Group plays an active role in dealing with medicine supply shortage and improving drug quality of China.

Lau Kin Tung: the vice-chairman and CEO of Jiwa Group, assisted the Group in setting up Kunming Jida Pharmaceutical Co., Ltd. in 1993, and then Y.N. Jiwa Pharm Logistics Co., Ltd. and Jiangsu Jiwa Rintech Pharmaceutical Company Limited. Thus, an industrial chain integrating bulk materials, finished drugs and marketing was accomplished. Confronted with the 2008 global financial crisis, Lau Kin Tung once again demonstrated his confidence in the Group and set up Yunnan Jiwa Biotech Limited., which develops the first class new drugs via bio-technologies and accommodates world-class new products with independent intellectual property rights such as reduced glutathione and new type cephalosporin intermediate in Kunming.

Establishes an innovation system

Under the leadership of Lau Kin Tung: Jiwa Group has been striving to establish an independent system integrating R&D, production and sales and to develop new drugs and patented drugs. Jiwa's product line mainly covers five therapeutic categories: antibiotics, digestive system and liver diseases, rheumatism and skeletal system, cerebro-cardiovascular diseases together with antidepressants and tumor. At present, Jiwa supplies drugs to more than 1,500 medical institutions of 31 domestic provinces, cities and autonomous regions. Meanwhile, in the manner of product supply and technological cooperation, the Group has taken the initiative in introducing world-class new drugs into the Asian market and has energetically launched China's drugs into the markets

of ASEAN, South America, Middle East and North America.

In order to consolidate and upgrade its innovation capabilities, Jiwa founded the Research Institute of Jiwa Group, which vigorously cultivates new drug projects with a R&D center for preparation and raw materials under its command. These multi-level R&D institutes constitute the multi-tier and multi-dimensional pharmaceutical technological innovation mechanism of Jiwa Group. Furthermore, external technological cooperation has also become a major support for Jiwa's R&D capabilities. The Group has established cooperation relations with overseas R&D organizations of the US, Canada, Italy and India, and has extensively initiated cooperation projects with domestic research institutes and academic institutions.

Develops innovative products

"The Group has made breakthroughs in the ongoing key development program for pharmaceutical raw materials, which are expected to go to the market in 2012," said Lau Kin Tung. The program will make milestone contribution to the Group, as it will not only generate considerable profits, but also enhance the Group's status in the domestic pharmaceutical market and lead the Group to become a multinational pharmaceutical enterprise on the international stage.

The reporter learned that the Group is also undertaking a cooperative program on cytarabine pro-drugs with Shenyang Pharmaceutical University. With smooth preliminary research, the program has selected some quality pro-drugs, some of which has increased the oral bioavailability from 21.8% to 60% and has applied for compound patents. Pre-clinic studies and optimization studies on techniques are to be carried out and application for the first-class new drugs is to be submitted as soon as possible.

According to Lau Kin Tung: the Group has launched in recent years several new drugs with tamsulosin hydrochloride sustained release tablets, diacerein capsules, edaravone Injection and risedronate sodium tablets as the key products. The total sales volume of these four drugs saw a leap in growth rate of around 47% in the latter half of 2010 compared with that in the first half of 2010. A surging market for these drugs owing to their good performance in bidding, coupled with the expansion of the sales team in the domestic core cities, will make them occupy a significant role in relevant therapeutic domains over the upcoming three to five years.

It is also learned that Jiwa Group sold two brands of reduced Glutathione (GSH), one brand of products are produced by Kunming Jida and the other is a famous European brand Gluthion

carried by the Group in the PRC. The total sales of two brands of products, respectively accounting for 8% and 19% domestic market shares, exceeded RMB 200 million, taking the lead in the domestic market. According to the market statistics, the sales of this medicine have increased at an annual rate of 30% in recent years.

Another important product of Jiwa Group is triamcinolone acetonide injection. Similar with GSH, there were also two brands of triamcinolone acetonide injection that Jiwa sold. One brand of products Transton is produced by Kunming Jida and the other is a famous European brand. The total sales of two brands of products, respectively accounting for 34% and 7% domestic market shares, exceeded RMB 100 million. Jida's products are positioned as the high-quality domestic brand with higher cost performance ratio, now leading the same field in the domestic market.

At present, Jiwa Group has 13 products, including GSH and triamcinolone acetonide injection, listed in the Yunnan Provincial essential drug list. With the progress of China's medicine reform, Jiwa Group works hard to increase its sales, especially the sales in Yunnan Province, and lift its status in the industry through the Yunnan Provincial Fundamental essential drug list.

Corporate profile

Jiwa Group is a member of the young Hong Kong General Chamber of Commerce. The Group then made new beginnings after its successful IPO in Hong Kong on October 14th, 2003: 1) Through restructuring, the Group focused on the healthcare undertaking and diverted other business to its non-listed subsidiaries. 2) The Group was listed on the main board of the Hong Kong Stock Exchange, which created a favorable international financing platform for the Group. Due to the rapid development of the Hong Kong Stock Exchange, improved regulatory regime and faster international capital inflows, the financing platform is playing an increasingly important role. 3) The Group has substantially improved corporate governance and professional

management quality. By introducing professional independent non-executive directors, the restructured board of directors commands stronger decision-making and governance capabilities.



"The Group has made breakthroughs in the ongoing key development program for pharmaceutical raw materials, which are expected to go to the market in 2012," said Lau Kin Tung.

In the mean time, in line with the regulations on listed companies and suggestions from investors, Jiwa Group has made corporate management more transparent and institutionalized, all of which serve as favorable internal conditions for the Group to participate in global competition in future. 4) The Group becomes more open for absorbing top-notch management and technical talents.

As a listed firm, Jiwa Group is more attractive to specialists. The Group has developed effective incentives including offering share options to integrate employees' interests with corporate interests. The Group has designed a roadmap for the next stage in achieving its development goal: 1) To go global based on the domestic market. Jiwa is to develop Jiangsu Jiwa Rintech Pharmaceutical Company Limited, which was founded through acquisition, into a world's leading supply base for pharmaceutical raw materials. The first step is to obtain the US FDA authentication in order to nudge into the US market. In the initial stage of "going global", product supply served as an effective form, and then effecting investment abroad. 2) To develop its own patented products with stronger R&D capabilities. The

Group endeavors to launching serial patented products with competitive edge within five years through the combination of imitation and innovation from its current five domains for R&D, namely antibiotics, cerebro-cardiovascular diseases, digestive system, musculo-skeletal system and psychi-

atric system. 3) To perfect its industrial chain. Jiwa has been committed to perfecting its pharmaceutical industrial chain and so far the Group has set up subsidiaries for R&D, raw materials production, preparation production and marketing. Over the next two to three years, the Group will establish enterprises engaged in production of traditional Chinese medicine and bio-engineering production enterprises. 4) To integrate industries. The establishment of the financing platform aims at industrial integration via M&A based on the Group's cutting edge in terms of resources and management. The acquisition of excellent enterprises will complement its industrial chain and thus make the Group stronger.

Jiwa Group was honored with Hong Kong Outstanding Enterprises in 2007 and then the Best Under A Billion of 2009 by Forbes Asia in September 2009.

Currently, the Hong Kong-based Group has set up contact points, branch offices and subsidiaries with Milan of Italy, Perth of Australia and provinces and cities of China. Boasting of a personnel of over 1000 employees, most of whom are specialists, Jiwa Group is committed to developing into a leading regional hi-tech pharmaceutical enterprise.

"Development is the only way out for the survival of enterprises, and giving up a life of ease is a must for individuals to achieve their personal value," remarked Lau Kin Tung. ©