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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Corporate News

Concluding work progress in the first half of 2006 Kunming Jida succeeded in resuming growth

The meeting to conclude the work progress of Kunming Jida, the Group's major subsidiary, during the first half of the year was held at production headquarters in Kunming on 21 July 2006. Lau Kin Tung, Vice Chairman and CEO of the Group remarked at the meeting, "After weathering the occasional downturn in production and operations caused by the government lowering product prices earlier, the Company succeeded in resuming more evident growth with the concerted effort of the staff to accelerate the launch of new products and to improve product structure. In the first half of this year, market demand was steady and relatively robust. Our marketing system proactively launched corresponding measures in a timely manner in response to numerous unfavourable factors such as price adjustments and changes in market conditions. These measures began to bear fruit and contributed to the effective operation of the entire production system in the first half of the year."

The first phase of the Citalopram trial production was completed with encouraging results

Jiangsu Jiwa Rintech, the Group's bulk material plant in Jiangsu, completed the first phase of the trial production of Citalopram, the Company's first product, in the third quarter. This trial production has basically achieved the objectives of testing the synthetic technique in producing Citalopram, supplementing and improving the relevant technique parameters according to the requirements of the FDA and producing Citalopram products that comply with the USP standard of the US. The production workshop is now preparing for the second phase of mass production testing according to the Company's strategic plan. All of the relevant work has commenced in sequence. It is expected that the DMF application document will be formally submitted to the FDA in the US and the products will be officially produced and launched for sale in the fourth quarter. It is expected that the GMP certificate will be awarded by China in the second quarter of 2007 and the FDA certificate will be awarded by the US by the end of 2007 or early 2008.

According to the latest research results released by the World Health Organization (WHO), the global incidence rate of depression is approximately 3.1% and there are currently approximately 340 million patients suffering from depression all over the world. Depression will become the second-most common disease in the world in the next 20 years. As one of the major existing antidepressant drugs, Citalopram is known as the "purest 5-Selective Serotonim Reuptake Inhibitor (SSRI)," evidencing its promising market prospects. Citalopram is mostly sold to the North American and European markets but captures a relatively small market share in other regions. Therefore, the Group introduced new technology from the US and Europe in developing the product in order to enhance its competitiveness and enable it to demonstrate advantages such as higher quality, more advanced production techniques and to have it achieve the USP2009 standard of the US. All of these factors help to ensure that the product's quality meets clients' requirements. As the only domestic manufacturer applying for the FDA certificate, the enterprise will benefit from a broader target market and a wider selection. Following the success of the trial production, the marketing and sales department is gradually implementing the sales strategies devised earlier and proactively exploring the domestic and overseas markets.

An Interview with the Financial Controller

Mr. Kelvin Chu was formally appointed as the Group's financial controller on 4 September of this year. The executive editor of Jiwa e-newsletter conducted an interview with Mr. Chu.

Executive Editor: Mr. Chu, could you briefly introduce yourself to our readers?

Mr. Chu: I studied economics and business administration at the University of Hong Kong. After graduation, I joined one of the Big Four accounting firms and was responsible for auditing and corporate financial consulting. Later, I became the financial controller for various listed companies and participated in different types of financing, merger and acquisition projects. I also assisted enterprises in setting development directives and preparing feasibility reports for various large projects. Due to the needs of my previous jobs, I gained an in-depth understanding of the policies, laws and management culture of China.

Executive Editor: Why did you choose to join Jiwa Group?

Mr. Chu: After several talks with the chairman and the vice chairman, I became convinced about their passion for the healthcare business and the sound financial position of the Group. Most importantly, I joined the Group because I believe that the pharmaceutical industry in China is a growth industry and has enormous room for development. In recent years, changes in China's medical system have led to the survival of the fittest and the trend towards mergers and acquisitions. I believe that my previous experience may help the Group in scrutinising different opportunities, accelerating the development of the enterprise and utilising assets in a more effective manner.

Executive Editor: What is the most important task for you at this stage?

Mr. Chu: I will first visit Kunming and Jiangsu to gain a more in-depth understanding of the Company and the domestic pharmaceutical market. I then plan to devise the enterprise development plan for next year and review the Company's existing financial position and capital utilisation status with management. Moreover, I will have to maintain good communications with investors and improve the Company's transparency to ensure that investors clearly understand our latest developments.

Executive Editor: Thank you for taking this interview.

Mr. Chu: I am glad to have this opportunity to talk to the readers.

Market and Product News

Market Performance of the Four Major New Products

After nearly one year of market introduction, Jida Bente, Huo Duo Shi, Artrodar, and Shi Si Tai, the four major new products launched by the Group at the end of 2005, achieved satisfactory results in tenders. The marketing department expects that these products will begin to record more evident sales growth in mid-2007.

The editors interviewed the staff in charge of these products on their market performance, as well as on market analysis and tender results of the individual products:

Jida Bente (Common name: Tamsulosin Hydrochloride)

With the aging of the Chinese population, the drug market for the treatment of prostatic diseases will continue to grow in the next few years. According to market statistics, approximately 88.11 million elderly aged above 65 lived in China in 2000, with the male population accounting for approximately 44.55 million. Assuming that the average incidence rate of prostate hyperplasia in this age group is 30%, approximately 13.36 million patients suffer from this disease. According to the information released by IMS, sales of drugs used to treat prostate hyperplasia in China in 2005 were approximately RMB 1.854 billion. The market capacity for drugs used to treat prostate hyperplasia in 2006 is expected to exceed RMB 2 billion.

At present, the drug market for the treatment of prostate hyperplasia is dominated by 5α－reductase inhibitor and α1－adrenergic receptor blocker. The constituent of Jida Bente produced by the Group is Tamsulosin Hydrochloride, which is a α1－receptor blocker. The form of Jida Bente is a sustained-release tablet that is easy to take. Elderly patients with swallowing difficulty can also take this drug. In addition to having the efficacy of Tamsulosin Hydrochloride, its "unique preparation" was designated as a new drug category by the relevant authority of China and is entitled to three years of exclusive production.

Tamsulosin Hydrochloride has been included in the State's Medical Insurance Catalogue (excluding Nanjing and Southern Jiangsu) ("Medical Insurance Catalogue"). The product's sales targets are AAA hospitals and specialist hospitals. The marketing department is currently actively launching clinical promotions, has won tenders from hospitals in large cities such as Beijing, Guangzhou, Xian and Zhejiang, and results have been satisfactory.

Artrodar (Common name: Diacerein Capsules)

According to market estimates, 80 million patients suffer from osteoarthritis in China, and the market scale ranges from RMB 700 million to RMB 800 million ("Jin Si De Medical Information" 7th issue). With the aging of the Chinese population, the incidence rate for knee osteoarthritis is 9.56% and the incidence rate for the elderly aged above 60 reaches 78.5% (Ministry of Health "Nei Ke Xue" 4th issue).

Artrodar is an oral drug used for the treatment of osteoarthritis and is the first IL-1 inhibitor developed in the world. Artrodar not only eases the symptoms of osteoarthritis but also delays the development of the disease. It is safe for long-term administration and is an important ground-breaking drug for the treatment of osteoarthritis.

The operating mechanism of Artrodar is unique. It is a core factor IL-1 inhibitor that promotes cartilage decomposition. Artordar prevents the destruction of cartilage at the source of the cartilage degradation chain reaction and is effective in promoting cartilage synthesis and repair. Its clinical manifestation: easing the symptoms of osteoarthritis, safe for the gastrointestinal tract, delayed onset of action and effective adjustment of the structure. Artrodar has unrivalled advantages when compared with similar products.

Artrodar is a product developed and patented by TRB PHARMA S.A., which cooperates with the Group to explore the market in China. Currently, more than 100 tertiary hospitals in China use this product and we have started to monitor 300 cases all over the country to evaluate the clinical safety of Artrodar to prepare the drug to be included into the State's Medical Insurance Catalogue. In addition, Artrodar is an exclusive drug that does not face any direct competition; therefore, the Company need not submit any tender and has automatically won bids in all of the provinces and cities.

Huo Duo Shi (Common name: Low Molecular Weight Heparin)

Huo Duo Shi is a new generation anticoagulant and anti-thrombus drug. Thrombosis disease is a common cardiovascular and cerebrovascular disease and will lead to myocardial infarction, cerebral ischemic stroke and thrombophlebitis. One to three people out of every thousand suffer from different types of thrombosis diseases every year and the disease is seriously affecting human health. With the aging population problem worsening in China in recent years, the incidence rate of thrombosis disease continues to increase and the market for anti-thrombus drugs has grown at a fast pace. Taking into account the commercial sales of pharmaceutical products by the China Association of Pharmaceutical Commerce and the procurement amounts of sample hospitals in 16 cities, the total purchases of anti-thrombus drugs in China amounted to RMB 1.4 billion to RMB 1.5 billion, with an annual growth rate reaching approximately 15% to 20%. ("China Medicine Post" 2005/12/16)

At present, the low molecular weight heparin market is mainly dominated by brands launched by joint ventures and foreign-investment enterprises. Domestically manufactured products targeted at that market are not competitive. Huo Duo Shi captured the market with its positioning as a "meticulous product with higher efficacy" since its launch at the end of 2005. Huo Duo Shi uses a pre-filled syringe from BD, a French packaging company. The syringe is easy, convenient and safe to use. The sheath of the needle is made of a new type of low friction material to better protect the needle. Huo Duo Shi meets the huge demand for hypodermic injections by patients and medical workers, as the pain from injection is reduced by 40% while the skin puncture force is reduced by 70%.

Huo Duo Shi is characterised by "higher efficacy". Two clinical trials conducted after the launch of Huo Duo Shi validated that the clinical efficacy of Huo Duo Shi is the same as that of original patent drugs. Moreover, Huo Duo Shi uses the same pre-filled syringe packaging as original patent drugs but its highest retail price is less than 2/3 of the price of imported products. Therefore, Huo Duo Shi not only satisfies the demand from medical workers but also reduces patients' medical expenses.

Low molecular weight heparin has been included in the State's Medical Insurance B Catalogue. With regard to drug tenders, its imported quality and reasonable price enable it to achieve a higher bid-winning rate and a higher bid-winning price. After initial exploration and gradual penetration into the market since the product's launch almost a year ago, the Company succeeded in significantly enhancing Huo Duo Shi's brand recognition. With the accumulation of more new clients and further exploration of the hospital market, it is expected that sales of Huo Duo Shi will witness substantial growth next year.

Shi Si Tai (Common name: Somatostatin)

Somatostatin (SST) has wide-ranging physiological effects and is inextricably linked to the incidence and development of numerous diseases. SST demonstrates inhibition effects on four major aspects: neural transmission, gland secretion, contraction of smooth muscle and cell proliferation. The short half-life of SST in the body hinders the clinical application of SST, which is why researchers are committed to conduct research on and synthetise SSTA. Compared with natural SST, synthetic SST has the advantages of having a single effect, long half-life in plasma, long-lasting effects and is easy to take. SST is now widely used for the treatment of gastrointestinal bleeding, bleeding arising from esophageal varices, acute pancreatitis and complications after pancreas operations, pancreas, gallbladder and intestine fistula.

From 2002 to the first quarter of 2005, seven manufacturing enterprises were producing somatostatin for domestic sales. Sales of somatostatin to domestic hospitals witnessed rapid growth. A consolidated analysis of the sales data showed that products manufactured by European pharmaceutical companies have dominated the somatostatin sales market. With the launch of domestically-manufactured products, the market share held by European pharmaceutical products is dropping although they still capture approximately 90% of the market.

Shi Si Tai is manufactured by a cutting-edge solid phase synthetic production method successfully developed by the Group and the Chinese Academy of Medical Sciences. As a domestically-manufactured somatostatin, this product has the competitive advantage of high quality and low price – its quality is comparable to that of imported products but its price is much lower. At present, Kunming Jida has already won tenders from hospitals in more than 10 large cities. According to the marketing department's forecasts, with the stepping up of promotional activities, the Company will gradually win more tenders from hospitals.

Sidelights of Corporate Activities

Vice Mayor of Kunming led a delegation to visit and inspect Kunming Jida

On the morning of August 10, 2006, Vice Mayor Xu Yun and leaders of the New and High Technology Management Committee visited and inspected Kunming Jida and were accorded a cordial reception by the Company's business leaders. According to Vice Mayor Xu Yun, Kunming Jida ranked first in the province in all aspects. The Company has achieved remarkable results since its establishment and contributed much to the economic development of the pharmaceutical industry in Yunnan.

Inspection Delegation from KING PRAJADPHIPOK'S INSTITUTE of Thailand Visited Kunming Jida to Engage in a Mutual Exchange of Each Other's Experiences

Under the recommendation of the Association of Enterprises with Foreign Investment of Yunnan Province, the inspection delegation from KING PRAJADPHIPOK'S INSTITUTE of Thailand visited Kunming Jida and both sides drew on each other's experiences on September 14 of this year. This inspection delegation comprised more than 30 people who attended the 9th training class of the institute. Members of the delegation were management personnel from different prefectures, different departments and different industries of Thailand. The Company's representatives introduced the basic profile of the Company to the delegates, then showed them the Company's production system and quality control system. This activity not only enhanced the exchange between the Group and Thailand's officials but also helped the Company build its corporate image and expand its business.

Pharmaceutical Products Donated to Regions Affected by the Earthquake

An earthquake of M5.6 occurred in Yan Jin County and Da Guan County of Zhaotong Municipality in Yunnan Province in the second half of July this year. The livelihood of the people and production at that area were hard hit. The lack of doctors and medicine posed a major problem for post-disaster recovery. The chairman of the Group decided to donate antibacterial and anti-inflammatory drugs to the disaster area and send a representative to the local disaster centre of Yan Jin County in Zhaotong Municipality to express his sincere solicitude to the relatives of the victims in Dou Sha Town. On 4 August, the local government organised a simple but grand ceremony to thank the Group for its donation.

The first large-scale donation program in Yunnan

Kunming Jida initiated the "spring sowing program" in the third quarter of this year. The program aimed at spreading love and care to the grassroots by donating drugs worth RMB 1 million. Based on the objective of the "spring sowing program", the relevant Company department formulated a series of action plans and decided to organise different donation activities in Yunnan, Guangdong, Shandong and Hubei and designated Yunnan as the originating place of the "spring sowing program". The successful launch of the first round of activities in Yunnan was widely covered by the media. The program not only enables the Company to fulfil its social responsibility but also adds value to the brands of the enterprise.

Fulfilling social responsibility and spreading the culture of Jiwa

"To be responsible" is one of the three important elements in the Group's corporate culture. The Group's management believes that, as a member of Jiwa Group, each employee shall be responsible to the enterprise and to the quality of the pharmaceutical products produced by the Group. In addition, as a member of the State, our enterprise must fulfil its social responsibility and contribute to the general public. The donation and donation activity further demonstrate our corporate culture of shouldering social responsibility.

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