

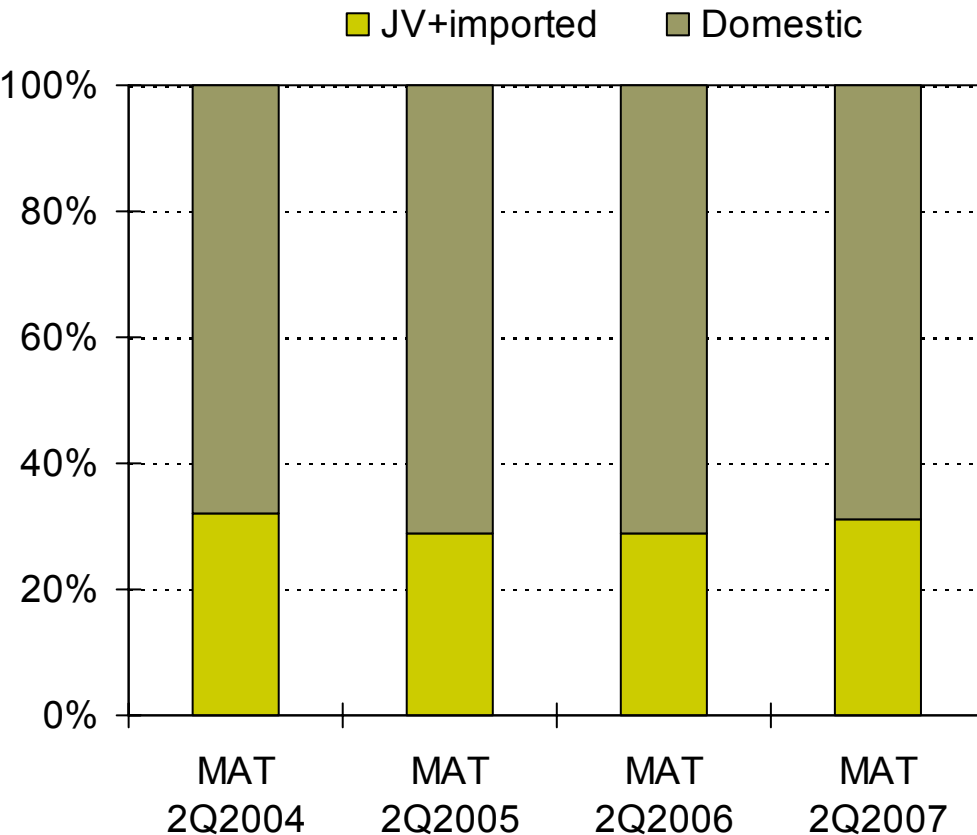
Unlike top MNCs, top domestic companies are big generic companies, especially in antibiotic and antineoplastic market

Top 20 Domestic Companies in China Hospital Market (Moving Annual Total ~ Q2/2007)

Sales Rank	Company	MAT Sales Value USD mil	MAT Sales Value Mkt Share	Growth +/-%
	Total China Local Market	12,135	100	15.1
1	JS. Yangzijiang Group	297	2.45	-2.7
2	JS. L.Y.G. Hengrui	235	1.94	19.4
3	Haerbin Pharm.	219	1.81	10.0
4	SD. Qilu Pharm.	197	1.62	19.8
5	SH. Asia Pioneer Pharm.	180	1.49	15.5
6	Zhuhai Livzon Group	172	1.42	1.7
7	China Genertec Group	167	1.38	19.8
8	SD. Lunan Group	132	1.09	10.7
9	Shuanghe Group	119	0.98	23.7
10	Shanxi Pude Pharm.	118	0.97	-8.8
11	SH. Biochem & Pharm.	117	0.97	48.7
12	Shenzhen Pharm.	113	0.93	30.5
13	SD Luoxin Pharm.	113	0.93	58.4
14	SD Lukang Group	110	0.91	33.6
15	Sichuan Kelun Pharm.	109	0.89	46.3
16	JS. L.Y.G. Haosen	108	0.89	12.7
17	BJ Shuanglu Pharm.	103	0.85	20.3
18	China North Pharm.	99	0.81	4.7
19	Chongqing Yaoyou	92	0.76	-6.1
20	GD. Baiyunshan Pharm.	82	0.67	16.3

Although domestic companies are relatively weaker in the top 20 list, the total market is still dominated by generics

Market Share of Domestic versus Foreign Companies in China Hospital Market



- ▶ Top 20 companies represent 25% of the total hospital market
- ▶ There are 8 domestic companies among Top 20 list with 9% market share
- ▶ 12 MNCs are among Top 20 list with 16% market share

Domestic Company's Sales Model #1 – Hospital sales force driven

- Applied for higher margin multi-source Rx product

- **Critical Success Factors**
 - Strong support of local government
 - Product differentiation to avoid pricing and tendering problems
 - Broad hospital coverage
 - Stable sales force
 - Kickbacks to prescribing physicians
 - Accumulated investment to build up close relationship with hospital decision makers

- Representative Companies
 - Yangzijiang Pharma

Domestic Company's Sales Model #2 - Low margin mass Rx product distribution driven model

- Widely geographic coverage and deep penetration
- IMS data is not representative
- Generally higher A/R, higher bad debt level

- **Critical Success Factors**
 - Cost advantage
 - Rely on distributors' efforts on the promotion of the product
 - Manufacturers sales policy and capability of managing distributors
 - Branding

- Representative Companies
 - Sichuan Shu Zhong Pharma
 - Guangzhou Banyunshan Pharma
 - NCPC (North China Pharma Co.)