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China SFDA approves Biostar sale of gel capsules

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Singapore: Biostar Pharmaceuticals, China-based manufacturer and marketer of pharmaceutical and health supplement products in China for a variety of diseases and conditions, announced that on July 30, 2012, after a thorough inspection of raw materials used in every production category, it received "green-light" from Xianyang State Food and Drug Administration (SFDA) authorities to restart sales of its gel capsule products.

Mr Ronghua Wang, chairman and CEO, Biostar, commented, "In April 2012, during an industry-wide investigation by SFDA, 254 drug manufacturers in 28 provinces were found to use gel capsules that had a chromium content higher than edible gelatin. As a result, SFDA suspended sales of gel capsules until the investigation was completed. As previously disclosed, during this investigation, one batch of samples of our Xin Aoxing capsule was found to have chromium content higher than edible gelatin. This was an isolated incident and sales of products made from the tainted batch represented approximately 0.2 percent of total 2011 net sales."

Mr Wang continued, "The cessation of sales of gel capsule products has severely affected all China-based pharmaceutical companies that use gelatin capsules to manufacture their drugs, including Biostar. This has been a major issue for China's pharmaceutical industry as many large pharmaceutical companies reported substantial losses for the April-to-July period. Unfortunately, we were not immune to the industry-wide losses, and Biostar's sales and overall results for the 2012 second quarter were similarly adversely affected."

"We expect net sales for the 2012 second quarter to be in the range of $7.5 million-to-$8 million, or approximately 50 percent lower than those in the first quarter of 2012. This is mainly due to an approximately 55 percent decrease in sales from products manufactured at our Aoxing facility, offset by an approximately 14 percxent increase in sales from products manufactured at Weinan facility, acquired in October 2011," he said.

Mr Wang added, "However, during this difficult time for us and our industry peers, we took all the necessary steps to restart sales of gel capsule drugs immediately after the anticipated receipt of the approval from the SFDA. Currently, our employees

are working overtime and we have added a second shift. We also started an aggressive advertising campaign to help improve consumer confidence in our products and have established incentives for our sales force in all of our distribution offices nationwide."

He further added, "We expect sales for 2012 third quarter to significantly improve as compared to the 2012 second quarter, and a full rebound is expected for the last quarter of the year."

Mr Wang concluded, "Despite this setback, our business and prospects remain strong. We will continue to pursue increased market share of our current products, while introducing new products from our large portfolio of SFDA-approved OTC and prescription drugs. Additionally, we will continue bidding on new hospital contracts for prescription drugs, to supply hospitals with prescription drugs, which will provide us with a more predictable recurring revenue stream. Finally, we continue to cooperate with scientific research institutions to develop new drugs as we are now doing with The Fourth Military Medical University."