



**TIANYIN  
PHARMACEUTICAL CO.,  
INC.**

**Sector:** Healthcare

**Industry:** Drug Manufacturer

**Tianyin Pharmaceutical Co., Inc.**

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Based in Chengdu, China, Tianyin pharmaceutical Co., Inc. is a primary manufacturer, marketer and supplier of modernized Traditional Chinese Medicine (TCM). Established in 1994, the Company develops and manufactures a diversified portfolio consisting of 48 branded, cost-competitive modernized Traditional Chinese Medicines (TCMs) addressing a number of indications through its three GMP-certified manufacturing facilities and sells its products through an extensive nationwide distribution network managed by over 730 salespeople. Tianyin possesses a strong R&D platform supported by partnerships with leading Chinese academic institutions and has produced an extensive pipeline of 17 products including several generic western medicines in various stages of the approval process.

**INVESTMENT HIGHLIGHTS**

- **Fiscal 2009 revenue and net income increased 28.2% to \$42.9 million and 32.4% to \$7.9 million respectively.**
- **Fiscal year 2010 guidance - revenue of \$63.6 million with net income at \$11.3 million. Fiscal year 2011 guidance - revenue of \$113.3 million with net income at \$19.6 million.**
- **Announced Joint Venture with Sichuan Mingxin Pharmaceutical Co. to pursue Macrolide Antibiotics Growth Initiative which could generate significant future growth in fiscal 2011 and 2012.**
- **Issued dividend plan for shareholders in March 2009—\$0.10 per share. Announced and actually executed share buyback program during fiscal 2009.**
- **Received GMP certificate for its new production facility**—Three state-of-the-art GMP-certified plants with 7 types of TCM production lines for oral liquid, syrup, capsule, granules, tablets, compounds, and oral solutions.
- 41 products are sold into the market with **23 listed in the National Medical Insurance Program**—Provides reimbursement for pharmaceuticals and **4 listed in the Essential Drug List** which will be included in basic health insurance with a higher reimbursement percentage.
- 10 drugs were approved during fiscal 2009 which shows strong track record of the ability to get new drugs through SFDA approval process.
- Extensive pipeline of 17 new drugs addressing sizeable market opportunities to facilitate future growth.
- Strategic marketing & sales efforts supported by a nationwide distribution network.
- Equity-participating management team consists of industry veterans (including former CEO of Kelun Pharmaceuticals) with proven track records.

**SELECT FINANCIALS**

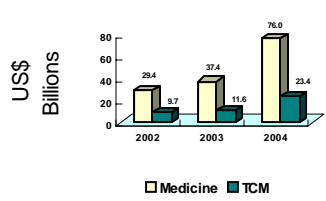
**NYSE AMEX: TPI**

<b>Fiscal Year</b>	June 30th
<b>Current Price (02/18/2010):</b>	\$3.74
<b>Fully Diluted Shares:*</b>	38.8M
<b>Shares Outstanding</b>	25.8M
<b>Market Cap:</b>	\$96.5M
<b>Cash (as of 12/31/2009)</b>	\$19.9M
<b>Revenue (FY2009)</b>	\$42.9M
<b>Net Income (FY2009)</b>	\$7.9M
<b>Auditor:</b>	Patrizio & Zhou, LLC
<b>Legal:</b>	Leser, Hunter, Taubman & Taubman

	FY2009	FY2008	vs. FY2008	Q2 FY2010	Q2 FY2009	vs. Q2 FY2009
Revenue	\$42.9 M	\$33.5 M	+28.2%	\$14.9 M	\$10.1 M	+47.9%
Gross Profit	\$21.4 M	\$14.7 M	+45.9%	\$7.8 M	\$5.2 M	+50.5%
Net Income*	\$7.9 M	\$6.0 M	+32.4%	\$3.5 M	\$2.1 M	+68.7%

\* Q1 2010 adjusted net income includes the non-cash equity compensation charge of \$0.9 million.

Medical Expenditures in China



**CHINA'S PHARMACEUTICAL INDUSTRY**

- China's rapid economic growth, increase in disposable income, consumers' desire to improve the quality of their life and aging population creates a long-term growth opportunity for the pharmaceutical industry.
- Highly fragmented market with 3,000 pharmaceutical companies presents multiple acquisition opportunities.
- The draft of the healthcare reform plan was released for public discussion in October 2008 and confirms the government's commitment to establishing basic universal healthcare system by 2020\*\*
  - New Rural Residents Cooperation Healthcare Plan has reached to 90% of 700 million rural population and near-term goal is to increase the funding per person from about \$7 to about \$14 by 2010.
  - The Urban Basic Plan is expected to reach over 90% of the 400 million uninsured urban residents with about \$43 per person by 2010.
  - Traditional Chinese Medicines are much cheaper than western medicines on average and are cost-effective solution for the basic universal healthcare system in China.

**TCM MANUFACTURING PROCESS**

- **Pre-Processing:** Raw materials, primarily medicinal plants go through a purifying process during which materials are selected, cut, rinsed and dried.
- **Extracting & Concentrating:** Processed raw materials go through a series of extraction processes of mixing, soaking, stewing, drying and grinding.
- **Dosage Processing & Packing:** Materials extracted from the plants are processed into various dosage forms such as capsules, tablets, syrups, tinctures and granules.



**GROWTH STRATEGIES**

- Speed up the utilization of the newly added manufacturing capacity.
- Diversify product offering to include a select offering of Western generics.
- Capitalize on brand advertising/marketing. Secure and develop new distribution channels while growing on sub-market distribution coverage.
- Commercialize large product pipeline and continue research and development efforts to further extend the pipeline
- Capitalize on fragmented market by strategically acquiring marketing and distribution companies with substantial coverage, and/or manufacturing companies with complementary products and customers.



\* Includes 2.3 million preferred convertible to 2.3 million shares of common stock, warrants to purchase 10.1 million shares at average price of \$2.76 and stock option to purchase 0.6 million shares at \$2.34.

## LEADING PRODUCTS BY ADDRESSABLE MARKET SIZE

CATEGORY	PRODUCT	INDICATIONS	ESTIMATED MARKET SIZE
Internal Medicine	Ginkgo Mihuan Oral Liquid	Cardiovascular diseases	\$417 million
	Qingrejiedu Oral Liquid	Kidney diseases	\$250 million
	Benorylate Granules	Rheumatoid arthritis	\$431 million
Gynecology	Radix Sophorae Flavescentis Vaginal Effervescent Tablets	Cervical erosion	\$82 million
Hepatology	Hugan Tablet	Hepatitis, liver cirrhosis, fatty liver disease	\$319 million
Otolaryngology	Yanyan Tablet	Upper respiratory tract infections	\$264 million
Urology	Qianlieshule Capsules	Chronic prostatitis	\$167 million
Neurology	Ganoderma Lucidum Capsules	Insomnia, neurasthenia, amnesia	\$181 million
Gastroenterology	Weikangling Capsules	Gastric & duodenal ulcer, acute and chronic gastritis	\$250 million
Orthopedics	Kanggu Zengsheng Tablets	Bone hyperplasia, neck pain, ankylosing spondylitis	\$58 million
Pediatrics	Arpu Shuangxin Granules	Inflammation, fever, cold, sore throat	\$556 million

### CHINA'S TCM MARKET

- TCM has been deeply ingrained in Chinese culture for thousands of years and is considered by many to be safe and efficacious, while causing fewer side effects than Western medicine.
- TCM accounts for approximately 30% of the total pharmaceutical market.
- The Chinese Government strongly supports modernized TCM which make up 44.4% of medicines in the National Medical Insurance Program.
- 2,620 out of a total of 18,703 Chinese hospitals are TCM specialized and most have a dedicated TCM department.

### COMPETITIVE ADVANTAGES

- Maintains a leading position in China's TCM market with 48 current products and a pipeline of 17 new drugs including several generic western medicines which further diversify the Company's products portfolio.
- 23 products in current product portfolio are listed in the National Medical Insurance Program which ensures government reimbursement and easy access to users, a driver for consumer adoption.
- Sole supplier of several proprietary and exclusive products with substantial growth potential.
- Proven cooperative partnership R&D model that is cost-effective, highly efficient and results in shorter development cycles.
- Extensive distribution network with 730 sales force focused on various market sub-segments.
- Experienced management team consists of industry veterans with proven track records that are dedicated to lead the Company to continuous growth.



### RESEARCH & DEVELOPMENT

- Strategically partner with leading Chinese pharmaceutical academic institutions including China Pharmaceutical University, Shaanxi University of Chinese Medicine and Sichuan University—affiliated West China Center of Medical Sciences.
- Efficient and cost-effective joint R&D model provides the Company sole ownership of research results and economic benefits.
- R&D focuses on improving current products and launching new and innovative products with substantial market potential for continuous long-term earnings.

### MANAGEMENT TEAM

**Dr. Guoqing Jiang MD, Chairman & CEO** - Dr. Jiang is a well-respected industry veteran with over 15 years of extensive experience and a proven track record in the pharmaceutical and modernized traditional Chinese medicine industry. He has served as the President and CEO of the Company since 2003. He was CEO at Kelun Pharmaceutical Group where he built the Company from inception to become the world's largest producer of intravenous solution products with annual revenue over \$700 million and 7,000 employees. He graduated from Jiangsu University Medical School with a Medical Doctor's degree.

**Mr. Tao Yang, COO** - Mr. Yang is a well-known certified pharmaceutical sales training specialist with more than 18 years experience in sales and marketing industry. His experience includes serving as a sales training specialist and marketing manager for Astra Zeneca and Bayer, in addition to managing the training services for 85 many well-known domestic and international pharmaceutical companies during the past ten years. These include Grünenthal- San Huan Pharmaceutical (China) Co., Ltd., Beaufour Ipsen Pharmaceutical Co., Ltd., and Yangtze River Pharmacy Group, etc. Mr. Yang also served as BPIP implementation consultant of CPDF launched by World Bank since 2001, and the executive advisor of a policy system program in 2007, which is a training system formed by the Chinese and British government aiming to support the domestic small to medium size businesses.

**Mr. Xintao You, EVP** - Mr. You oversees the Company's manufacturing, R&D, quality assurance, regulatory approval and operations with over 20 years of industry experience including leading the successful development of the products, national patents, and SFDA manufacturing licenses. Mr. You was a former research scientist with the SFDA-affiliated Sichuan Industrial Institute of Antibiotics which is the largest antibiotics research institute in China. Mr. You was a faculty member of West China School of Pharmacy at Sichuan University. He also served as Director of Quality System at Sichuan Qili Pharmaceutical Co., Ltd., the first Sino-US pharmaceutical joint-ventured company in Sichuan. He earned Bachelor's degree and Master's degree in Pharmacy from China Pharmaceutical University and Sichuan University West China Center of Medical Sciences.

**Mr. Stewart Shiang Lor, Board Director** - Mr. Lor has over 20 years of working experience in diverse disciplines including corporate management, manufacturing and operations, corporate finance and investment, and sales and marketing. Mr. Lor co-founded Lorons International Corporation, PowerBridge Technology Co., Ltd. and Cmark Capital Co., Ltd. and served various senior management positions at several U.S. and China based companies. Mr. Lor graduated from State University of New York at Stony Brook and studied Management at Baruch College in New York.

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