



DK SINOPHARMA, INC.

Investor Presentation

SYMBOL: DKSP

Presenter: CEO, President and Chairman---Prof. Dongke Zhao

September 2010





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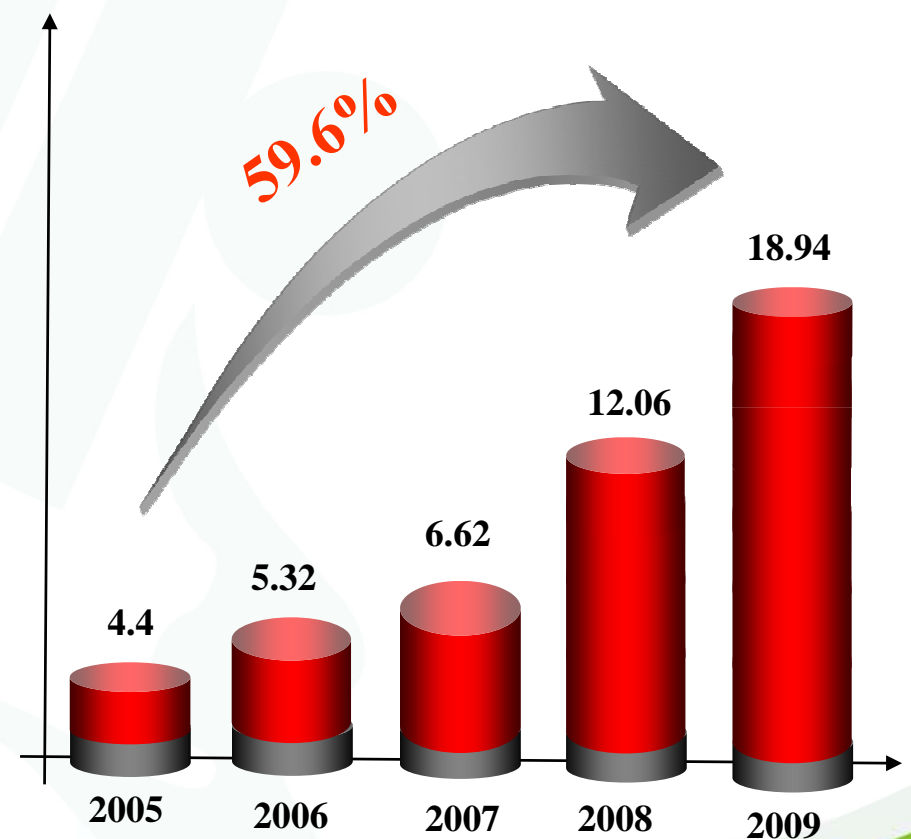
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Company Profile: DK Sinopharma, Inc.

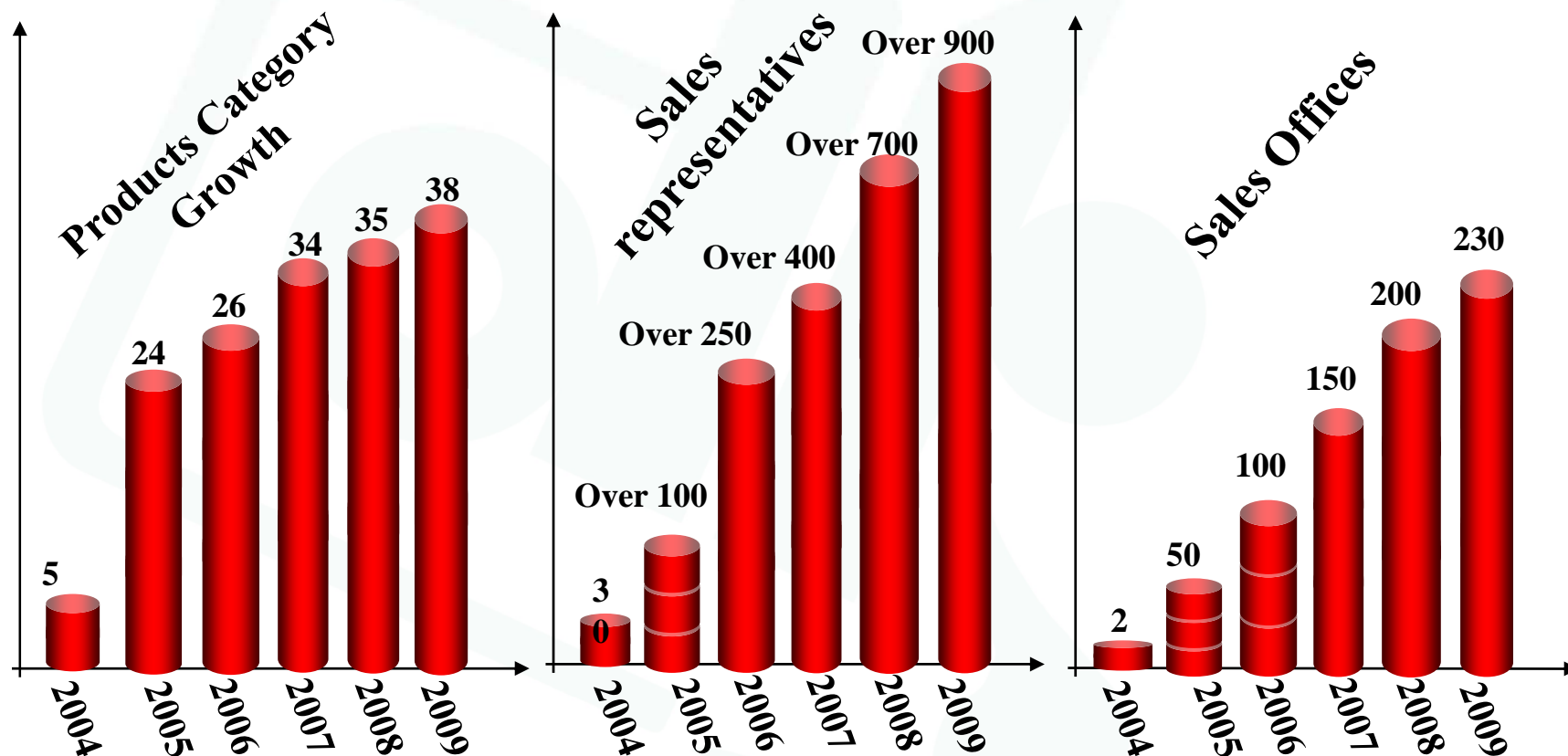
- A leader in Chinese pharmaceutical industry engaged in R&D, manufacturing, packaging, marketing and distribution of herbal medical products in PRC.
- 38 pharmaceutical products are for a variety of diseases relating to respiratory system, digestive system, cardio-cerebral vascular system, antineoplastic, bone diseases, anti-rheumatic, gynecological and others.
- Over 4300 acres Raw Material Production Base with an investment of 1.5million dollars is founded for Chinese herbal eco-planting of international standard.
- Innovation and strong R&D capability

5 Year Revenue Growth



Unit: million US dollars

Company Growth



Now the number of employees has grown to more than 1200 and total assets has increased to about \$ 30 million by June 30, 2010

Products Profile

- Products are made from high concentration, pollution-free, chemical free, heavy metal-free raw material
- Products are in form of plasters, capsules, tablets, granules, powers and ointment
- 12 exclusive patented products, of which the sales revenue account for over 77% of total revenue
- 13 products are listed in National Medical Insurance Program, which qualifies them for Government reimbursement



12 patented products

Investment Highlights

➤ **Growth Opportunity**

1. Economic environment: strong per capital GDP growth; govt. backed healthcare reimbursement sys.
2. Demographics: aging of country's 1.3 billion population

➤ **Broad Product Offering**

1. Wide portfolio of products: 38 pharmaceutical products to cure commonly occurring diseases
2. Product inimitability: 12 patented products and 13 listed on the National Medical Insurance program

➤ **Vertically integrated business model**

1. Sales network: 900+ sales representative with business extended throughout China, with penetration into 2,200 hospitals; relationships with leading advertising firms to build brand image
2. Vertically integrated: research, development, manufacture, packaging, marketing and distribution



Investment Highlights (continued)

➤ **Strong Financial Performance and Cash Flow Generation**

1. 57% y-o-y growth in Revenue, \$18.9mm in FY '09 compared to \$12mm in FY '08
2. 98% y-o-y growth in Net Income, \$4.8mm in FY '09 compared to \$2.4mm in FY '08
3. Net cash from operating activities of \$2.4mm in FY '09
4. LTM 6/30/2010 Revenue and Net Income of \$22.4mm and \$5.3mm respectively
5. Flagship products: sales growth of more than 40% in the past five years

➤ **Experienced Management Team**

1. Award winning member: Founder was awarded 56 local, national and international academic awards.
2. Background: Members have extensive industry experience and field specific advanced degrees.



Raw Materials Production Base

A Raw Material Production
Base of 4300 acres for
Chinese Herbal eco-
planting of international
standard

Provide high concentration,
pollution-free, chemical-
free and heavy metal-free
raw materials to
manufacture products



种植户正在做田间管理



Production and QC

➤ Production Capacity

1. Advanced extraction and concentration unit.
2. World advanced thin-film coating materials
3. Over 150,000 square feet manufacturing facilities area
4. Production capacity is 500 million tablets, 1 billion capsules, 350 million bags of granules and 200 million rubber ointments.



➤ Efficient Quality Control

1. World-class quality control and measurement equipment.
2. Two QC&QA lines to monitor the products quality
3. 42 provincial and national awards over past five years due to the reliable product quality



Research & Development

➤ Strong R&D team

1. A team of 39 staff led by CEO Professor Dongke Zhao and cooperate with leading medical institutions and universities.

➤ Upcoming new products

1. Weigh Loss and Fat Reducing Granules (estimated by end of 2011)
2. Tendon-soothing and Blood Circulation Promoting Powder (estimated by year of 2013)
3. Hepatitis B Curing Capsule (estimated next three to five years)



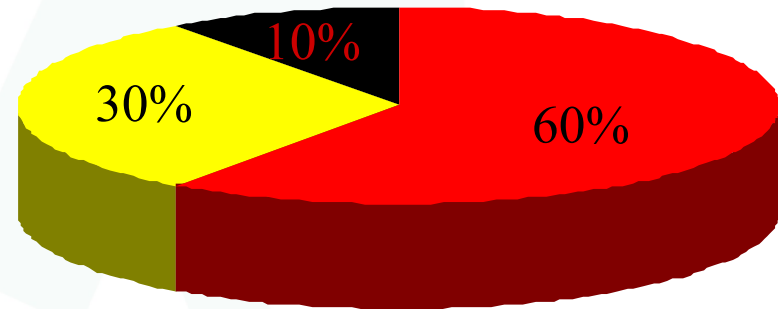
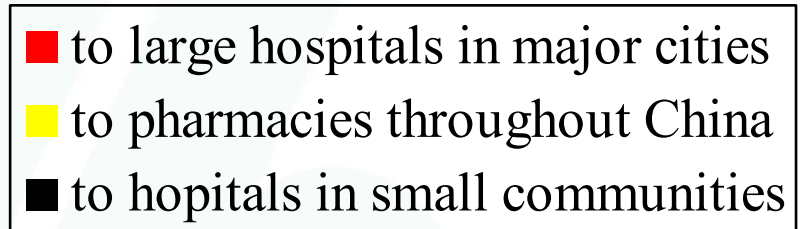


Marketing & Sales Strength

- **Three-pronged distribution sales channels covering most of hospitals and pharmacies nationwide**
 1. For OTC drugs, medium to large-sized third party distributors to achieve national market demand.
 2. For branded proprietary products, our agents and representatives sell directly to hospitals and retail pharmacies nationwide.
 3. For prescription drugs, our agents and representatives make directly to hospitals nationwide.
- **A driven marketing team of 900 sales representatives with a decade of pharmaceutical sales experiences, sales network covers over 300 cities across the country**

Marketing Performance

- Five sales departments established according to different regions and products to analyze the market for our advantages, the need of the market, which makes our marketing efforts more targeted
- Established partnership with leading advertising firms to create strong brand identity
- Expand nationwide distribution network, add more hospitals and pharmacies into customer base.



Percentage in total revenue



Growth Strategy

- Continuously expand the number of new products
- Continuously expand current nationwide distribution network
- Actively pursue strategic acquisition targets to expand both its production capacity, product offerings and nationwide distribution network
- Establish relationship with leading advertising company to create brand identity



Past Financial Performance

Selected Income Statement Items

\$mm FYE 12/31

	2008	2009	LTM 06/30/10	Six months ended	
				06/30/09	06/30/10
Revenues	\$12.1	\$18.9	\$22.4	\$9.2	\$12.7
<i>y-o-y growth</i>	--	57.1%		--	38.0%
EBITDA	3.2	6.0	6.1	3.3	3.4
<i>y-o-y growth</i>	--	84.6%		--	3.0%
<i>EBITDA Margin</i>	26.9%	31.6%	27.1%	35.9%	26.8%
EBIT	2.2	4.8	5.0	2.7	2.9
<i>Margin</i>	18.0%	25.3%	22.2%	29.3%	22.8%
Net Income	\$2.4	\$4.8	\$5.3	\$2.5	\$3.0
<i>Margin</i>	20.2%	25.5%	23.7%	27.2%	23.6%
Diluted EPS	\$0.09	\$0.18	\$0.20	\$0.08	\$0.10

DK SINOPHARMA INC



Past Financial Performance

Selected Balance Sheet Items

\$mm FYE 12/31

	2008	2009	30-Jun 2010
Cash	0.5	1.1	3.4
Accounts Receivable	4.3	3.5	3.5
Inventory	4.4	10.5	10.6
Total Assets	21.8	28.5	29.7
Total Liabilities	9.3	11.7	9.0
Total Debt	4.1	4.1	4.1
Total Equity	12.4	16.8	19.9
Total Capital	16.5	21.0	24.0

Leverage Ratios

Total Debt/ Total Capital	24.7%	19.6%	17.1%
Total Debt/ EBITDA	1.26x	0.69x	0.67x



Experienced Management

Name	Title	Experiences
Dongke Zhao	Founder, Chairman & CEO	<ul style="list-style-type: none">◆ Founded DKSP with his own intellectual properties, products and capital◆ Pharmacologist with 15 years teaching and research experiences◆ Over 17 years business management experiences◆ Visiting Professor at Xi'an Jiaotong University◆ Vice President of Shaanxi Medical Association◆ Provincial Representative of the People's Congress◆ VP of the Shaanxi Provincial September Third Society
Yanhong Ren	Director & Chief Financial Office	<ul style="list-style-type: none">◆ Bachelor Degree in Accounting from Shaanxi Finance and Economics University & Master Degree of Business Administration from Northwest University◆ With Senior Accounting professional designation◆ Former Audit Manager at Shaanxi Medical Technology Development

Experienced Management

Name	Title	Experiences
Gengchang Wang (Mr.)	Independent Director Audit Manager	<ul style="list-style-type: none"> ◆ Former Audit Manager of Xi'an Jingwei Accounting Firm ◆ Former Chief Accountant at Shaanxi Jiuzhou Pharmaceutical ◆ Bachelor Degree in Accounting from Shaanxi Institute of Finance ◆ With National Certified Accountant professional designation
Jinhuan Chang (Ms.)	Independent Director A member of Audit Committees	<ul style="list-style-type: none"> ◆ Former Chief Financial Officer of Xi'an Biotechnology ◆ Bachelors Degree of Financial Management from the Chinese PLA College ◆ Former Financial Manager at Shaanxi Shuangyu Construction Company

Experienced Management

Name	Title	Experiences
Michael Segal (Mr.)	Independent Director Member of Audit Committees	<ul style="list-style-type: none"> ◆ Bachelor Degree of Business Administration from University of Miami ◆ Currently employed at B&B Securities ◆ Formal Principal of Whitaker Securities & President of Alexander Westscott ◆ Currently sits on BOD of publicly listed China Agri Business, Pharmaceuticals and Power Equipment
Xiulan Luo (Ms.)	Executive Vice President & Chief Operating Officer	<ul style="list-style-type: none"> ◆ Former Sales Director of the company ◆ Former Vice President of Xianyang Electromachanical ◆ Bachelor Degree in Economics and Management ◆ Master Degree of Business Administration from Beijing Five-Star Management School

Experienced Management

Name	Title	Experiences
Junfeng Wen (Mr.)	Vice President of Sales & Marketing	<ul style="list-style-type: none">◆ Former Region Director of Xi'an Guanghua Pharmaceutical◆ Former Sales Manager of Buchang Pharmaceutical◆ Bachelor Degree of Medicine from Shaanxi Traditional Chinese Medicine College◆ Master Degree in Business Administration in Pharmaceutical Marketing from Xi'an Jiaotong University



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