**CHINA'S LIFE SCIENCE INDUSTRY 02-03/12**

Dear Friends and Colleagues,

In the past years the Chinese life science industry has become more and more active. Accordingly, foreign pharmaceutical companies have recently attempted to the Chinese arena as local players in order to enjoy the advantages in R&D and local fundraising opportunities. One example is US-based EntraMed's, which announced its establishment of a China office in March after having raised $10 million from investors with Chinese roots. The company aims to facilitate its drug development and clinical trials in China.

We expect examples as such to grow in number, as China continues to present foreigners with private as well as public investment opportunities, cost-effective development alternatives as well as an increasing awareness and enforcement of IP rights.

We wish you all a happy Passover/Easter and enjoyable Labor Day vacation!

Yours Sincerely,

Eyal Harel

Co-CEO

***POLICY***

***China Plans to Expand List of Essential Drugs***

China plans to expand its list of essential drugs to 800, up from 307 in the initial group, which was released in 2009. There may be 500 western drugs and up to 300 TCM products in the final listing, according to China's Minister of Health Zhu Chen, who was speaking to reporters at a World Health Organization briefing on February 14, 2012. Although the 2009 list was made up of basic products, mainly generics, Chen said the revised list may include patent-protected drugs for specialized diseases such as cancer.

***INDUSTRY***

***Sihuan Pharma Files IND for New Anti-Hypertensive Drug***

Sihuan Pharmaceutical announced on March 12, 2012 that its application to begin clinical trials of a new treatment for hypertension was accepted by the SFDA. The company is developing Tylerdipine Hydrochloride, a calcium channel blocker, in its own facilities. Results from pre-clinical studies have shown that Tylerdipine Hydrochloride is a superior agent in blocking L-type and T-type calcium channels. The Company believes Tylerdipine Hydrochloride can effectively curb hypertension in clinical practice while offering protection to important organs such as the heart and kidneys.

***Cumberland Pharma Out-licenses Products to Harbin Gloria***

US-based Cumberland Pharma announced on February 29, 2012 that it has out-licensed the China rights for two of its drugs to Chinese Harbin Gloria Pharma. The two drugs are Acetadote, an injectable drug used to treat acetaminophen overdose, and Caldolor, an injectible form of ibuprofen used to treat pain and fever in hospitals. The agreement will provide Harbin Gloria exclusive rights to register and commercialize both drugs in China.

Under the terms of the agreement, Harbin Gloria is responsible for seeking regulatory approval for the two injectable products in China and would handle ongoing regulatory reporting, product marketing, distribution and sales in the country following approval. Cumberland maintains responsibility for the intellectual property, product formulation, development and other supporting activities. In exchange for the license for the product, Cumberland will receive upfront and milestone licensing payments, as well as royalties for future sales of both drugs.

***Hutchison MediPharma Starts Phase I Trial of Fourth Cancer Molecule***

The drug discovery company Hutchison MediPharma announced on February 22, 2012 that it has begun a first-in-human Phase I clinical trial of a cancer drug, volitinib (HMPL-504), in Australia. The Phase I clinical trial will serve for the purpose of evaluating the safety, tolerance and initial efficacy to treat various cancers including lung cancer and gastric cancer.

Volitinib, the fourth cancer drug that the company has brought to clinical trials, is a novel inhibitor of the c-Met receptor tyrosine kinase. In December 2011, Hutchison MediPharma entered a co-licensing agreement for the molecule with AstraZeneca in a $140 million deal. AstraZeneca assumed responsibility for developing Volitinib outside of China.

***Apexigen to Co-Develop mAB with GDBP***

March 6, 2012. Apexigen and Gansu Duyiwei Biological Pharmaceutical (GDBP) announced that they have entered into a collaboration to grant an exclusive license to GDBP to develop and commercialize

APX004 in China. APX004 is a humanized monoclonal antibody directed against VEGFR2 for the treatment of certain cancers and angiogenic diseases. Under this agreement, GDBP will have an exclusive license and sole responsibility to research, develop and commercialize APX004 in China. Apexigen retains all rights to APX004 outside of China and will collaborate with GDBP to advance the development program. Under the terms of the agreement, Apexigen will receive an upfront payment, milestone payments on the successful achievement of regulatory milestones, and a royalty.

***Lee's Pharma to Potentially Develop Three Peptide Drugs in China***

March 27, 2012. RegeneRx Biopharmaceuticals has signed a term sheet with Lee's Pharmaceutical for the license of three Phase II thymosin beta 4-based products in China, Hong Kong, and Macau. The agreement covers peptide therapeutics RGN-259, RGN-352, and RGN-137, which are being developed for eye, cardiovascular, and skin diseases.

Lee's will pay RegeneRx $200,000 upon signing of the term sheet and an additional $200,000 upon signing of the definitive license agreement, which RegeneRx expects to occur within 30–60 days. The deal also includes aggregate milestone payments of up to $3.6 million and royalties. Lee's will pay for all developmental costs associated with each product candidate.