



CHINA'S LIFE SCIENCE INDUSTRY 04-05/12

Dear Friends and Colleagues,

China's Ministry of Health (MOH) announced recently that its 2012 budget will increase by 20% or \$2 billion over last year to \$12.7 billion. According to a statement released by the ministry, the extra money will be mainly used for medical services, education and scientific research. \$270 million, nearly 13% of the increase, will be assigned to research projects, including new drug development and the prevention and control of major infectious diseases such as AIDS and viral hepatitis.

Coinciding with last years' IMS estimation, expecting the Chinese drug market to triple itself and reach \$125 billion by 2015, China is becoming a magnet for foreign healthcare companies seeking local partners for R&D collaborations as well as distribution channels into this strategic market.

Yours Sincerely,

A handwritten signature in black ink that reads 'Eyal Harel'.

Eyal Harel

Co-CEO

INDUSTRY

J&J in Pursuit of China Pharma Acquisitions

Johnson & Johnson is actively pursuing M&A in China as a way of keeping its revenue growth at least equal to the general rise in China's pharmaceutical market – which J&J estimates to be 17%. J&J is especially interested in companies that would add products to its portfolio of mental health drugs and cancer treatments. Unlike some of its big pharma competitors, the company is not

branching out into generic drugs as a way to increase China revenues.

Mindray Acquires Controlling Stake in Optcla Medical Instrument

Mindray Medical, a leading developer, manufacturer and marketer of medical devices worldwide, announced on May 9, 2012 that it is set to acquire a controlling stake of Hangzhou Optcla Medical Instrument, a medical device company specializing in endoscopes and related surgical instruments. In 2010, the market for endoscopes was estimated at

approximately \$240 million in China with a compound annual growth rate close to 15%, three times the rate of the global market.

Enzon and Hisun Announce Strategic Alliance for PEGylation Technology in China

On May 7, 2012, Enzon Pharmaceuticals and Zhejiang Hisun Pharmaceuticals announced a long-term strategic research, development and licensing collaboration. The agreement provides for the research and development of therapeutics using Enzon's customized PEGylation linker technology. The agreement also licenses Hisun the development and commercialization rights for Enzon's PEG-SN38 (EZN-2208), a novel, Phase II PEGylated version of SN38, in the territory of China.

Conba Pharmaceutical Licenses Drug from Evotec for \$95M plus Royalties

May 2, 2012: The Chinese firm Conba Pharmaceutical has obtained exclusive China rights to EVT 401 from Evotec, a German drug discovery and development company. According to the agreement, Evotec will receive a small upfront payment, as well as development and commercial milestone payments with a total deal value exceeding \$95 million (60 million Euros) plus double-digit royalties on net sales. Conba plans to initiate clinical trials with EVT 401 in China for inflammatory diseases in the near future.

Fidelity Targets Healthcare for Half of New \$250 Million China Fund

April 17, 2012: Fidelity Investments has announced a new \$250 million China VC fund, half of which will be devoted to healthcare investments. The company expects its three current China VC funds - which together represent about \$450 million in capital - will be fully invested by the end of 2012. The new fund will be denominated in RMB, giving Fidelity more possibilities for investment targets. Fidelity has been active in China for sixteen years.

Agenix to File for Clinical Trials of Hepatitis Treatment in China

March 30, 2012: Together with its strategic partner in China, the Institute of Medicinal Biotechnology at the Chinese Academy of Medical Sciences, the Melbourne-based company Agenix will submit an SFDA application to begin clinical trials of its lead drug AGX-1009, a treatment for hepatitis B, in China. Subject to approval of the application by the SFDA, the trials would be able to commence in 2013.