CHINA'S LIFE SCIENCE INDUSTRY 06-08/12

Dear Friends and Colleagues,

In the recent BioChina convention, China's Minister of Health, Chen Zhu, disclosed that in line with its long standing strategy, China plans to spend 75 Billion RMB ($11.8 billion) to increase biopharma innovation in its 13th Five-Year Plan (2016-2020). That is almost double the 40 billion RMB ($6.3 billion) it will spend in the current Five-Year Plan for 2011-2015.

These financial incentives boost the Chinese pharmaceutical industry's commercial interest in local as well as imported innovation. Coupled with growing experience and confidence with cross-border technology transactions, we expect the number of such transactions to rise and the willingness to execute them at earlier, riskier project stages to grow.

With the coming Jewish High Holidays, the Chinese Mid-Autumn Festival and China's National Day we would like to wish you all Shanah Tovah and 中秋快乐!

Yours Sincerely,

Eyal Harel

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Co-CEO

POLICY

SFDA Issues New Rules for Drug Excipients

The SFDA has issued a draft for the new regulations governing the purity and safety of excipients, the pharmacologically inactive substances that drug-makers add to stabilize or deliver a drug's active ingredients. The new rules, which go into effect on October 1, 2012, place responsibility for the safety of the excipient on the drug company that uses it. The regulations also require excipient makers to test their products and prove they meet all specifications.

INDUSTRY

Joincare to Invest $157 Million in Antibiotics Manufacturing Facility

August 21, 2012. The Joincare Pharmaceutical Group announced that its board has approved the investment of $157 million to increase the company's production of carbapenem antibiotics. The project will be located in Fuping New Area, Shenzhen.

CDIBP Buys Vaccine Conjugate Technology from FinaBio

August 19, 2012. FinaBio, a research and development stage biotechnology company focused on developing affordable conjugate vaccines, and the Chengdu Institute of Biological Products Co., Ltd (CDIBP) announced their agreement to license Finabio's conjugate vaccine technology for the development and manufacturing of Pneumococcal conjugate vaccines in China. The agreement will accelerate the multi-valent Pneumococcal vaccine development program at CDIBP.

The structure of the license in China includes an upfront payment, payments based on achievement of Chinese regulatory milestones, and royalty payments that are contingent upon successful development and commercialization.

Transgene and Tasly JV Starts Operations with Four Transgene Molecules

July 27, 2012. The Chinese-French joint venture between the companies Tasly and Transgene will initially develop four of Transgene's products in China. The JV will subcontract most of its research and development activities to Tasly and to third parties so as to focus on project management as well as on medical and regulatory development. A first clinical trial is expected to start in 2015.

Tasly and Transgene will respectively invest 5.3 and 2.6 million Euros in a first capital increase for the JV. Transgene will also contribute intellectual property rights so as to balance the equity ownership of the JV at 50:50 with Tasly.

The JV also intends to develop additional products, including non-Transgene products in-licensed for their development and commercialization.

TJAB Forms Drug Development JV with Antisense of Australia

July 18, 2012. Tianjin International Joint Academy of Biotechnology and Medicine (TJAB) has formed a JV with Antisense Technologies of Australia (ANP) to develop a drug discovered by ANP. The drug, ATL1102, is aimed at multiple sclerosis, stem cell mobilization and asthma.

TJAB will be responsible for commercialization of ATL1102 in China and Hong Kong, while ANP will be responsible for its commercialization in the rest of the world.

3SBio Given SFDA Permission for Phase III Trial of Anti-Rejection Drug

Isotechnika Pharma announced on June 28, 2012 that 3SBio Inc., a leading China-based biotechnology company, has received approval from the SFDA to conduct a multi-center Phase III trial of Isotechnika's voclosporin in China.

According to the approved protocol, this will be a Phase III, randomized, multi-center, concentration-controlled and comparison study in kidney transplant patients. Patient enrollment is expected to begin in the fall of 2012.

Xiamen Innovax Biotech to Launch Hepatitis E Vaccine in China

June 20, 2012. Xiamen Innovax Biotech expects to launch Hecolin, its hepatitis E vaccine, in China later this year. It will form partnerships to bring the product to worldwide markets. In January of this year, the SFDA approved the vaccine after it was effective in a large Phase III trial whose results were published in the medical journal The Lancet in 2010. The trial found the drug to be 100 per cent effective in preventing infection.

Innovax is the development arm of the National Institute of Diagnostics and Vaccine Development in Infectious Diseases (NIDVD) at Xiamen University.

China's Ascepion Out-licenses Cancer Drug Candidate to Debiopharm

June 18, 2012. The Swiss-based Debiopharm Group, a global biopharmaceutical conglomerate, and Ascepion Pharmaceuticals, a Chinese privately-held biopharmaceutical company, have entered into an exclusive worldwide license agreement concerning the development and commercialization of ASP-08126, a multikinase inhibitor currently in pre-clinical development. ASP-08126 is a potent orally available small molecule that binds and inhibits several tyrosine kinase oncogenes implicated in many aspects of cancer development including tumor growth, metastasis, and tumor angiogenesis. ASP-08126 is expected to be effective in the treatment of various solid tumors as a mono-therapeutic agent or in combination with other anti-cancer therapies.

Ascletis In-Licenses Alynlam's RNAi Drug for Liver Cancer

Ascletis Pharmaceuticals, a US-China JV that made headlines one year ago when it announced $100 million in initial startup capital, declared on July 12, 2012 that it has in-licensed China rights to its first

drug candidate, an innovative RNAi molecule, ALN-VSP, from Alnylam Pharma, a leading RNAi therapeutics company. ALN-VSP is a first-in-class, systemically delivered RNAi therapeutic drug for the treatment of liver cancers including hepatocellular carcinoma (HCC), a significant area of unmet need in China. This collaboration provides Ascletis with the exclusive rights to develop and commercialize ALN-VSP in China including Hong Kong, Macau, and Taiwan. Alnylam will retain all rights in the rest of the world, and is eligible to receive milestones and royalties based on product sales.