



CHINA'S LIFE SCIENCE INDUSTRY 10/09

Dear Colleagues and friends,

With this edition of XinTech's China Newsletter we are happy to announce the closing and signing of the first cross-border licensing and co-development agreement reached between Israel and China. The XinTech-initiated and led deal was concluded between the Israeli biopharmaceutical firm D-Pharm and China's Wanbang Biopharmaceuticals, a subsidiary of Fosun Pharma, one of the largest pharmaceutical groups in China. The transaction not only signifies a major step in Sino-Israeli business cooperation but is also the first late-stage cross-border co-development agreement concluded in China under US FDA protocol.

For XinTech, this transaction is another important milestone in its short operational history and comes only weeks after completing a strategic distribution transaction between Israeli medical device company Trig Medical and China's GZ Sunray Medical Apparatus, a market leader in the O&G sector.

These transactions, concluded despite the global financial crisis, highlight the truly synergetic nature of collaboration between Chinese life-science industry leaders and Israeli technology startups, successfully pushing their way through clinical development, moving on to global recognition.

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

Eyal Harel

Co-CEO

POLICY

New Patent Rules

On Oct. 1, 2009, the Third Amendment to China's Patent Law took effect, bringing China's patent rules into greater conformity with global standards of patent law. Most importantly, the definition of novelty has been revised, now requiring novelty to be global, rather than only applicable in China. Effectively, this will make it more difficult for domestic companies to file "junk" patents that have interfered with the ability of foreign companies to operate in China.

In addition, the restriction requiring a foreign company to first file a patent in China for a discovery made in China has been eased. Although foreign companies must still file in China, a patent seeker is allowed to file for a "secrecy check" and then register the patent in a foreign country, without jeopardizing exclusive rights in China. Unlike previous iterations of the law, the procedure is straightforward and clearly defined.

Last but not least, the Third Amendment has introduced increased fines against patent infringements, likewise good news

for foreign companies doing business in China.

EDL Base-Prices to be Decentralized to Local Governments

The base-price for bidding in the drug tendering process for drugs on the essential drug list (“EDL”) will be determined by local governments.

This is a change of previous practice according to which wholesale prices for certain drugs in the market were determined by the central government.

Now, the central government has ceased to make specific recommendations on base-prices for bidding due to vast regional differences in drug prices. Local governments will establish appropriate base-prices in order to prevent cutthroat-competition among bidders that may lead to unsustainably low drug prices.

NEWS FROM THE INDUSTRY

First Licensing and Global Co-Development Agreement Closed

A first Sino-Israeli pharmaceutical co-development was announced on November 8 when Israeli biopharmaceutical firm D-Pharm has signed a deal with Wanbang Biopharmaceuticals to jointly develop and distribute its stroke prevention treatment in China. D-Pharm's DP-b99 drug is currently undergoing Phase III clinical trials.

Under the deal Wanbang will finance the trials in China for 450 patients. Wanbang, the largest manufacturer of insulin in China, is a subsidiary of Fosun, one of China's largest Pharmaceutical groups.

In exchange for a license and rights to distribute its drug in China, Wanbang will pay D-Pharm up to \$25.5 million in

milestones. D-Pharm will also receive royalties from sales of the drug in China.

The transaction was initiated and led by XinTech.

Marketing and Distribution Agreement signed for Labor Monitoring Device

Guangzhou based Sunray Medical Apparatus, a market leader in the field of Obstetrics and Gynecology in China, has signed a XinTech-led exclusive agreement to register, market and distribute Israeli Trig Medical's LaborPro® in China, Hong Kong, Macau and Singapore.

The LaborPro® offers a breakthrough non-invasive solution for labor monitoring, assisting, among others, in limiting the number of unnecessary C-Sections and providing obstetrics personnel a first objective tool to assess the progress of the birth process. Considering the one-child policy in China and local parents' child-related anxieties, China is ranking high in the number of unnecessary C-Sections, reaching up to 75% in some hospitals. More than 18 million newborns every year make China an ideal market for obstetrics' related products.

Output Value of China Pharmaceutical Industry to Top USD 150 Billion

According to a recent report released by the Chinese Pharmaceutical Enterprises Association the output value of China's pharmaceutical industry is expected to top RMB 1 trillion (~USD 150 billion) this year, ranking seventh globally.

The industry has had enough momentum to keep its upturn from last year despite the global financial crisis and economic recession. The industry's 2008's output value amounted to RMB 866.6 billion, up

25% from the previous year.

The industry recorded CNY 825.36 billion in sales last year, rising 26.53% from the previous year. Net profits stood at CNY 77.66 billion, up 28.39%. Corporate profits rose by 35%.

The report forecasts China's development from a manufacturing hub of pharmaceutical ingredients into an all-out pharmaceutical powerhouse in the coming decade, as it is moving forward with an industrial structure reform.

The modern logistics will further boost the industry's circulation efficiency and shore up its competitive edge globally. By 2020, China is expected to outpace Japan to become the second largest pharmaceutical market in the world, second only to the US.

Sinopharm Group Raises \$1.13 billion in HK IPO

On September 23, Sinopharm Group Co., China's largest pharmaceutical distributor raised HK\$ 8.73 billion (USD 1.13 billion) in an initial public offering in Hong Kong.

The shares were priced at HK\$16 a share at the top of the range as indicated in the offer's marketing materials, representing a market cap of US\$ 4.5 billion.

First Domestic Liposomal Peg-Doxorubicin Enters Market

Zhangjiang Bio-Pharmaceutical announced that it has introduced its cancer treatment injection, pegylated doxorubicin HCl liposome injection, to the market. It is the first domestic version of the liposome-encapsulated drug to be marketed in China (There are other domestic registrations for doxorubicin, but

not in its liposome-encapsulated form). The liposomal formulation of the drug is marketed in the US as Doxil by Johnson & Johnson/Alza, and as Caelyx by Schering-Plough in China. According to Haibo Wang, general manager of the company, the price of its domestic version is at least one-third lower than that of international versions.

Golden (Gate) opportunity: China Medical City to set up branch in San Francisco

China Medical City ("CMC"), a Jiangsu Province industrial park, recently signed a memorandum of understanding (MOU) with the San Francisco Economic & Workforce Development to establish an office and drug development facilities in San Francisco's Mission Bay area, which is home to the University of California, San Francisco (UCSF) biomedical research campus, UCSF Medical Center and the California Institute for Regenerative Medicine.

Earlier this year, China Medical City signed an agreement with the Hamner Institutes for Health Sciences for a joint biotech project in North Carolina's Research Triangle.