CHINA'S LIFE SCIENCE INDUSTRY 1-2/10

Dear Friends and Colleagues,

China's growing health market is poised to follow China's fantastic economic achievements and to become the 5th biggest in the world by 2015. This development is accompanied by an increasing number of clinical and preclinical development activities in China, resulting from cross-border tech-transfer transactions and outsourcing initiatives of big pharma companies. These activities serve as building bricks for China's life science industry and its ability to transform from a service provider to an actual R&D hub.

In a time of expiring patents, when pharmaceutical companies are scrambling for new technologies, China has made it a matter of strategy to promote local R&D capabilities, primarily through an impressive array of official sources of funding on all levels - designed to support local initiatives. On the state level, Program 863 and the Mega New Drug Program are funneling billions of dollars to promote R&D companies.

On the provincial level, local governments provide different sets of incentives for innovative companies, including cash support, tax holidays and excellent deals for real-estate.

Lastly, China's wide range of life science parks (e.g. Biobay, Zhangjiang, TEDA, etc.) are also providing technical and financial support to assist in the formation and operation of life science ventures.

While this array of activities provides an optimal environment for local innovation, it also allows foreign innovative initiatives to ride on its back, by promoting global development while supporting local capabilities.

I would like to wish you a happy New Year of the Tiger.

Eyal Harel

Eyal Harel
Co-CEO

POLICY

New Drug GMP to Emphasize the Human Factor

The latest version of Good Manufacturing Practice (GMP) requirements for drugs will be released by the State Food and Drug Administration (SFDA) in the first quarter of 2010.

While previous GMP requirements emphasized infrastructure, the updated version is focusing on management and personnel abilities, as well as post-market surveillance of products. It is estimated that manufacturers may have to invest an average RMB 20-30 million to comply with the new GMP requirements.

NEWS FROM THE INDUSTRY

Market Growth Expected for Diagnostics in China

The market in China for diagnostic products is estimated currently at RMB6-8 billion and is expected to grow by 15-20% over the next five years. This leap in market size is due to a new medical reform which is expected to encourage more people to visit medical institutes for health checks.

Blood screening is mentioned as a key project for the MOH at all levels of health agencies in 2010. Taking into consideration the storage volumes at blood centers in about 20 major cities, the market for blood screening is expected to reach RMB 1 billion assuming all centers participate. The government intends to pilot blood screening at selected blood centers in 2010, which will create an RMB 160 million market for the industry.

The market for medical devices is also experiencing a major growth period. The new medical reform will help spur growth in the medical device sector by investing in hospitals, giving them financial incentive to update their medical devices. There are currently some 300,000 medical institutes across China using mostly models of medical devices designed in the 1970s to mid 1980s.

This reform is expected to be carried out starting in the first quarter of 2010.

China Life Science Restarts IPO Season in the US

In the past two months, three Chinese life science companies (China Nuokang Bio-Pharma, Concord Medical and China Cord Blood) have made initial public offerings on US stock exchanges.

While the results were somewhat unsatisfying for the offering companies, these IPOs come to mark the beginning of the end of a “dry season” for IPOs in the life science industry as a whole.

3SBio Closes Two Equity Investment and Licensing Transactions in 4 Days

3SBio Inc. (NASDAQ: SSRX), a leading China-based biotechnology company focused on researching, developing, manufacturing and marketing of biopharmaceutical products announced on February 8, 2010 a collaboration and license agreement with Panacor Bioscience Ltd. to develop and commercialize its Nephoxil® for the treatment of hyperphosphatemia in China. Under the terms of the agreement, Panacor Bioscience will grant 3SBio exclusive commercialization rights to Nephoxil in China against an upfront

equity investment of US$1 million and royalties on future product sales.

This announcement was followed on February 11, 2010 by an additional announcement according to which 3SBio and Ascentage Pharma Group Corporation, Ltd. have formed a strategic alliance to research, develop and commercialize best-in-class targeted cancer therapeutics focusing on programmed cell death, or apoptosis. The alliance will leverage Ascentage Pharma's expertise in structure-based small molecule design, lead optimization and preclinical development with 3SBio's proven drug development and commercialization capabilities in China.

Under the terms of the agreement, 3SBio will make a US$3 million equity investment in Ascentage Pharma. The investment will be used to fund Ascentage Pharma's R&D programs. 3SBio will have the exclusive right to develop and commercialize cancer therapeutics in China that are discovered through Ascentage Pharma programs, while Ascentage Pharma will retain the rights to the rest of the world and receive future milestone and royalty payments from any sales by 3SBio in China.

China Aoxing and QRxPharma Announce a Development Alliance

QRxPharma Limited has announced on February 23, 2010 a strategic alliance with China Aoxing Pharmaceutical Company to collaborate in the development of MoxDuo®IV, an intravenous formulation of QRxPharma's patented morphine and oxycodone Dual-Opioid™ technology for the acute treatment of moderate to severe pain. Under the terms of the agreement, China Aoxing will fund the development of MoxDuo®IV for the China market in exchange for exclusive marketing rights in China. QRxPharma will retain ownership of MoxDuo®IV and may use the clinical work completed by China Aoxing for product registration purposes outside of China.

China Aoxing has also licensed the rights to the China market for MoxDuo®IR, an immediate release capsule presently in pivotal Phase 3 studies in the United States. A binding term sheet has been signed by the parties and the transaction is expected to be closed by the end of March 2010.