



CHINA'S LIFE SCIENCE INDUSTRY 11-12/09

Dear Friends and Colleagues,

In the first decade of the third millennium China has become an ever-growing economic powerhouse. Beginning its ascend 30 years ago with cheap, low-tech capabilities, China is now trying to repeat the Japanese miracle and establish itself as an innovation hub. In the coming decade China is expected to push its advanced research capabilities in the life science industry forward. Amid social pressure from underprivileged segments in society, China is already putting emphasis not only on the development and manufacturing of new drugs and devices but also on making them accessible to its entire population through the introduction of pricing schemes and public health insurance plans. Thus, China is expected to play a significant role not only as a future exporter of technologies, but also as one of the biggest and fastest-growing health-care markets in the world.

I would like to wish you a happy, healthy and rewarding New Year.

Eyal Harel
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Co-CEO

POLICY

MOH, NDRC, MOHRSS Release Drug, Medical Service Pricing Omnibus

The "Opinions on Reforming Drug Pricing and Medical Service Pricing Mechanisms" was jointly released by the Ministry of Health (MOH), the National Development and Reform Commission (NDRC), and the Ministry of Human Resource and Social Security (MOHRSS) on November 23.

The document stipulated the following four main goals for drug and medical service pricing:

1) To improve the drug pricing administration. The government is responsible for the pricing of essential

drugs and basic emergency drugs, as well as medical service prices at nonprofit medical institutions. Prices for other drugs and medical services will be determined by the market.

2) To properly adjust drug prices, lower the prices of expensive drugs, and maintain price levels of clinically necessary inexpensive drugs – this way it is ensured that manufacturers continue production of these items.

3) To raise the price of medical services provided by medical personnel (such as diagnosis, treatment, nursing, and surgery) and lower fees for examinations using large medical equipment (such as CT scans and MRIs).

4) To strictly supervise the cost of drugs and their market prices.

The government also listed the four basic principles of the pricing reform: To combine government intervention and market adjustment for the administration of pricing, to focus on essential drug usage and drug innovation, to urge drug manufacturers and medical institutions to improve drug and service quality, and to coordinate the pricing reform with a comprehensive medical reform.

NEWS FROM THE INDUSTRY

MOH, Roche Set Sights on HCV Prevention and Treatment

The Ministry of Health, the Chinese Foundation for Hepatitis Prevention and Control (CFHPC), and the health care giant Roche jointly held a press briefing concerning the hepatitis C virus (HCV) in China.

120,000 new cases of HCV were documented in China in 2008, a six-fold increase since 2003. According to HCV expert Hui Zhuang, HCV infections are now the fifth most common cause of death in China. At present, there are approximately 38 million HCV carriers in China, or 3% of the population.

Public awareness of HCV is estimated to be as low as 1%, and less than 5% of the population has been tested for HCV. Physicians not specializing in infectious diseases were also found to have a low awareness of the disease: Only 38% order an HCV test as part of regular blood tests, and 85% are not familiar with HCV treatments.

At the press conference, Roche announced that its HCV drugs currently

account for 80% of the market share in China. The company's key HCV product, Pegasys (pegylated interferon alfa-2a), is currently marketed in China.

Pfizer Extends Relationship with Beijing University

Pfizer and Beijing University's Shenzhen Graduate School will collaborate to devise novel technologies for drug development. Pfizer will provide funds to support projects "of mutual interest," and will support the research and drug discovery activities in the center that Beijing University intends to build. The two parties expect the pact to aid the long-term development of biopharma in China.

PPD Continues China Acquisitions, Takes Over BioDuro

On November 30, Pharmaceutical Product Development (PPD) (NASDAQ: PPDI) announced its acquisition of BioDuro LLC for approx. USD 77 million.

Both PPD and BioDuro are US-based drug development contract research organizations (CRO) with branches in Beijing, where BioDuro operates a 110,000 square-foot laboratory. PPD has indicated that its acquisition of BioDuro will allow it to expand its capabilities and increase its workforce to nearly 1,000 people in China.

PPD recently announced plans to acquire 100% of Excel PharmaStudies, a China-based CRO that primarily provides phase II to IV clinical trial services.

Pfizer to Build New Clinical R&D Center in Wuhan

Pfizer (China) Research and Development Co. Ltd. will partner with the Wuhan National Bioindustry Base Construction and Management Office to establish a Pfizer research and development center in Wuhan City, Hubei Province.

The company also plans to expand its existing Shanghai R&D center, which will continue to be the main operations center for R&D activities in China. The new Wuhan center will focus on global clinical drug development, including Phase I to IV clinical trials and aims to hire 200 employees within three years.

Pfizer currently has 69 products registered in China - 41 of which are nationally reimbursed drugs and 9 of which are on the grassroots National Essential Drug List.

Novartis Opens Plant and Technical R&D Center

In November, Novartis held the official opening of Suzhou Novartis Pharma Technology Co., the company's new \$250 million center devoted to technical R&D as well as manufacturing of APIs and intermediates. Novartis says the facility is a "complement" to its existing global network of technical R&D and production sites. Novartis chose the Changsu site because of government support and a good talent pool.

Lilly Hopes China Business Continues to Flourish with New Corporate Initiatives

Eli Lilly's China revenue in 2008 was an estimated USD 200 million - but 2009 revenues are expected to see a growth of up to 20%. The company has been

increasing its presence in China and is currently building an insulin manufacturing plant in Suzhou, its second facility in the area.

According to a company press release, Lilly plans to undertake three initiatives to boost its business in China, including accelerating product launches, adding non-Lilly products through acquisitions or co-marketing deals, and establishing local alliances.