



## CHINA'S LIFE SCIENCE INDUSTRY 9-10/10

Dear Friends and Colleagues,

According to IMS Health's latest report of development in the pharmaceutical market, 2011 will see a global rise of 5%-7% to \$880 billion. It is estimated that within this figure, emerging markets will contribute half of the growth, while China would become the third biggest market in the world with over \$50 billion sales and 25%-27% growth. In addition, it is expected that China's total expenditure on pharmaceuticals would reach \$100 billion by 2015, achieving a global market share of 10%.

In line with China's growing impact both as a clinical-development hub and as a target market, we are now proud to report the successful closing of a clinical development agreement between D-Pharm, Wangbang Pharma and Hangzhou Tigermed Consulting, a leading China-based CRO. The agreement marks the beginning of a Phase III trial under FDA protocol for D-Pharm's b-99 in China, which will be sponsored by Wanbang. The transaction between D-Pharm and Wanbang, which was initiated and supported by XinTech, is not only the first tech-transfer transaction between an Israeli technology startup and a Chinese pharmaceutical company, but also the first late-stage co-development deal ever signed in China that includes a clinical trial in accordance with FDA requirements. The co-development agreement between D-Pharm and Wanbang encompasses up to \$25.5 million in milestone payments plus royalties. In addition, compared to executing the trials in the West, this deal provides a cost reduction of ~\$40 million and a shortcut of time-to-market of up to 2 years.

We would like to congratulate both D-Pharm and Wanbang for making the first step in the long march to success.

*Eyal Harel*  
Eyal Harel  
Co-CEO

## **POLICY**

### ***MOH May Allow Wholly Foreign Owned Hospitals to Operate in China***

Recent reports indicate that China may relax its current regulations which allow foreigners to participate in local medical centers with a holdings limit of 70%.

According to these reports, the Ministry of Health (MOH) is promulgating regulations that will allow wholly foreign owned companies to set up and run medical centers in China catering for the high-end market.

This act of opening the health service market to outsiders may come in conjunction with China's ambitious plan to invest some RMB 85 billion (\$12.5 billion) into the health system until 2012.

## **NEWS FROM THE INDUSTRY**

### ***Livzon Pharma to Invest \$300 Million in New Bio Facilities***

On October 18, 2010, the Livzon Pharmaceutical Group Inc. signed a framework agreement with the Zhuhai Municipal Government to invest RMB 2 billion in new biological facilities in the city over the next five to eight years.

Of the total sum, the company intends to invest some RMB 115 million in a biological agency facility in a park, which is expected to become operational in 2012.

### ***ShangPharma Listed on NYSE***

China-based ShangPharma, one of China's largest contract research organizations, made its debut on the New York Stock Exchange on October 19, 2010.

Based on an initial public offering at \$15 per share, the company managed to raise

\$87 million from which it is expected to receive net proceeds of about \$45 million.

### ***Pfizer Opens R&D Center in Wuhan***

Pfizer announced on October 10, 2010 that its new R&D center in Wuhan is now operational. As a branch of its Shanghai R&D and Operation Center, the Wuhan Center will provide support to Phase I to Phase IV clinical studies of drug candidates from around the world. Currently, the Wuhan center has 40 employees, a number that will grow to 200 by 2012.

### ***Burrill and Infinity Set Up JV to Invest in China Healthcare***

On October 12, 2010, Burrill & Company and the Infinity Group announced the establishment of a joint venture to pursue investment opportunities in Chinese life science companies. Burrill, a San Francisco VC/PE firm, will set up an office in Hong Kong. Infinity, a JV collaboration between the Israeli conglomerate IDB and China Development Bank, already has offices in China and Hong Kong. The size of the fund was not disclosed.

### ***Tasly Pharma and ProteoTech Join Hands on Alzheimer's Drug***

On October 5, 2010, Tasly Pharma, a Tianjin based pharmaceutical company, in-licensed the China rights to a clinical stage drug from ProteoTech, Inc., a private US drug-development company. The two companies will co-develop Exebryl-1, a small molecule for the treatment of mild-to-moderate Alzheimer's disease, working for approval on both the US and China regulatory paths. No details of terms

were disclosed – but according to the consulting company that accompanied the deal, the agreement includes upfront payment, development costs and research funding. Tasly will hold the China rights, while rights for the rest of the world remain with ProeoTech.

To date, Exebryl-1 has been cleared for Phase I human clinical trials under FDA regulations.

#### ***WuXi PharmaTech Awarded GLP for Suzhou Facility***

WuXi PharmaTech, a leading CRO in China, announced on September 20, 2010 that its new Suzhou toxicology facility was awarded a certificate of Good Laboratory Practice (GLP) compliance by the Organization for Economic Cooperation and Development (OECD).

#### ***SIMM to Collaborate with Oslo Cancer Center***

The Shanghai Institute of Materia Medica (SIMM) of the Chinese Academy of Sciences, a leading pharmaceutical research institute in China, has signed (September 16, 2010) a Memorandum of Understanding with the Oslo Cancer Cluster (OCC). The two parties will work together to accelerate the development of new cancer therapies. The terms of the MOU include setting up a research platform in Shanghai for the cooperation and discovery and development to be conducted with consideration to safety and regulatory requirements in both China and Europe.

#### ***Bayer Builds China Diabetes Portfolio with SciLin Launch***

On September 3, 2010, Bayer Schering Pharma launched SciLin, the recombinant insulin whose China-marketing rights it bought from Polish Bioton in 2009. Bayer had paid \$43.5 million for 15 years of SciLin's China rights. At the time of the agreement, Bayer forecasted that SciLin should generate between \$1.5-2 billion of revenues in China during the term of the agreement.

#### ***Canon Healthcare is Seeking New Opportunities in Rural China***

At a medical device fair in Shenyang, Canon Healthcare indicated that it would increase its sales in rural China. The company plans to further reduce medical equipment prices to make it more affordable and also intends to launch more products in the Chinese market soon.

The Chinese government had announced earlier in 2009 that it would invest 850 billion Yuan (~\$124 billion) over the next three years to revamp the Chinese medical system. Nearly one-third of the amount would be used to build new hospitals and upgrade existing facilities. It is estimated that more than 20,000 general hospitals around China are in need of medical equipment replacement, while additional 300,000 hospitals and clinics in rural China lack even most basic medical equipment.