



CHINA'S LIFE SCIENCE INDUSTRY 1-3/11

Dear Friends and Colleagues,

The Chinese hunger for new technologies manifests itself in the growing number of technology transfer transactions taking place between Chinese and foreign companies. On a more local basis, Israeli biotech start-up D-Pharm announced earlier in February its negotiations with the Chinese pharmaceutical company Nhwa for the licensing and co-development of D-Pharm's DP-VPA. These discussions, initiated and assisted by XinTech, revolve around D-Pharm's interest to push ahead its second pipeline-product and Nhwa's consideration to conduct its trials in China under FDA protocol.

We wish D-Pharm and Nhwa success in their negotiations.

We would also like to take the opportunity to wish you all a happy Passover/ Easter holiday.

Eyal Harel
Eyal Harel
Co-CEO

POLICY

Chinese Government Plans to Invest \$761 Million in API Manufacturing

The Chinese government is drawing up a plan to invest RMB 5 billion (\$761 million) in API manufacturers, with the goal of raising the country's export value of API products by \$4 billion. The plan remains unofficial at the moment, though the *Shanghai Securities News* reports it will be released in the first half of 2011.

China Encourages Foreign Investment in Medical JVs

In order to advance its healthcare reforms, China has announced it will

encourage private entities to invest in hospitals and clinics. The approval procedure has been simplified by authorizing the provincial governments to approve such investments instead of the central government. Analysts said hospital JVs will serve as important supplements to the local population, although they will serve mainly high-end clients in the near future.

GMP Standards to be Upgraded

The Chinese Ministry of Health has indicated that the new GMP standards will finally be released, after more than a year's delay. The State Food and Drug

Administration (SFDA) has indicated that at least 500 small and medium enterprises are expected to shut down while many may need to invest around RMB 200-300 million in upgrading facilities/equipment in order to keep up with newly set standards. The new standards are also expected to rekindle issues of drug pricing vs. quality that have been smoldering in recent months.

INDUSTRY

Novartis Completes Takeover of Zhejiang Tianyuan

On March 22, 2011, Novartis announced its completion of the transaction to acquire an 85 percent stake in the Chinese vaccines company Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd. This acquisition provides Novartis with an expanded presence in the Chinese vaccines market and is expected to facilitate the introduction of additional Novartis vaccines into China.

China is the world's third largest market for vaccines, with annual industry sales of more than USD 1 billion and expectations for sustained double-digit growth in the future, given the government's commitment to improve access to quality healthcare.

Shanghai Pharma to Buy a Stake in German Drug Distributor Celesio

According to the German newspaper 'Handelsblatt', Celesio AG's biggest share holder Franz Haniel & Cie. GmbH is negotiating the sale of its shares in Celesio to Shanghai Pharma. It is reported that the two parties might merge some of

their businesses. Celesio is the biggest drug distribution company in Europe with more than 1,900 pharmacies mainly in Germany, France and the UK.

Chiva Licenses Rights for Liver Drugs from Ligand China

Chiva Pharmaceuticals has in-licensed China rights for two clinical-stage liver drugs from Ligand Pharmaceuticals. Chiva will also receive non-exclusive rights to Ligand's HepDirect technology to discover and develop new molecules for hepatitis B, hepatitis C and hepatocellular carcinoma. Ligand is entitled to receive an upfront payment of \$1 million for the license, additional milestone payments and royalties. Chiva, which is headquartered in California, is an affiliate of Hainan Kaihua Pharma, a leading company focusing on new drug development in China.

Chindex-Fosun Medical Device JV Finalized

A joint venture between Fosun and Chindex is underway. Fosun will own 51% of the new entity, while increasing its ownership in Chindex to 25%. Chindex will focus on marketing, distribution, sales and service of medical devices in China, including in Hong Kong. Chindex will also conduct R&D and manufacturing of medical devices aiming for local and global markets.

China Begins Clinical Trial of Domestic Cervical Cancer Vaccine

The Vaccine Research Center of Xiamen University and Xiamen Innovax Biotech Company announced commencement of clinical trials for a vaccine against human papillomavirus (HPV) types 16/18 - thought to cause up to 70% of all cervical cancers.

There is currently no vaccine available in China for cervical cancer. US-based Merck and GSK are currently the world's only manufacturers of such vaccination. Both companies have HPV trials underway in China.

Merck Acquires Beijing Cell-Culture Media Company

Merck KGaA acquired Beijing Skywing Technology, a supplier of cell-culture media products, related technical services, and bioreactors for RMB 120 million (approx. USD 18 million). Merck KGaA management indicated that Skywing will synergize well with the Merck Millipore Process Solutions division.

Pfizer's Antibacterial R&D Center to Move from the US to China

On March 16, 2011, pharmaceutical giant Pfizer announced that it will close down its R&D facility in Connecticut and move its antibacterial research operations to Shanghai.

The move to China bears great advantages for Pfizer, including reduced operational costs as well as proximity to a qualified, cheap talent pool.

QIAGEN's Next Generation Hepatitis C Real-time PCR Test Receives SFDA Approval

QIAGEN announced on March 18, 2011 that the company's second generation hepatitis C (HCV) real-time (RT) polymerase chain reaction (PCR) test, the *careHCV* RT-PCR Kit V2, has obtained approval from the State Food and Drug Administration (SFDA) for HCV detection and viral load analysis.

According to the company, the *careHCV* RT-PCR Kit V2 offers many advantages over existing testing and monitoring technologies: It includes an internal control for result validation, it can detect all key HCV subtypes and it is the first locally-manufactured PCR test in the domestic market that can be used in conjunction with automated sample technology solutions, such as QIAGEN's QIAcube.

According to the World Health Organization (WHO), over 200 million people around the world are infected with hepatitis C - developing countries share the majority of the disease burden. More than 80% of HCV infections become chronic, as symptoms are often mild in the early stages of infection, leading to liver disease and eventually liver failure. A sensitive PCR-based test can detect the amount of HCV viral RNA more accurately than traditional methods, guiding therapeutic response and improving patient outlook.

***BMS and WuXi PharmaTech Announce
Collaboration for a New Analytical and
Stability Testing Facility***

Bristol-Myers Squibb and WuXi PharmaTech announced on March 7, 2011 that they have entered a strategic partnership to conduct stability studies of new small-molecule chemical entities to support global marketing applications.

Under the agreement, WuXi will build, equip and operate a dedicated, fully cGMP-compliant 25,000-square-foot analytical testing facility in Shanghai to store and test stability samples and to perform other services for Bristol-Myers Squibb. WuXi will also employ a staff dedicated to stability testing, sample management, analytical testing, pharmaceutical science, quality assurance, metrology, and other services, including stability data reporting in support of all global dossier submissions by Bristol-Myers Squibb.