



CHINA'S LIFE SCIENCE INDUSTRY 11-12/10

Dear Friends and Colleagues,

The last couple of months saw a series of acquisitions in the Chinese life sciences industry, as well as an increased interest by multinational pharmaceutical companies to move their development base to China.

This commercial activity enhances China's growing value not only as a health market for distribution but also as a cost-effective location for clinical development of early-stage technologies.

We hope that this trickle of transactions will grow in the coming year and benefit both the local Chinese market and society, as well as the global scientific effort to introduce newer and better solutions for health problems around the globe.

With best wishes of health and prosperity for the New Year of 2011,


Eyal Harel
Co-CEO

POLICY

Capping Pharmaceutical Drugs' Prices

In early December 2010, China's National Development and Reform Commission ("NDRC") released a new list capping the retail prices of pharmaceutical drugs that are included in China's National Reimbursement Drug List ("NRDL"). This list includes 174 products whose retail prices are to be reduced. In addition, the NDRC has excluded 16 products from the "separate pricing status" list. It is estimated that the average price reduction will be 19%.

The companies mostly affected by this latest reform are foreign firms, which manufacture 65% of the drugs on the list.

Attending to the Health Service Gap in Rural China

The Central Government has announced its plan to make health services available to all Chinese, including access to preventative medicine, child-care and chronic-disease management.

NEWS FROM THE INDUSTRY

Shanghai Pharma to Acquire China Health System Ltd

In a mega-transaction for the Chinese pharmaceutical industry, Shanghai Pharmaceutical has announced on November 30, 2010 that it will acquire a

55.5% stake in China Health System Ltd for up to RMB 4 billion (~\$600 million).

These news come only one day after Cardinal Health announced the completion of the \$470 million acquisition of privately held Zuellig Pharma China, a leading health care distribution business in China, known locally as Yong Yu.

Fosun Acquires Anti-Tuberculosis Company

On December 14, 2010 Shanghai Fosun Pharma announced its intention to acquire a 70% stake in Shenyang Hongqi, a leading anti-tuberculosis drug manufacturer in China.

GSK to Acquire Nanjing MeiRui Pharmaceuticals

GlaxoSmithKline (GSK) announced on December 7, 2010 that it has entered into an agreement to acquire Nanjing MeiRui Pharma Co., Ltd (MeiRui) for a cash consideration of approximately \$70 million in a move to further expand GSK's presence in China.

MeiRui is a leading Chinese pharmaceutical business with a strong portfolio of urology and allergy products, including "Prostat" against benign prostatic hyperplasia and "Sheniting" against overactive bladder syndrome. GSK will gain access to this portfolio of products, as well as MeiRui's established sales and marketing platform and a manufacturing facility in Nanjing City, Jiangsu Province.

3SBio in-licensed Pegsiticase Global Rights

3SBio Inc. ("3SBio"), a leading China-based biotechnology company announced on November 29, 2010 that it has acquired worldwide rights of pegsiticase for all indications from EnzymeRx for a total consideration of US\$6.25 million.

Pegsiticase (Uricase-PEG 20) is being developed for the treatment of refractory gout and tumor lysis syndrome. Pegsiticase has received Orphan Drug designation from the FDA for refractory gout, tumor lysis syndrome and Lesch-Nyhan Syndrome.

Sihuan Pharma Acquired Dupromise

Sihuan Pharmaceutical Holdings, a leading pharmaceutical company in the field of cardio-cerebral vascular drugs in China, announced on 25 November 2010 that its wholly-owned subsidiary Sun Moral International has conditionally agreed to purchase the entire equity interests in Dupromise Holdings, at an aggregate consideration of up to RMB 2.4 billion (~\$360 million).

The agreement is in relations to the production and sales of three exclusive products: Aodimei (Cerebroside-Kinin Injection), Yuanzhijiu (Troloxerutin and Cerebroprptein Hydrolysate Injection) and Fufangsanwei B(II) Injection (Compound Trivitamin B(II) for Injection), as well as various additional exclusive formulas, mainly covering cardio-cerebral vascular diseases and other therapeutic areas.

Simcere and BMS Collaboration on Co-development of Early-Stage Oncology Drug

On November 3, 2010, Bristol Myers Squibb and the Simcere Pharmaceutical Group announced an innovative strategic partnership to co-develop BMS-817378, a preclinical small molecule MET/VEGFR-2 inhibitor. This unique arrangement represents a creative approach to accelerate drug development up to clinical proof-of-concept by leveraging the complementary strengths of a premier Chinese pharmaceutical company and an international firm.

Under the terms of the agreement, Simcere receives exclusive rights to develop and commercialize BMS-817378 in China while Bristol-Myers Squibb retains exclusive rights in all other markets. The parties will together determine the strategic development plan, which will initially be performed by Simcere. Financial terms were not disclosed.

Yunnan Walvax Completes IPO

Yunnan Walvax Biotechnology, a biopharmaceutical company focusing on research, development and marketing of vaccines, completed its IPO on November 12, 2010 on the Shenzhen ChiNext Exchange, pricing 25 million shares at 95 RMB each (\$14.32). The offering raised RMB 2.375 billion (\$358 million) and gave the company a market cap of RMB 13.6 billion (\$2 billion).