



ASIA EXPLAINED

TO ANALYZE, TO DEBATE ,TO UNDERSTAND

AE MicroMacro – China

Łukasz Sarek

September 12, 2019

Chinese Yifan to buy major stake in Bioton

What happened? On 3 September Yifan Pharmaceutical Co., Ltd announced its intent to indirectly [acquire 31,7% shares in the Polish recombinant human insulin maker Bioton S.A.](#) Shares to be purchased from Bioton's current two largest shareholders: Perfect Trend and Dongren Singapore. Transaction value is set at 716 mln rmb (99,7 mln usd). [Bioton released the statement](#) confirming the planned transaction and revealed, that Dongren and Yifan have been negotiating the deal since the end of April. The conditions of the extension of the Dongren's loan to Bioton will be renegotiated. Transaction is subject to approvals from the relevant Chinese authorities.

Companies involved. Shares' sellers are investment companies. Dongren Singapore Pte. Ltd. is owned by Dongren Ningbo and ultimately owned by the Chinese citizen Cui Wenjun. Perfect Trend Ventures Ltd registered in British Virgin Islands is owned by Samoan Kelipond Investment Limited and ultimately owned by the Canadian citizen of the Chinese origin Wang Jiawei. Bioton is the pharmaceutical company listed on the Warsaw Stock Exchange and specialized in insulin and hormone based drugs. Yifan is the [Chinese pharmaceutical company specialized in macromolecule biological drugs](#) and [listed on the Shenzhen SE](#). Company's chairman Chen Xianfeng is the largest shareholder. Multiple investment funds, both private and state owned hold minor shares. Dynamic growth of the company in the recent years has been fueled by the [acquisitions of the several Chinese](#) and foreign companies including [Novotek](#) and [SciGen](#). The last one is the [former troubled Bioton's Asian investment](#). [Of 75 mln USD lent to SciGen Bioton](#) recovered only 20 mln USD in cash and almost 30 mln usd were changed for SciLin trademark and sales right.

Why it matters? Yifan seeks growth opportunities both in China and abroad by targeting diabetes drugs as the key segment. In 2018 it acquired the drug developer [Summitbioteck and its three insulin analogues](#). Chinese company needed the facility to have the drugs developed and manufactured. Bioton seemed to be a perfect match. [In July both](#)



ASIA EXPLAINED

TO ANALYZE, TO DEBATE ,TO UNDERSTAND

[companies signed contract manufacturing agreement with option for Bioton to acquire IP rights to drugs](#). Yifan is also a global distributor of Bioton's products. Acquisition of Bioton shares will significantly strengthen Yifan's control over supply chain. [Bioton has recently lost its insuline distributor in China](#) and needs stable orders, funding and access to markets. In January [it took 12 mln EUR loan from Bank of China](#) to refinance maturing debt at ING. Asian markets and Chinese in particular are very important for Polish company and cooperation with Yifan on development and commercialization of analogue insulin would give [access to market several times bigger than for human insuline](#).

Big picture. Yifan is one of the several industry investors seeking recently the manufacturing base and market opportunities in Poland. Others include [Bafang \(electric bicycles\)](#) or [Capchem and Jiangsu Guotai Huarong \(electrolyte for electric batteries\)](#). These investments prove, that Poland can be an attractive destination for the Chinese private owned companies looking for manufacturing location in Europe.

Why it matters for Poland?

Bioton is one of a few Polish pharmaceutical companies, that successfully introduced their products into the Chinese market. However, Polish export of insulin drugs to China dropped dramatically recently from over 8 mln USD in 2017 to 2,5 mln USD in 2018 according to Statistics Poland and this drop is also reflected in the Chinese statistics. Cooperation with Yifan is an opportunity for recovery of Polish insulin exports to China. The flop side however is that Yifan also counts on Bioton's strong distribution network to boost sales in Poland and Europe and in turn there's possibility of imports increase in other groups of medicines.