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ASIA EDITION

Cardinal Health sells off China business to Shanghai Pharma

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The government owned Shanghai Pharma is giving out more than $550 million to buy the China operations of U.S.-based Cardinal Health, a move that will make Shanghai the largest foreign drug distributor in the country.

The $557 million deal, which includes Cardinal China's pharmaceutical and medical products distribution business, will expand Shanghai Pharma's distribution network nationwide.

Cardinal is holding on to its recently acquired patient recovery business, Cordis, and a medical sourcing team.

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Cardinal Health got its start in China in 2010 with its $470 million acquisition of Zuellig Pharma China but has struggled to make headway there.

Though it is one of the Big 3 drug distributors dominating the U.S. market, it has managed to rank only eighth in the China market, a sector that returned $3.85 billion in revenue for Cardinal in the fiscal year ended June 30, 2017.

The deal comes as China's FDA is reforming its drug regulations that aim to loosen up additional restraints on foreign drugs and speed up approvals. The changes will likely see more foreign drugs enter the Chinese market, a situation that will benefit Shanghai Pharma, the soon-to-be No.1 foreign drug importer in China.