Break the cultural Great Wall

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East Meets West

礼
Respect

信
Trust

求同
Homogeneous

关系
Relationship

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China Healthcare Market Overview

• 5% of GDP spent on healthcare

• Government stimulus bill: $125bn on medical reform over next three years (2013)

• 90% of people covered by some form of insurance by 2011

• Pharmaceutical market is expected to continue to grow by 20+ percent pace annually, and contribute 21 percent of overall global growth through 2013

• Become the third largest drug market by 2011 (IMS Health)
Main Drivers of the Market Growth

- Population 1.35bn by 2010
- Urbanization 45% vs. 55% 2010
- Aging population 352m over 68yrs 2010
- More affordable, 300M middle class
- Over 30m with diabetes; 160m with hypertension
- 300k die of liver cancer; 1m people die of lung cancer per year
- Lifestyle:
  - Fat energy supply <30% WHO recommended level
  - Account 1/3 of 1.3bn smokers worldwide
  - Young and middle class Chinese are more westernized in lifestyle
Main Factors Driving Chinese Research

- Government initiative to improve innovation
- More Government funds and favorable policies for R&D
- Fast growing healthcare market demands for better care
- Huge number of returnees in life science sector
- Global economic downturn leads to slow VC investment
- Pharmaceutical companies restructuring increasing outsourcing
- Low operation cost and local talents attract R&D and collaborations
Government Support

• Central Government Level
  – Ministry of Science and Technology (MOST)
  – Ministry of Health (MOH)
• Provincial//Municipal Level
• Life Science Parks (50+)
  – BioBay, Suzhou
  – Shanghai/Beijing
• Institutes/Universities (+200)
  – China Academy of Sciences (CAS)
  – China Academy of Medical Sciences (CAMS)
R&D Investment Increase

The First 3 Years of the 11th Five-Year Plan:

- Annual Growth Rate 21%
- RD/GDP 1.52%
- Ranking 5th in the World

Source: MOST
National Major S&T Projects

- Genetically modified new bio-products
- Innovative potential mega drug development
- Prevention and treatment of major infectious diseases, such as HIV/AIDS and Hepatitis

Source: MOST
National Basic Research Program (973)

- Agriculture
- Energy
- Information
- Resource and Environment
- Population and Health
- Material
- Interdisciplinary subjects
- Frontier Research

http://www.973.gov.cn/English/AreaList.aspx

Source: MOST
National High-tech R&D Program (863)

- Information technology
- Biological and medical technology
- New materials
- Advanced manufacturing technology
- Advanced energy technology
- Resource and environment
- Marine technology
- Modern agriculture technology
- Modern Transportation technology
- Earth observation and Navigation technology

http://www.most.gov.cn/eng/programmes1/200610/t20061009_36225.htm

Source: MOST
Mega New Drug Development Program

First China government program dedicated solely to drug development

- Program led by MOST and MOH
- More than $12B available over 5 years
  - Oncology, CVD, CNS, diabetes, immunology, infectious disease
- Funding distributed now through 2013
  - Almost $800M granted to 121 projects by May 2009
  - Grants range from <$1M to nearly $200M

Source: MOST
Government Biotech Focus during 11th Five-Year Plan

- Genomics/proteomics
- Stem cells and cloning
- Tissue engineering
- New drug discovery
- Bioinformatics
- Bio-chips
- Industrial biotechnology
- Nanotechnology
- Personalized medicine
- Vaccines
TRANS-BORDER “BRIDGE”

West
- Advanced technology and strong innovation culture
- Plenty of leading talents
- Increasing R&D cost, low productivity
- Mature, flat market
- Strong competition

China
- Demand for advanced technology
- Shortage of leading talents
- Low cost talent and facilities
- Fast growing market
- Strong gov’t support
- Increasing VC/PE funding on R&D

“Bridging” Opportunities
- Technology Transfer
- R&D and manufacturing
- Outsourcing / collaboration
- Market commercialization
- Cross-border M&A
- Start ups
- Job market for specialists
CRO in China

• Over 400 CRO companies (大众医药网)
• Market size $260m in 2008, predicated $430m in 2010 (PWC)
• Discovery chemistry:
  – Explosive growth last six years resulted in leading companies: Wuxi Pharmatechs, ShangPharma, Pharmaron, BioDuro, Sundia, etc
  – Climbed up the value chain swiftly, from lower end synthetic chemistry to high-end integrated medicinal chemistry
• Preclinical and biology
  – Early develop stage but poised for major growth
  – Established Western CRO entering JV in China
  – CRL/BioExplorer, MPI/Medicilon, Wuxi, Covance
• Clinical:
  – Most MNC placed global trials to China in spite of serious regulatory hurdles
  – Established Western CRO ramping up/acquiring local CROs.

Source: Bayhelix
Opportunities

Sectors
• Biologics CMO
• New drug development
• Preclinical/Clinical CROs
• Diagnostics
• Vaccine
• Medical devices
• Venture capital

Skills and experiences
• Innovation
• Project management
• Quality assurance
• Process
• Commercialization
• Interdisciplinary skills
Cultural Difference

East vs. West

Intricate vs. Extricate
Dependent vs. Independent
Following vs. Creative
Respect vs. Leadership
Practical vs. Interest driven
Personal relationship vs. Credibility
Strong work ethic vs. Balance between life and work
How to work successfully in China (for SME)

- Develop feasible business model to fit the local market
- Identify right partners
- Integrate into the local culture
- Develop healthy relationship with government
- Effective Communication both internally and externally
- Maximize benefits from government and market in all level
- Be flexible
How to work successfully in China (Scientists)

• Good understanding of local culture
• Well connected through network
• Good communication with local staff
• Be adaptable and patient
• Positive attitude
Chiral Quest
A successful case in BioBay
Chiral Chemical CMO

- Founded by Chinese professor in US
- 370 sqm →, 24000 sqm built-to-lease & buyout option (Oct. 8 2008 - Jun., 2009)
- SIP leading talent: Start-up fund $143,000, housing $143,000
Government Financial Support

- Government generous incentives
  - Start-up funds
  - Leading Pioneer grants
  - High-tech project grants
  - Talent relocation subsidies
  - Favorable rent for R&D sites
  - Loan guarantee
  - Tax credits
  - Follow-up financing
BioBay
A leading life science & nanotech cluster in China
Emerging Bio and Nanotech Cluster
Dushu Lake Science & Innovation Zone
inovation comes home

Thank you!

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Q & A

30 minutes
Upcoming Event:
March 4, 2010. 2-3pm ET

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