Interview: Tang Dajie – Founder and CEO, Triwise Capital, China

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Dr. Tang Dajie, founder and CEO of investment vehicle Triwise Capital, discusses the numerous investment opportunities in Shenzhen's life sciences sector and the city's unique geographical and economic positioning.

Dr. Tang, could you start by introducing your investment company, Triwise Capital, and the reason for its special focus on the life sciences sector?

Being established in 2015, we are still a relatively young company, especially in comparison to many of the multinationals you have interviewed globally. But I believe we have a very unique perspective on the Chinese life sciences market. The Chinese venture capital market is already the second largest in the world, yet funds specifically focusing on the life sciences sector in particular are still relatively rare.

Therefore, why did I choose to focus on the life sciences sector? As an investor, our job is to understand the true market value of our investments. Prior to establishing Triwise Capital, I was the executive vice-president at China's largest VC, Shenzhen Capital Group (□□□□□). When I left, I asked myself, which sectors possess the largest investment opportunities? What is interesting about China is that when you look at our largest tech companies – Huawei, Tencent, and so on – their market value is around USD 500 – 600 billion – essentially comparable to top American tech companies like Facebook, and relatively close to Apple and Amazon. Within the digital space, there is no longer a significant gap between leading Chinese companies and leading American companies.

However, looking at the life sciences arena, the largest Chinese company here is Jiangsu Hengrui, with a market capitalization of around USD 37 billion. This is only 10 percent of Johnson and Johnson's USD 367 billion! There is therefore an obvious huge gap between the Chinese and the US life sciences industries – which means a huge opportunity for investment and returns on that investment. For new investors, it does not make sense to invest in a mature industry. I wanted to invest in a new and rapidly growing industry.

An equally important second consideration stems from the fact that I have worked in investment for decades. While profit and returns are important, I also wanted the opportunity to be able to contribute to society and improve people's quality of life.

How has the company developed in the past few years?

Firstly, we have benefited from a number of external circumstances. Since the 2008 global financial crisis, a number of Western countries, most notably the US, has reduced funding for the sector, including academic and healthcare institutions, which has impacted on R&D. This, coupled with a booming Chinese economy, has brought many academics, scientists and industry leaders, both Chinese and foreign, to China.

More recently, in March 2018, Chinese Premier Li Keqiang announced that the Chinese government will eliminate all tariffs on imported cancer medicines. This is because the domestic Chinese market still has only a limited number of oncology treatment and drugs despite cancer being the number one cause of death in China. We are still largely reliant on imported medicines. This is also why Chinese government – and the Shenzhen government especially – has placed heavy emphasis on innovative drug development within China. As one of the richest municipal governments in the country, the Shenzhen government has thrown its significant financial clout behind the industry.

As a result, our business model is focused on bringing exciting new programs, whether in terms of research teams or individuals with ideas for drug development, into Shenzhen. We assist them in applying to the multitude of government funding programs available – across national, municipal and district levels – and thereafter, establish individual funds to invest in specific programs. The idea is to provide a robust commercialization mechanism to take these ideas through the entire drug development process from basic research to market launch!

In particular, we have focused on the oncology space, and over the past few years, our company and our investments have progressed very rapidly. I will share two of our most successful investment cases, ImmVira and Akesobio later.

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In terms of life sciences or the start-up scene more generally, Shanghai, Beijing or even Hong Kong might be more well-known. What made Shenzhen the ideal location for Triwise?

Prior to Chinese Premier Deng Xiaoping’s economic liberalization programs in 1978, Shenzhen used to be a small fishing village. Today, it is the Chinese city with the fastest development of high-tech industries, though mainly concentrated in high-tech manufacturing and the IT and communications industries. The city’s healthcare and life sciences development has lagged behind. This is why the Shenzhen government has made the strategic decision to invest and foster the growth of so-called ‘new economy’, high-tech industries, including biomedicine, with a spate of new reforms and policies.

A key element of their strategy has been talent attraction and acquisition, in particular, attracting top Chinese academics, scientists and researchers working overseas. There are many incentive programs, with one of the best-known perhaps being the Peacock Plan (□□□□), with a very attractive funding ceiling of CNY 100 million (USD 15.8 million) per team. There are many others including the Mayor Talent Prize (□□□□□) – and these exist at the national, municipal and also district levels, so an excellent program has the potential to be heavily subsidized across all government levels. In addition to funding, the government can also provide the necessary infrastructure and facilities required, such as building State-Key Laboratories (□□□□□□□).

Given all these external and internal factors – and when you consider the SFDA (Chinese FDA) reforms being conducted – I firmly believe that the Chinese healthcare and life sciences industry is poised on the brink of explosive growth. Shenzhen offers the best development opportunities for both companies and investors in this space.

What have been the successes of the Triwise investment model within the healthcare and life sciences space?

We have made a series of investments in the past few years but two in particular have advanced very rapidly.

The first is ImmVira, a company established by a fantastic team that came from the US, led by Professor Bernard Roizman and including a Chinese virologist, Dr. Grace Zhou (□□□), working on developing oncolytic viruses to attack tumors. They have also established the Shenzhen International Institute for Biomedical Research (SIIBR) in Dapeng District to act as an incubator and platform for the development of other projects. They have a very successful product due to enter phase I clinical trials in a few months, and we are in fact looking at a potential IPO on NASDAQ in 2019.

The second is Akesobio, a company established in the city of Zhongshan in Guangdong province by another great team that studied and worked in the UK and the US. We were their very first investor, and they signed a USD 200 million agreement with MSD for the development and commercialization of one of their compounds! What is even more exciting is that, following the announced changes to the Hong Kong Stock Exchange listing regulations to allow pre-revenue biotech companies to IPO, we are now preparing Akesobio for an IPO on HKEX in 2019.

For both companies, IPOs are essential to raise more capital, because their development is rapid, they need more funding for clinical trials, and they already have a long product pipeline. If these two biotech companies successfully IPO without products on the market or revenues, that will be a huge boost to the Chinese biotech sector as well! These two successes have helped define our track record, and we are actually receiving a lot of interest from international parties. So far, it seems that our business model is very suited to the healthcare and life sciences space.

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Given this amazing track record in only a few years, what do you see as the critical success factors of your business model?

I like to call our investment model a “To B” (B for Business) model instead of a “To C” (C for Consumer) model. Unlike many other investment funds, we do not have an army of analysts scouring the domestic or global markets for biotech companies that could be potential investments. What we focus on is finding or establishing the right platforms that will attract promising investments to us. For instance, having invested in Dr. Zhou’s research institute, that now acts as a platform for us to reach potential investments. With Professor Albert Yu from the Hong Kong Biotechnology Association (HKBIO) as well, we have established a Greater Bay Area Biotechnology Alliance, which allows us to reach many Hong Kong biotech companies. We also organize biotech investment conferences and events to extend our network.

Building these networks and connections also helps us when it comes to project assessment and selection. For instance, we collaborate closely with the Guangdong Provincial Hospital Association, who provides insights on medical and healthcare projects. Accomplished academics and scientists like Dr. Zhou help us evaluate the scientific potential and strength of the programs we are interested in.

However, having a strong program does not guarantee its “investability”. The right team is also very important. As an investor, we also provide ‘matchmaking’ services to match the right people to the right teams if necessary, and also other consultancy services, as necessary. For instance, we help all our programs apply for government funding and navigate the Chinese bureaucracy, which can be daunting for foreign teams.

While our company itself is new, we have a wealth of experience. I am an industry veteran, and I am supported by a highly experienced team. I can also leverage on the resources and connections I have built over the course of my career.

To summarize, our model has four critical elements. Firstly, we emphasize professionalism in all that we do. Secondly, we are committed to helping a project’s reach its true investment value (□□□□). We want to say, we saw this company’s true value and we helped the company grow to reach it! Thirdly, we work and grow alongside our investments. Finally, we are committed not only to generating returns on investment but also broader societal value.

Do you have a final message for our readers?

Regardless of whether you are an investor or a company, I hope you will look closely at the opportunities in the Greater Bay Area and Shenzhen in particular, because this will be the place to bring you the greatest results and returns on investments!

What is most encouraging is the supportive policy environment. As another example, there is an area between Shenzhen and Hong Kong under development now called the Lok Ma Chau Loop (□□□□). This used to be an area whose ownership was under dispute by both the Guangdong provincial government and the Hong Kong SAR administration, until the current Governor of Guangdong Ma Xingrui said, instead of fighting, let us collaborate to build a new high-tech industrial development zone. The healthcare and life sciences sector is one of the four designated industries within this zone. In the future, this will be managed by the Hong Kong Science and Technology Park (HKSTP), leveraging on Hong Kong’s expertise, services and human resources, as well as Shenzhen’s production and high-tech manufacturing and commercialization capabilities. Within three to five years, if not even sooner, Shenzhen will not only be recognized as a high-tech digital hub, but also an innovative healthcare and life sciences hub globally!

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