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29.06.2023

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As managing director of the CR-CP Life Science Fund, whose shareholders, CR Group and CP Group, are on the Fortune Global 500 List, Da Liu leads investments in life sciences companies globally, especially those in emerging sectors such as RNA therapeutics and cancer screening. In conversation with PharmaBoardroom, Liu discusses the benefits of basing a healthcare venture capital fund out of Hong Kong, the factors that influence decision-making as to which companies to invest in, and his upcoming English language book on life sciences investment in Hong Kong.

You have a remarkably interesting career and have moved from the corporate side of pharmaceuticals to setting up a corporate venture capital business. How did this transition come about?

I first went to the US back in 1991 when I began my studies as a clinical pharmacist. This was quite a different path to most people from mainland China at that time, many of whom usually go into areas such as computer sciences, biology or engineering with clearer paths to jobs in the US following graduation.

After this, I moved to work as a clinical pharmacist in a hospital for 3 years, though I was starting to find the role a bit too routine and I wanted to do something more interesting. Therefore, I did an MBA

and an internship at Novo Nordisk, which had just opened up its North American offices. Afterwards, I moved into retail pharmacy, so really over the last 30 years I have had good experience along the pharmaceutical chain of operations, while also seeing the transition of the industry at times of reform and legislation changes.

A big part of my success has also been about timing. When I entered the US, being a foreigner was perhaps a bit easier, but after September 11 everything tightened up somewhat. The timing was also great when I went back to China after 13 years in the States, as the industry there was growing and there were many opportunities. My first role in China was in a large corporation as one of the youngest executives in the industry at the time, and I worked in corporate jobs until 2015.

Then I thought to myself, I want to do something that is more challenging and interesting. In our industry pharmaceutical business decisions are slow, and they can be stopped if anybody along the decision chain opposes them. I was looking to do something that drove me and kept me on my toes, so I helped to establish the CR-CP fund in Hong Kong

Where does the fund sit today and who are the investors?

It took us three years to set up the fund and it was all ready to go in 2019 with USD160 million, which we saw as enough, even though our initial target was USD 200 million. The funds come from two corporate limited partners (LPs) from China and Thailand. Life sciences are a good way for such large organisations to cooperate, compared to say transport which is more complex and heavily relies on common infrastructure and resource sharing.

When we set up the fund, we saw it as a way to build global collaboration as Hong Kong is the gateway to Mainland China. The Chinese market has huge demands and healthcare needs, and the Chinese people require innovative products. We could act as a pathway that is delivering technologies that are solutions to patients's needs

You did not reach your USD 200 million target, so how challenging was it to connect with the investors and generate the funds?

For a first-time venture capital fund, it is never easy, so that is the first point. Secondly, investors in companies have two exit strategies, an initial public offering (IPO) or mergers and acquisitions (M&A). Chapter 18A's the Hong Kong Stock Exchange's listing option for pre-revenue biotechs was not up and running at the time so an IPO exit was not as readily available, therefore investors were looking more towards areas such as real estate.

Another valid point is that Hong Kong is a city with a culture of low risk. Life sciences require a long-term vision and although an exit can come with high rewards, there is no guarantee of success. Compared to sectors like financial services where you just charge fees and make money, life science investments are longer term and higher risk.

What are the benefits of placing a venture capital (VC) fund in Hong Kong?

Chapter 18A now gives us an exit strategy, as mentioned earlier this attracts more investment opportunities. We are based in the Cayman Islands and Hong Kong, but in the Cayman Islands you

are paying for a lot of services and the tax law is complex.

Hong Kong has a relatively simple tax system with no capital gains tax, and for a VC the payment of less tax and services is a critical factor, especially when you take into consideration the already risky nature of such a business.

Chapter 18A is quite a flat market compared to the NASDAQ. Does this worry you in terms of attracting investors in the future?

No. Each market goes through cycles of ebbs and flows and in general, it is a flat sector at this point and time and life science companies listed on the NASDAQ are not booming currently either. Companies decide where to list based on the funds they can generate, but also the locality to their markets, so Chapter 18A will continue to be our preferred IPO destination.

Life Sciences being a relatively new industry in the region, is it difficult to find the right financial services (business analyst, marketing of securities etc) to ensure that, post-listing, the companies remain visible?

For sure. You need people that speak both languages fluently, with maybe a degree in life sciences, or at least experience, and also business acumen, so maybe they have an MBA. On top of that, you want them to have industry experience and not be purely academics. It is not easy to find but if excellent service is available, Chinese companies are willing to pay as it is an area where they are currently lacking. Also, having the analysis done in English is a necessity as foreign companies will then be more comfortable in working in a place like Hong Kong.

Which factors go into the decision-making of where you deploy the capital of the fund you are currently running?

Our decision-making is centred around three main factors.

The first is innovation and how we can facilitate an innovative idea.

The second is access to patients. For example, in the past AstraZeneca was selling a product with annual sales of USD one billion in China, but a large amount of this payment was in areas such as transportation and import taxes. Therefore, we invested in a company that had a product that performed the same task but was made in China, allowing greater patient access at a lower cost. This strategy was simple but effective.

The final factor in our decision-making process is solving industry bottlenecks. It takes many years, and some luck, to develop an innovative drug and in many cases, you are not successful. Therefore, we are looking to concepts such as AI and quantum technologies that solve other issues in the life sciences chain. I have experience in automation from my time as a pharmacist, so this is an area I am very much interested in and see as the future.

You mentioned a global approach for your company search, so where have you invested the funds?

We have 15 companies under our VC fund, the portfolios include that from China, the US, the UK, Singapore, Israel etc. We have encountered some difficulties with legal issues, such as CFIUS, with the US company, making this process quite time-consuming and costly.

It is interesting you have chosen to position yourself in Hong Kong, but then are not funding any companies that are located here. Why?

It is very simple. When we deployed the funds there were no appealing companies for us to invest in that were coming from Hong Kong.

Is this a fixable issue in the future?

Yes, for sure it can be solved. Hong Kong is home to some world-class universities that do amazing research. Hong Kong traditionally was a centre of commerce and trade, and venture capital was not present. For life sciences to flourish and for successful start-ups to be born you need a complete infrastructure ecosystem covering everything from laboratories to manufacturing sites, multinational companies (MNCs) conducting R&D, and experienced managers.

Do you have a final message for our international audience?

In 2021, I published the first-ever Chinese-language book on life sciences investment in Hong Kong. This year, I am publishing an English-language one titled *Life Sciences Unicorns – From a China Investment Perspective*. I strongly believe that through this book, a greater understanding of life sciences can be promoted amongst industry players, investors and public. In turn, this sector will thrive and humanity will benefit. That is also the reason why I choose to donate all copyright income from this book.

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