



CHINA - GLOBAL - CHINA



Presentation to Medicon Valley Alliance -
Crescendo Conference

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We are an Ally ...

and a Bridge.

We are Ally Bridge!



Private Equity & Venture Capital

- **Founder, CEO & CIO**
 - Themes Investment Partners (China-focused)
 - Ally Bridge Group (currently US life sciences-focused)
 - Managing about USD400mm in assets between China and US
 - Increasingly life sciences-focused globally

Multi-Strategy Hedge Fund

- **Och-Ziff Capital Management (2007-2009)**
 - Managing Director, Head of China Investments
 - Responsible for some largest successful investments

Investment Banking & Direct Investments

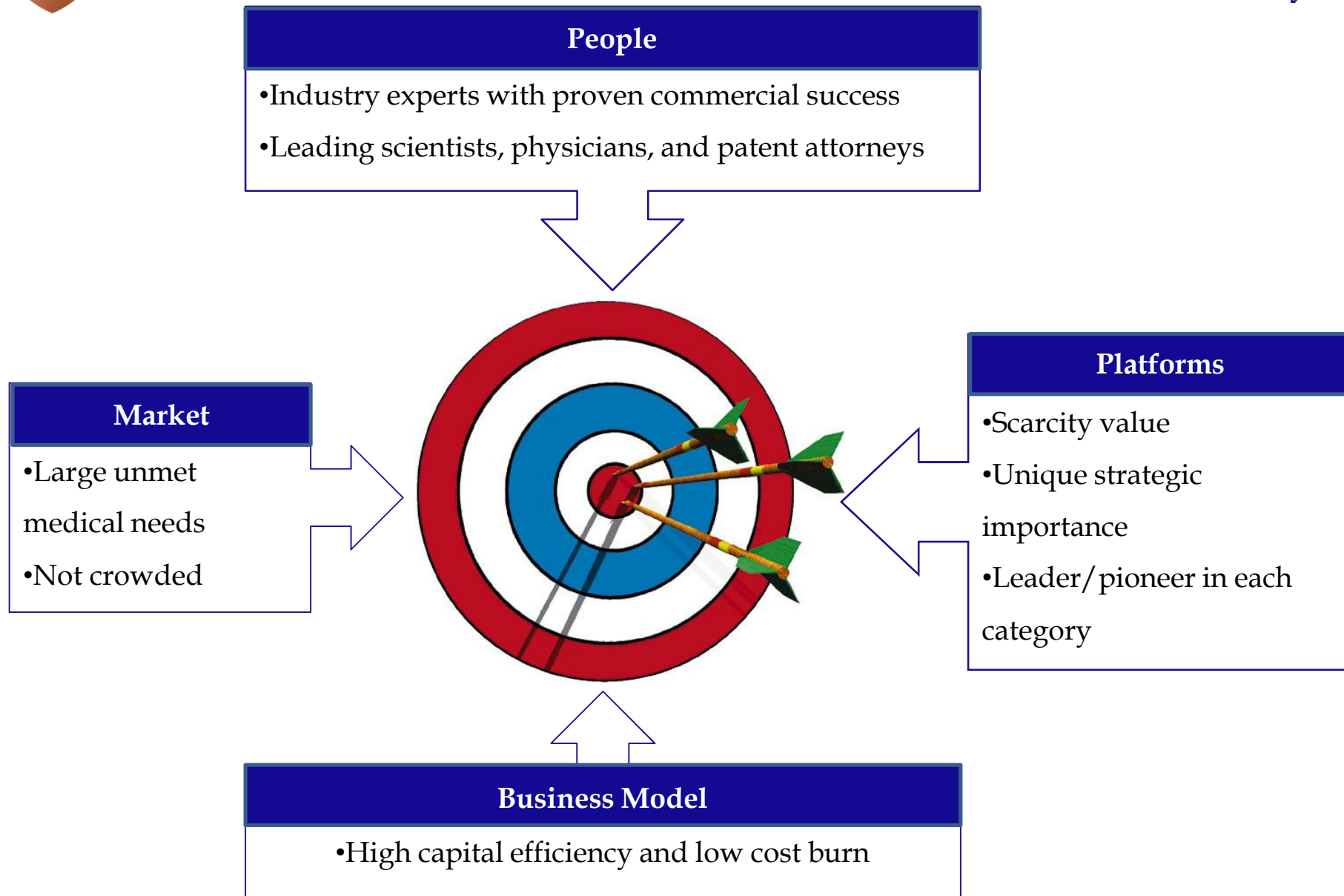
- **Goldman Sachs (1997-2007)**
 - Managing Director
 - Played instrumental roles in several landmark restructuring, IPOs and M&As of major Chinese companies
 - Advised both Chinese and global companies on inbound and outbound strategic transactions

Credit Analysis and Risk Management

- **Goldman Sachs**
- **Credit Suisse**
- **Moody's**












Investment Strategy **#1** – A Clear Focus





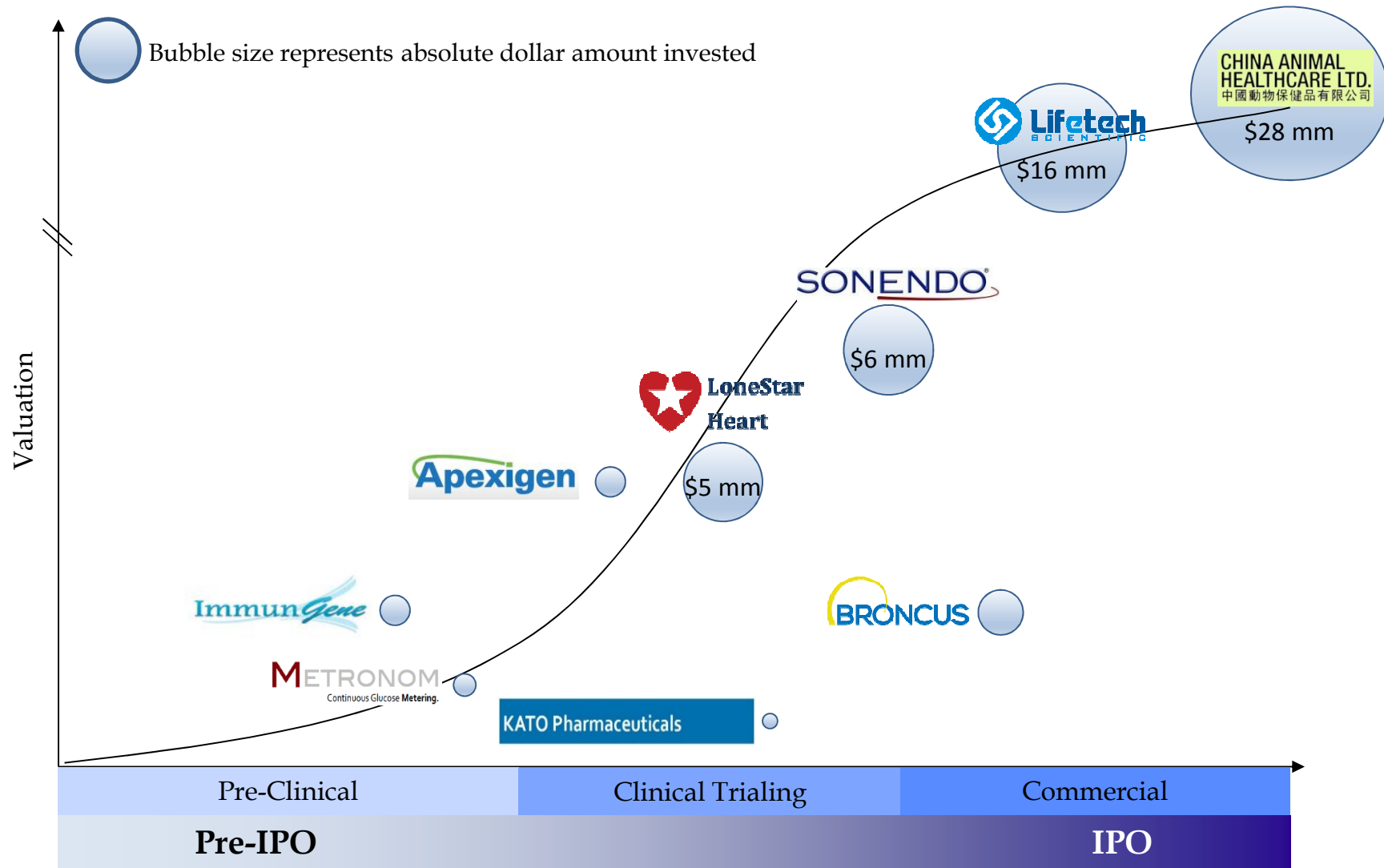
Investment Strategy #2 – Build and Grow a Focused Portfolio



Treatment Category	Companies	Country	Segments	Indications
Medical Devices		China	• Cardiology	• Cardiovascular/ Structural Heart Disease
		US		• Heart Failure
		US	• Pulmonary	• Lung Cancer
		US	• Dental	• Root Canal
Bio-pharma		US	• Diabetes	• Continuous Glucose Monitoring (CGM)
		US	• Oncology & inflammation	• Various cancers
		US		
		US	Ophthalmology	• Retinal Diseases
		China	• Animal Health	• Animal Disease



... Across the Whole Life-Cycle

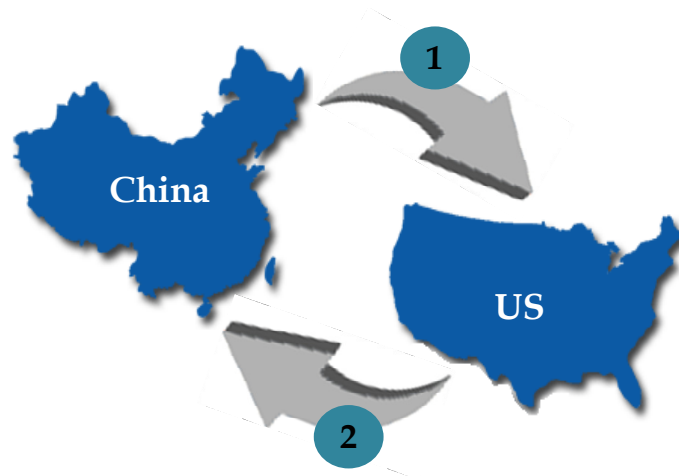




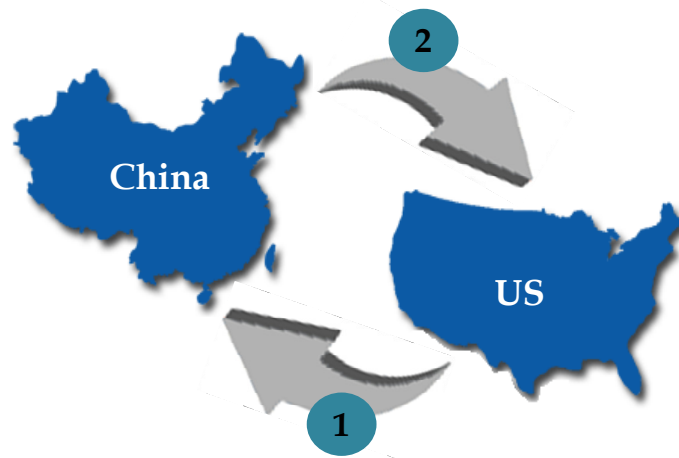
Investment Strategy #5 – Cross-Border Investment Know-how



- Reviewed multiple cross-border investment opportunities
- Developed unique cross-border investment know-how by connecting healthcare industry leaders in China with cutting-edge technologies, mostly from the US



- We started investing in healthcare with Lifetech i.e., medical devices, which inherently has less technical or scientific risk than pharma
 - Started in China, then moved into the US
 - Leveraged Lifetech to source two US deals (Broncus, LoneStar Heart)
 - Co-invested with Lifetech in Broncus: Focused on ramping sales in the US and other geographies, including leveraging Lifetech's footprint to enter China



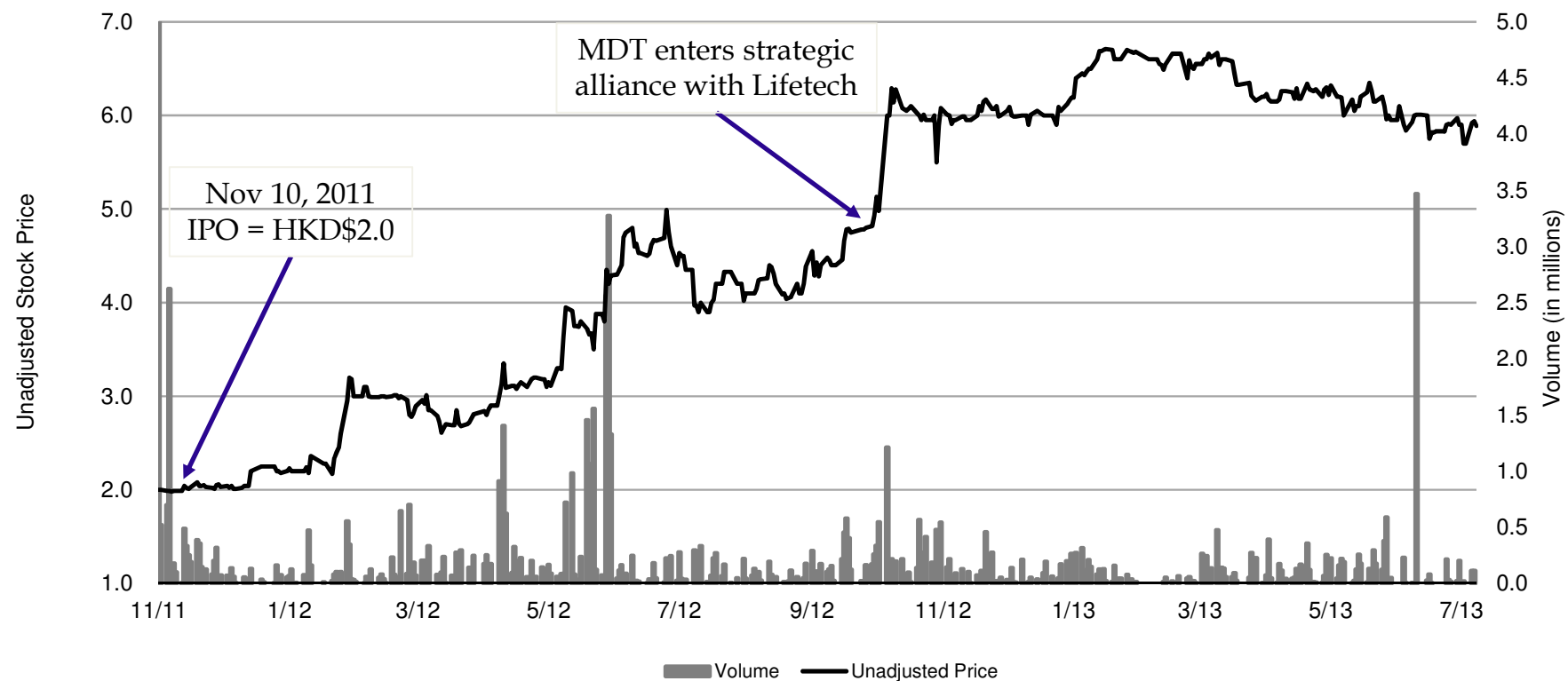
- Highly selective investing in pharma given higher-risk
 - Starting with small investment in Apexigen (US drug development company) with ties to China pharmaceutical players
 - Leverage cutting-edge products in US to develop closer relationship with leading Chinese pharmas



It All Started with Lifetech Scientific (8122.HK)



- Identified Lifetech as a hidden gem after a year of in-depth due diligence, and Themes became a cornerstone investor in the IPO
- Themes was instrumental in helping cement a strategic partnership with Medtronic
- Developed a knowledge base, and a powerful industry- and deal-network through Lifetech
- Lifetech continues as a landing platform in China for cutting-edge foreign medical technologies

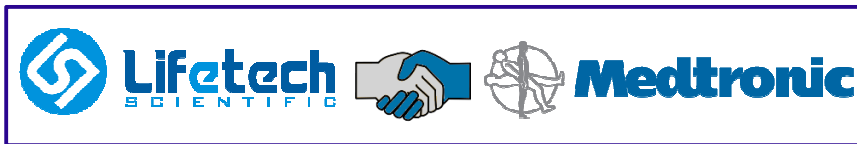




... Through Collaboration with Global Industry Leaders



- Two portfolio companies have formed strategic partnerships with global industry leaders (Medtronic, Eli Lilly), providing us with top industry network and firsthand industry insights
- We excel in assisting portfolio companies in identifying, negotiating and working with potential strategic partners



- On Jan 30, 2013, Lifetech and Medtronic entered into a strategic alliance to co-develop a China-global cardiovascular platform
- Investment: Medtronic purchased a 19% shareholding in Lifetech for HK\$361 mm and subscribed to a HK\$152 mm Convertible Notes offering. Medtronic also has the option to subscribe to a HK\$2.0 bn Convertible Notes. Medtronic shareholding in Lifetech will increase to 51% upon full conversion of both Convertible Notes
- Distribution: Medtronic obtained the global exclusive distributorship for Lifetech's heart valve products and received the right of first negotiation to distribute current and future Lifetech products
- Services: Medtronic will provide services and expertise to Lifetech in operations, quality management and product pipeline development to support continued growth and manufacturing capabilities



- On April 9 2013, Eli Lilly (via its animal health division Elanco) announced a strategic investment in China Animal Healthcare ("CAH") and a framework for future commercial collaboration initiatives
- Investment: Eli Lilly invested US\$100 mm in CAH for a 19% stake thru two tranches of private placement
- Manufacturing Service: CAH to provide OEM production for premium vaccines to be jointly sold overseas
- Distribution Partnership: CAH will distribute certain Eli Lilly products via its leading retail distribution network in China. Eli Lilly will also promote and distribute certain products from CAH to large-scale integrators that it has working relationship with in China



Investment Strategy #6 – Partner with Best-in-Class Experts



- We have built a comprehensive global network to help make the most informed decisions and manage them thereafter as portfolio companies

Industry Leaders

- Well-connected with key industry and corporate players, including among large healthcare multi-nationals (e.g. Medtronic, Eli Lilly, Covidien, Pfizer, Lonza, JNJ)
- Industry leaders in our portfolio companies provide important industry insights and flow, assisting in due diligence, sourcing of deals and providing operational guidance

Venture Operators

- Leading venture operators with proven track records in deal sourcing, operations, and exits
- An important source of deal flow
- We contribute to the partnership by providing China access, capital markets/M&A know-how

Scientists

- Deep connections to the corporate research community (Amgen, Pfizer, Medtronic, etc.)
- Academic relationships: UCSD, UCLA, Harvard, Yale, Univ of Texas SW, CalTech, UC Irvine
- We engage Chief Scientific Officers in our portfolio companies to be scientific advisors

Physicians

- Key opinion leaders in numerous fields throughout the US, China/ Asia, Australia and Europe
- Leading authorities in cardiology, including the top heart surgeon in the US

Engineers

- Established strong relationship with faculty at UCSD Institute of Biomedical Sciences
- We routinely engage CTOs/engineers in portfolio companies to be technical consultants

Legal Experts

- Leading life sciences attorneys serve as strategic advisors to Themes/ ABG and source of deals
- Provide critical advice on patent strategies and competitive positioning

Regulatory

- Established channels in Washington DC (FDA, CMS, Capitol Hill) and Europe (NICE)
- Developed extensive network of regulatory experts and consultants
- Close ties to China Ministry of Health and CFDA



While Multinationals Acquire Chinese Healthcare Companies ...



Acquiror	Target	Segment	Deal Value US\$mm
SciClone Pharma	NovaMed Pharma	Pharma	105
Nycomed International	Techpool Bio Pharma	Biotech	210
Sanofi-Aventis	BMP Sunstone	Pharma	521
Novartis	Zhejiang Tianyuan Bio-Pharma	Biotech	125
Eli Lilly	China Animal Health	Pharma-biotech	100
Cardinal Health	Zuellig Pharma China	Drug Distribution	410
Mitsubishi / Medipal	Sinopharm Beijing HuaHong	Drug Distribution	31
Stryker	Trauson	Orthopedics	771
Medtronic	LifeTech Scientific Corp.	Cardiovascular Devices	47
Medtronic	China Kanghui	Orthopaedics	816
Biosensors	JW Medical Systems	Drug Eluting Stents	506
Hologic	TCT International	Devices Distribution	135
Zimmer Holdings	Beijing Montagne	Orthopaedics	52



... Chinese Healthcare Companies Acquire Overseas Healthcare Companies



Acquiror	Target	Segment	Deal Value US\$mm
Microport	Wright Medical (OrthoRecon)	Orthopaedics	290
Mindray Medical	ZONARE Medical Systems	Diagnostic Imaging	105
Fosun/Chindex Medical	Alma Lasers	Aesthetic Devices	222
BGI-Shenzhen	Complete Genomics	Genomic Sequencing	119
Mindray Medical	Datascope (Patient Monitoring)	Patient Monitoring	240
Wuxi PharmaTech	AppTec Laboratory Services	CRO	163



A New Cross-border Partnership Model Emerges Apexigen Case Study (Portfolio Company)



Apexigen Overview

- Leading rabbit antibody therapeutics development platform based in San Francisco, USA, spun out of leading rabbit antibody services company Epitomics acquired by Cambridge, UK-based Abcam
- 4 out of 7 drug candidates out-licensed to bio-pharma companies in China. Most advanced program already in Phase I clinical in China, run by its Chinese partner
- At same time, well-established technology collaboration with MNCs
- Selected one drug candidate to develop internally

Gives

- Developed original rabbit antibodies
- Licensing agreements with several bio-pharma companies in China
- Provide scientific/technical support to Chinese partners
- Monitor IND filing and clinical trial developments

Takes

- To provide all funding for clinical trials in China
- Obtain China rights and, in certain cases, 50% of global rights and 50% sharing of development costs
- File and secure IND and approval from CFDA in China
- Development and commercialization



Significant Obstacles Remain for Western Companies ...



IP

- Lack of IP protection for global technologies/products in China a top concern for global companies
- IP lawsuits against Chinese companies by global companies have been largely unsuccessful
- But improvements made in China to increasingly protect IP, still long way to go
- Filing IPs in China early highly recommended

Partners

- Choosing the right partner(s) proved to be highly challenging
- High-quality partners tend to be demanding in terms, making negotiations difficult
- Partners integrity, reliability and capabilities unknown in majority of cases

Market Entry

- CFDA transparency, review and approval cycle
- China market economics, although fast-growing, often much smaller than developed markets
- Increasing competition from both global and domestic players

Politics

- Politics increasingly unfavorable to foreign companies eg GSK and other multi-national pharma companies
- Localization becomes irreversible to increase market share of domestic players and push down product prices
- JVs with technology transfers highly encouraged



... And Chinese Companies



Access

- Limited network and knowhow to identify attractive companies for partnerships/acquisitions
 - Many Western companies avoid China for multiple reasons
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Valuation

- Unable to compete against extremely-deep pocketed multi-nationals for acquisition of sizable companies and promising developmental-stage companies
 - Focus on late-stage, revenue-generating companies, typically small tickets
 - Increasing licensing arrangements
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Resources & knowhow

- Limited resources and knowhow to make overseas acquisitions
 - Significant cultural differences as barrier to cross-border M&As and post-deal management
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Key Success Factors in China



- #1 Localization
- #2 Affordability
- #3 Unmet needs
- #4 Sponsorship
- #5 Technology



China Market Entry Options









Approach	Pros	Cons
Acquisition	<ul style="list-style-type: none">• Control• Synergies• Immediate market and product access	<ul style="list-style-type: none">• Post-acquisition management• Loss of local brand/product advantages• Valuation premium
JV	<ul style="list-style-type: none">• Preferred by Chinese government• Lower cost vs acquisitions	<ul style="list-style-type: none">• Future uncertainties• Relationship maintenance• Ongoing management
Licensing	<ul style="list-style-type: none">• Well-defined scope• Simplicity	<ul style="list-style-type: none">• Narrow focus• Limited upside
Minority Investment	<ul style="list-style-type: none">• Spread of risks over time• Coupled with product JVs• Path to control	<ul style="list-style-type: none">• Uncertainties for control takeover• Valuation premium at time of takeover



Our approach...



We play an active role in every portfolio company in various forms, from corporate governance to strategy development, including operational improvement and M&A

Portfolio Companies	Specific Value-Add
	<ul style="list-style-type: none">• Strategic and M&A advisor to key shareholders• Advised senior management on deal with Medtronic; played critical role in negotiations• Completed co-investment
	<ul style="list-style-type: none">• Became active shareholder through board participation• Act as bridge between management team and Lifetech• Introduced significant new sales leads to Broncus
	<ul style="list-style-type: none">• Identified weaknesses in IP portfolio to be strengthened, well-accepted and being implemented by management• Initiated dialogue with potential acquirers
	<ul style="list-style-type: none">• Introduction to China's leading dental hospital and key opinion leaders• Advising on how to open China market• Advising on strategy• Finding components suppliers in Taiwan
	<ul style="list-style-type: none">• Opening dialogue with top potential buyers• Identifying potential manufacturing partners
	<ul style="list-style-type: none">• Advising on IPO and strategic matters



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