

5th Annual SABPA Pacific Forum

Riding the Wave

Institute of Americas, UCSD (7 November 2009)

What Is Your China Play?

Doing Business in a Shifting Regulatory,
Investment, and Economic Environment



The Historical-Cultural Context

- From Mao to Now – Healthcare Takes a Back Seat to Economic Development
 - top social concern in polls: “high medical expenses”
 - 700M rural Chinese pay out of pocket for most health care
 - expenditure on high-tech medical equipment increases but quality of care drops
- Central planners look to increase regulation, expand health insurance coverage, and reward doctors based on quality of care

Trends Affecting China's Life Science Sectors

- P.R.C. Health Care Reform offers prospect of national coverage and uniform standards of care
- “Graying” demographics impart a developed-nation aspect to China’s therapeutic needs
- Expanding affluence fuels demand for state-of-the-art medical facilities and technologies
- Emerging “innovation culture” elevates Chinese pharmaceuticals, biotechnology, and biomedicine
- Opening of China’s pharmacopoeia promises influx of new drug candidates
- Globalization of venture capital has aided China

From “Made in China” to “Invented in China”

SABPA Pacific Forum

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China – Riding the Wave

- What is your China Play?
 - Innovate Your Way Up the Value Chain!
- Historical Perspective:
 - From manufacturer of low value goods → Buyer with a sizable market → Investor of high value ventures
 - From preclinical, animal testing, API mfg to new drugs and methods

China – Riding the Wave

- What does China Need Now?
 - Talent and Original Innovation

Innovation in China – IP Assets

- 80% of NASDAQ companies' value → IP
- Imitation does NOT pay!
 - Used to?, but getting more difficult.
- IP Issues still common in China
 - But, there are opportunities to be creative!

Key Factors for Innovation in China

- Funding -- Follow the Money!
 - Big Pharma invest in R & D centers in China.
 - Pfizer/Wyeth, GSK, Sanofi-Aventis, Novartis, AstraZeneca, J & J, Merck, Roche, Lilly, etc.
- Talent
- Law

Funding for Innovation

- National Government Funding
 - Ministries, CAS Institutes, Universities (863/973)
 - 1/5 of 100 Billion RMB for 2010
 - 2% of GDP on R & D in 2010
- Local Government Policies
 - Industry Parks
 - City Incentives

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- Private Funding
 - MNC Ventures
 - VCs
 - High Net worth Individuals

Talent

- The “Sea Turtles” – That means YOU!
 - Being a Professor in Univ. or Inst.
 - BJ, SH, or 2nd line cities?
 - Collaborate with existing labs
- Local PhDs and Masters
 - Most Masters produced; PhDs 2nd place

Law

- IP rules and enforcement being developed
 - Patent Filing Strategy (Spec and Claims)
 - Contracts and Ownership
- Dynamic
 - National IP Law
 - Local IP Law
 - Courts and Agencies

Law and Your Lawyer

- Must have a global legal perspective
 - Pharma is global: US, EP, JP, CA, BRIC.
- Understand your business and technology
 - Business Objectives Control
- Most important: Be there with you!!
 - “Embed” your IP Counsel!

IP Lawyer as Part of the Team

- Concept Formulation Stage
- Development Stage: “Design Around”
- Product Launch Stage
- Freedom to Operate Issues

Opportunities for Returnees

- Big Pharma looking for new pipeline
 - Fill in their gap
- Leverage China's life sciences resources
- Collaborate with mid-size biotech, providing complementary piece
- Opportunistic Fields:
 - Stem Cell, Gene Therapy, Diagnostics, Medical devices, etc.

Checklist for Innovation in China

- Establish clear IP procedures
 - Invention Disclosures
 - Publication Release
 - Communicate and Educate
- What, When, Where, Why, and How!
 - Patent Filing and Examination Issues

Discover? -- No! Invent? -- Yes!

- “Targeted” Inventing
 - Not Ivory tower, Not in Vacuum
- Due Diligence First
 - 知己知彼，百战百胜！

Rewards!

- IPO (but where?)
- Out Licensing: Upfront/Royalty
- M & A
- Brand New Developments:
 - IPR-Pledged Loans (2009)
 - ChinNext Stock Exchange in SZ (2009)
 - 6 out of 28 IPOs are life science companies

Go East!

- "We are confident that our expanded investment in R&D will result in innovative therapies for patients in China and other countries nurtured by the growing scientific excellence in China," said Dr Daniel Vasella, Chairman and CEO of Novartis.

Go East!

- "We are also pleased to contribute to the Shanghai government's aim to establish the city as the premiere R&D center for China's bio-medicine industry by 2012, as Novartis is committed to investing to further the Chinese government's strategy for stimulating economic growth, stability and enhancing the livelihood of the Chinese people." -- Nov. 3, 2009

Building a Leading Pharmaceutical Business in China

SABPA Pacific Forum
Jeff Lange, Vice President
Business Development, SciClone
Pharmaceuticals



Safe Harbor Statement

- *This presentation contains forward-looking statements regarding the business, products and financial results of SciClone Pharmaceuticals, Inc. You are urged to consider statements that include the words “may,” “will,” “would,” “could,” “should,” “might,” “believes,” “estimates,” “projects,” “potential,” “expects,” “plans,” “anticipates,” “intends,” “continues,” “forecast,” “designed,” “goal,” or the negative of those words or other comparable words to be uncertain and forward-looking. These statements are subject to risks and uncertainties that are difficult to predict and actual outcomes may differ materially. These risks and uncertainties include changes to our financial results that may result in the course of completion of our audit, developments with respect to our products. Please also refer to other risks and uncertainties described in SciClone’s filings with the Securities and Exchange Commission. All forward-looking statements are based on information currently available to SciClone and SciClone assumes no obligation to update any such forward-looking statements.*

Overview

- Profit-Driven Enterprise
 - Solid global sales growth drives sustainable profitability
 - 2009 guidance
 - \$69-\$71 Million revenues; 30% revenue increase
 - \$0.10 - \$0.14 EPS
 - Revenue growth + tight expense management = positive EPS

Overview

- International Commercial Success
 - ZADAXIN marketed in more than 30 countries
 - Established business in China with 175-person sales organization
 - Strong international brand recognition

Overview

- Rich Product Portfolio in Oncology and Infectious Disease
 - Invest in cost-efficient phase 1/2 trials; partner phase 3 trials
 - 1 marketed product; developing 2 molecules in 4 indications
 - Potential for ZADAXIN to enhance the immune response to pandemic flu H1N1 vaccine

China Growth Opportunity

- China is already the 5th largest global pharmaceutical market today*
- Expected to rank among the top three global pharmaceutical markets by 2013*
- Growth rates are expected to be > 20% annually over the next 5 years*
- New health care reform plan provides a stable framework

* IMS Health, 2009

China Growth Opportunity

- Indirect benefits for MNCs (multi national companies)**
- To participate in this growth one needs to be on the ground now, or partner with companies with strong presence

** In 2007, 80% of multinational pharmaceutical companies' individual products reached <\$10 M peak sales in China (McKinsey, 2007)

Growth Opportunity: SciClone in China

- Our Position/Opportunity
 - Longstanding presence in China since ZADAXIN launched in 1996
 - China 2008 sales >\$50 million**
 - 30% revenue increase projected for 2009
 - 1st class brand: SciClone and ZADAXIN well-regarded by physician community; Western manufacturing seal of approval
 - Strong sales infrastructure in place

Growth Opportunity: SciClone in China

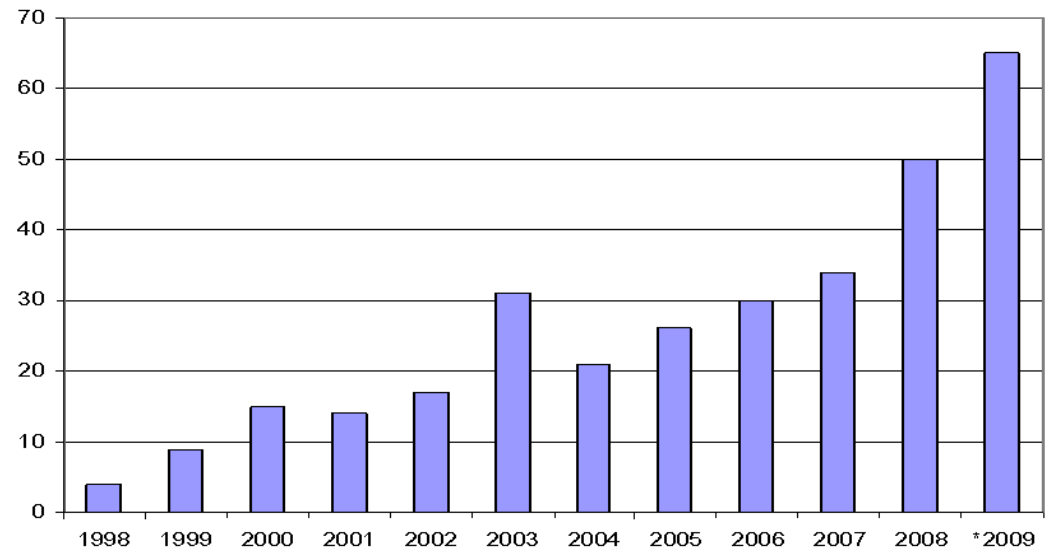
- Our Growth Strategy
 - Markets: Large hepatitis B/C, cancer populations
 - Expanding to tier 2/3 cities: opportunity to reach more patients
 - Introducing additional products through licensing and M&A
 - Commercialization rights to the anti-nausea drug ondansetron RapidFilm
 - Commercialization rights to embolic agent DC Bead

Zadaxin Success Story

Product Profile

- Product was launched in China in 1996; registered in 30+ countries
- Thymalfasin (chemical name of Zadaxin) is a naturally occurring with both direct anti-cancer and immunomodulatory activities
- Indicated for the treatment of hepatitis B and as a vaccine adjuvant
- Used for hepatitis, liver cancer, severe infections, CMV infection after organ transplantation, and other indications

Zadaxin Revenues (\$Million)



Key Success Factors

- Wide brand recognition
- Clear differentiation from competition
- Broad coverage of cities, hospitals, specialties
- Long-standing Key Opinion Leader relationships

SciClone China Scope of Activities

In-licensing	Clinical Trials & Registration	Manufacturing	Importing	Sales & Marketing	Distribution
<ul style="list-style-type: none"> • In-licensed two additional products: DC Bead (Bio-compatibles) and Ondansetron Rapidfilm (APR Applied Pharma Research) • Seeking to acquire rights to additional products 	<ul style="list-style-type: none"> • Experience with clinical development and product registration in China • Registration of DC Bead in process 	<ul style="list-style-type: none"> • Zadaxin manufactured in Europe • Western “quality seal” is key to obtain premium pricing 	<ul style="list-style-type: none"> • Long-standing relationship with three large local importers: Shanghai Lingyun, China National, and Edward Keller 	<ul style="list-style-type: none"> • 175+ in-house sales reps that cover 500+ hospitals in 130+ cities • Medical education programs targeting oncologists, infectious disease specialists, liver diseases specialists, and others 	<ul style="list-style-type: none"> • Two-tier distribution network with more than 100 distributors