

# ASIAN BUSINESS

FOR ENTREPRENEURS

ENTERPRISE — Healthcare



## Potions, Pills and Pioneers

### Asia's healthcare entrepreneurs are leaving others for dead

By James Lee and Joseph Zimny

When investment manager Sunny Tan's wife, Ho Poh Ching, gave birth to their second child on July 19 last year, a doctor extracted blood from the umbilical cord attached to the discharged placenta. The blood was then processed and couriered to a private blood bank in the US for storage.

Umbilical cord blood is rich in hematopoietic stem cells, the progenitors of blood cells. The stem cells are used in transplant medicine for life-saving treatments, to generate a patient's blood and immune system.



There's no telling whether the stem cells harvested from the cord blood will ever be needed or used in some medical application in the future. But Tan, 34, sees the process of collecting and storing his baby's cord blood as a form of insurance. "The main idea is that hopefully with the advance in stem cells research, new technologies will be developed to enable the multiplication of stem cells."

Tan's motivation is peace of mind "so that if anything should happen in the future and someone in the family needs to use the blood, we are ready". And should there be no need to use the stored blood, he is "prepared to write it off, like an insurance premium".

The service of collecting, processing and storing cord blood was provided by Cordlife, a Singapore-based cord blood and stem cell technology company. The man behind Cordlife, one of only a few such companies in Asia in this pioneering area of medicine, is Steven Fang, a healthcare industry veteran of 14 years who had worked with such international corporations as Sterling Withthrop, Baxter, Becton Dickinson and Hong Kong's Quality HealthCare Asia medical group.

Entrepreneurs like Fang are pushing the envelope in a growing, diversifying and complex healthcare industry.

Take Dr Cheng Wei Chen, an obstetrician and gynaecologist who founded Thomson Medical Centre, a private hospital catering to women and children, in Singapore in 1979. Cheng is taking his hospital to new heights with the addition of facilities focused on preventive health maintenance in men and women above 40.

Then there's Bill Guo, CEO of Venturepharm, a pharmaceuticals research company in Beijing. Venturepharm is a market leader among the private companies that are developing new and better drugs for the expanding China market. Guo is focused on trying to anticipate where the next trend in healthcare will be and where to focus the energy and resources of his company.

And not to be outdone, the Japanese have come up with a unique healthcare model for the elderly. Matsushita Nursing Care Services, a new division of the giant Matsushita Electric is using robots to monitor the health of its residents — and to keep them company.

So who are these entrepreneurs, what are they doing and what opportunities do they see in Asia's healthcare industry?

Fang, 36, an MBA graduate from the University of Hull, England, started up and invested in a few businesses before venturing into this new area of private cord blood banking. New father, Tan, is obviously a satisfied client. "He's definitely very entrepreneurial, not much of a technical person but has good business acumen and is very forward-looking," Tan says.

Anthony Soh Guan Cheow, associate director of UOB Venture Management agrees. Fang "has clear visions, determination to achieve his goals, [and is] able to rally a good team of professionals around him to achieve those goals. He is also very clear on creating shareholder value and willing to work with larger players from the US, as well as very focused on being the leader of this business in Asia."

Cordlife sources stem cells from a non-controversial source — the umbilical cord, which is normally discarded as medical waste. "We are different from those that are dealing with embryonic stem cells," Fang says. Being pro-life, he does not support embryonic sources of stem cells.

Cordlife was incorporated early last year, but a personal experience in the early nineties when Fang was working for Baxter in Chicago, first sparked his interest in the new technology. Fang says cord blood technology was the talk of the town and there was much debate about how it should work and where it was headed. "But what really struck me was when the son of a very close friend had leukemia," he says.

Stem cells, which were needed to boost the child's immune system, are commonly found in bone marrow or cord blood, Fang explains. But his friend, a Vietnamese-American, could not find a match for his son at a bone marrow registry because of ethnic mismatching. The breakthrough came when the man's wife gave birth to a second child. The cord blood matched and saved the life of the older boy.

"There are significant uses for stem cells from umbilical cord blood. Already today, there are 60 medical conditions whereby you can use the hematopoietic stem cells as a co-modality [used in conjunction with another treatment]," Fang says.

This stem cell technology, he says, was discovered in the late eighties and, in the nineties US companies started research in the field and began providing services to collect and store stem cells.

Returning to Singapore and finding no company providing such a service in Asia in the mid-to late-nineties, Fang felt that he had to do it. "I have three children of my own and the thought came to me that I will not let anything happen to them," he says.

So he invested a lot of time and money, flying to the US to talk to the founders of the industry. "They are good friends of mine, companies like Cord Blood Registry. We don't compete as they are halfway round the world. I learned a lot in terms of the things they went through and what it takes to make this business work," he says.

"So 2000 was invested mostly in understanding how to make this work because Asia is such a different market with hardly any players at that time. Now there is a surge of interest because of the spillover from embryonic stem cell research."

If that was a gestation period, it was followed by birth pangs. Fang says 2001 was "a washout year". But it turned out to be an ideal year to start a business because rental was affordable and people were more accommodating. "We started when things were bad and are now going to market when things are good," he says. By the end of this year, Fang expects Cordlife will have signed up 1,000 clients around Asia.

Seed money came mainly from Fang and some company co-founders from the medical and scientific fields. Between them, they raised almost S\$500,000 (US\$272,000). Cordlife aims to raise S\$5 million in its next round of funding and lead investor UOB Asset Management has committed about half with the rest coming from other venture capitalists and investors.

"We invested in Cordlife because it has a strong management team, it is the first mover in Singapore (and Asia) with regional outlook and perspective, likely to emerge as the leader or the strongest player in Asia. It has clear business strategies and exciting innovative technologies registered and being developed," says UOB Venture Management's Soh. "There is also a strong interest for major players from the US and Europe to forge alliances with strong players like Cordlife in Asia, including the possibility of M&A [merger and acquisition], which represents good exits for us." "But I won't say we have an exit plan," Fang adds. "I'm enjoying this so much."

The possibilities for this industry are quite significant, says Fang, although the market is very new. "Today there is only one type of service, but this market will evolve and we see multiple levels of service coming out of this whole thing."

Soh of UOB Venture Management says: "Stem cell technology is very new, but very promising as it will revolutionise treatment of untreatable conditions in the next decade and holds great promise for some very common dreaded conditions."

Initially, Cordlife relied on US facilities accredited by the American Association of Blood Banks, but recently it opened its own facilities in Kuala Lumpur and Singapore. It also has offices in Japan and Switzerland.

Now the company has started a big push into China. In November, Cordlife entered into a joint venture with Shenyang Xiehe Group, which is involved in the manufacturing and sales of a wide range of bio-pharmaceutical products and traditional Chinese medicines, to set up the first cord blood bank in Shenyang, China. The venture is expected to provide cord blood banking services to the Shenyang market in the first quarter of this year.

Already with a firm foothold in the China market is Venturepharm CEO Bill Guo. Established in 1998 by Guo and a team of doctors and PhD's, Venturepharm focuses on research and development, which Guo anticipates, will drive growth for years to come.

The company has in the pipeline more than 120 projects in 11 therapeutic areas, 70 of them in late-stage development.

China's elderly population has been hit hardest by the Central Government's efforts to restructure the lumbering state-owned enterprise sector, which had previously met their needs. Most must now look to family to subsidise their care and pharmaceutical needs, or they simply go without.

Guo rates China's healthcare for the elderly as "just dismal". "The most beneficial thing would be for the state to consider a new differential pricing system for new drug products or

a state-sponsored drug cost reimbursement program to make up for the shortfalls for the elderly," he says.

Venturepharm is in a position to make a major impact. Guo has assembled an impressive array of talented medical professionals to manage the company. With more than 10 years' experience in research, production and management in the pharmaceuticals industry and an MBA from the University of Toronto, Guo knows the landscape — both the pitfalls and potential for growth.

Despite the efforts made by the Chinese government to control healthcare spending, the demand for pharmaceuticals is expected to grow at an annual rate of 15-20% over the next five years. According to the State Drug Administration Bureau (SDA), the market for pharmaceuticals is expected to grow three to four times from US\$24 billion in 1999 to more than US\$96 billion in 2008. Such phenomenal growth is the result of a range of social and economic factors, including China's speedy economic development, as well as a general increase in the standard of living. Also many Chinese now have a heightened awareness of health issues because of greater educational opportunities.

For drug firms, such a sharp increase in demand should also result in more expansive business opportunities.

The policies of China's SDA tend to favour local firms over multinational companies, which leaves more room for Chinese firms to compete and prosper. This environment has allowed Venturepharm to move quickly towards becoming a major player in the pharmaceuticals research industry. The company's interests include pre-clinical studies of both chemical and traditional Chinese medicines, contract clinical research, biotech drug development and manufacturing. "We anticipate that most of our growth will come from putting the projects now in the pipeline into production, as well as identifying new projects," Guo says.

Back in Singapore, Dr Cheng Wei Chen, the chairman of Thomson Medical Centre, is, by his own admission, an accidental entrepreneur. "That word never came into my mind", he says, when he founded his private hospital in 1979. All he wanted was to offer quality service in a friendly home-like atmosphere. So Thomson Medical Centre did away with hospital smells and white uniforms, providing instead a hotel ambience and imaginative room service. But private health care in the end inevitably means business. "If you don't have success in terms of income to defray expenses and also surplus to allow for growth, then you can't carry on", Cheng says.

In its 22 years, Thomson Medical Centre has set many records. It was the first private hospital in Singapore to set up an in-vitro fertilisation clinic in 1987. The Thomson Fertility Clinic delivered its first frozen embryo baby in 1990. The hospital delivered its 100,000th baby on November 7, 1999. In 2000, the clinic became the world's first fertility clinic to produce a pair of twins from frozen eggs and frozen testicular sperm.

The opening last year of the S\$250,000 Thomson Lifestyle Centre marks another milestone for the hospital. Medical practice has until recently always focused on disease: If you are not sick, you don't have to see a doctor. But the new centre is targeting those who are well, but harbouring diseases under the surface.

The main thrust of the new facilities is preventive health maintenance aimed at correcting unhealthy lifestyles. The focus is early diagnosis of preventable diseases and reversal of ageing induced processes, which cause disturbances in metabolic and hormonal functions. Clients can choose from de-stressing therapy, health screening, wellness and anti-ageing programs.

A large majority of the population needs treatment and maintenance on wellness, especially those above 40, says Cheng. The objective of treating such people is to enhance the quality

of life and prevent premature ageing.

Tay Mui Eng, 58, winner of three "Mrs Beautiful" titles and the current "Mrs Classic Worldwide", is a patient of Thomson Medical. A dancing teacher, she says she is now more active after undergoing hormone treatment.

Cheng is someone who is "concerned about the general well-being of his patient", says Edmund Fernandez, 55, a property developer who says the wellness program has "put zest back" in his life.

While the economic downturn has reined in growth, Thomson Medical Centre, with 350 employees, has much potential. Cheng's vision is to break into new fields and to venture into overseas markets.

Singapore needs to further develop its image as a centre of medical excellence, able to deliver seamlessly a top quality service that is exceptionally good, fast, and affordable if not cheap, he says.

And Cheng stays driven. Pushing 70, and still bounding up stairs easily, he has no plans to slow down. "Retirement is a bad idea. It tends to kill zest and motivation in life."

*Cordlife*

*1 Orchard Boulevard #08-08*

*Camden Medical centre*

*Singapore 248649*

*Tel: (65) 6238-0808*

<http://www.cordlife.com/>

*Thomson Medical Centre*

*339 Thomson Road*

*Singapore 307677*

*Tel: (65) 352-6550*

<http://www.thomsonmedical.com/>

*Venturepharm*

*No 3 Jin Zhang, Shi Ji Qing*

*Haidian District*

*Beijing, China 100089*

*Tel: (86-10) 8850-0050*

**Photo: Sonia Tan**

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