Interview: Derek S. Wang – Chairman of the Board, China Chemical & Pharmaceutical Group (CCPG), Taiwan



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Derek Wang, Chairman of the board of the China Chemical & Pharmaceutical Group (CCPG), one of the leading pharmaceutical groups in Taiwan, provides insights into his strategies to consolidate CCPG's leadership in Taiwan and China and accelerate the group's market penetration in strategic countries such as Japan and the US, while CCPG, through its distribution arm CYH, already stands as the commercial partner of choice of international companies eager to sell their products in Taiwan.

As an introduction to our international readers, could you explain what sets CCPG apart in the domestic pharma landscape?

CCPG aims to be a fully vertically integrated pharmaceutical group, from API and drug product development to marketing and sales.

CCSB, the group's subsidiary focused on the R&D and manufacturing of high-specialty APIs, has been supplying international partners with high quality, cost-effective products since 1964. Over the course of the past five decades, CCSB has managed to build a proven track record of on-time delivery by servicing more than 130 customers from 21 countries, working closely with our partners to define the best development strategies for our product pipelines. In 2017, international customers make up 95 percent of the subsidiary's revenues, while CCSB proudly stands as the only company in Taiwan that integrates chemical synthesis and fermentation processes to manufacture

API. Following the evolving needs of our international customers, we have developed a strategy that is aligned with CCSB’s focus on high specialty products falling within the USFDA Paragraph IV certification.

CCPC, the group’s parent company, is focused on the R&D, formulation development, and manufacturing of high-quality generics. It also stands one of the leading pharmaceutical companies in Taiwan and a frontrunner in China, boasting more than twenty years of operations in this strategic market.

How does the vertical integration of the group translate into a competitive advantage on international markets?

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Over the recent years, one of our main objectives has been to increase our presence in the US and Japanese markets, where we have already started to successfully export high-potency drug products. As part of this strategy, we have been greatly enhancing the integration of CCSB and CCPC, combining CCSB’s capacity in API design and manufacturing with CCPC’s R&D and manufacturing capabilities to bring high added-value products to these markets with our proprietary technology platforms.

Collaborating with our partners, our products obtained the USFDA and PMDA approvals and have been marketed in the US and Japan. For example, we received our first USFDA ANDA in 2014 for an in-house developed osmotic controlled-release oral delivery system for an anti-hypertensive. This model truly stands as a perfect example of the international partnership approach we aim to replicate for an increasing number of products. As a mater of fact, we just started exporting to Japan a new, in-house developed high-potency immunosuppressant product – following the same model of development and distribution partnership.

To fulfill our ambitions in the US and Japanese markets, we have been substantially increasing our R&D efforts and now hold several exciting products in our development pipeline, which should soon reach these two countries.

You aim to export an increasing number of high-potency products to the US and Japan thanks to strategic contract development manufacturing (CDM) alliances. How do you see this strategy evolving in the upcoming years?

In the mid term, we want to deepen our collaboration with our US and Japan-based commercial partners and get more largely involved in the marketing and sales of our products. In this vein, we

know that the only way to generate a heightened value with our products is to strengthen our downstream capacity; hence, we are also actively looking for acquisition opportunities to expand our marketing and sales networks and strengthen our vertical integration in these strategic countries.

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Nevertheless, when it comes to finished dosage forms, it is particularly challenging for Taiwanese companies to be truly competitive in the US. None of the leading domestic companies holds the critical portfolio size needed to be competitive in such a competitive market, while we see that the those companies that have developed their marketing and sales network in the US have not yet been able to earn the returns on investment they had expected. I have had the chance to meet with the leaders of other leading domestic pharmaceutical groups to discuss the potential collaboration for us to jointly enter the US market. So far, we have not been able to design a strategy that would be fully satisfactory to everyone. As a result, massively entering the US market still stands as a challenge for a group of our size. In the short-term, Japan will then stand as our priority market in our export strategy.

What is your vision for the development of CCPG in China and Taiwan?

For the Taiwanese and Chinese markets, our first and foremost priority is to further consolidate our leadership and fully leverage our market expertise by rapidly broadening our product portfolio. In the meantime, we are also screening any acquisition opportunities that would allow us to accelerate the fulfillment of this objective.

In Taiwan and China, we already stand as a fully integrated pharmaceutical group, as we locally control the marketing and sales of our products through our distribution arm, CYH, which was set up in 2004. In this regard, CCPG was the first domestic pharmaceutical group to separate production from distribution in order to enhance the speed, efficiency, flexibility, and response of the marketing and sales capacity of our group.

CYH has now become the most complete marketing and sales service organization in Taiwan for health-related products, ranging from OTC to pharmaceutical drugs. In this regard, it clearly stands as the partner of choice of international companies for the commercialization of their products in our domestic market. CYH already works with various international companies, including US and Japan-based players, which are eager to leverage the market knowledge of our sales force to launch and build their brands in Taiwan – without having to locally establish their own marketing and sales network. Our marketing expertise applies to variety of therapeutic areas and product

fields, but also to some of the most frontier drugs. Among many other companies, CYH is for example the proud partner of Celltrion, a very ambitious Korea-based company focused on the development of biosimilars. We are now closely working with Celltrion for marketing their first biosimilar in Taiwan. Through this type of partnership, CYH will continue to play an active role in bringing in more innovative products.

With regards to China, we were one of the first Taiwanese companies to enter and invest in this country. We have been accumulating a great experience of this market, whether it relates to dealing with the Chinese government, the country's regulatory stakeholders, and other local companies across the value chain. As a result, we are now ready to make international companies benefit from this expertise, building on the fact that SCCPC's products have been successfully sold in China for more than two decades already.

President Tsai established Taiwan's biotech and pharmaceutical sectors as key pillars of Taiwan's new economic model, with a strong emphasis on emerging, start-up companies. Do you feel that historical, well-established players like CCPG are fully considered in the government's ambition to make Taiwan the pharmaceutical hub in the region?

First, I think that government support to new, emerging biotech companies is particularly important. Looking at the bigger picture, pharmaceutical activities conducted in Taiwan still mainly relate to generics, and Taiwan remains heavily dependent on imports for accessing innovative drugs.

As CCPG, we are focused on generics products. Governments around the world and in Taiwan in particular are strictly controlling healthcare cost, nurturing an increasing need for high-quality, affordable products, but also rapid price erosion. As a matter of fact, the BNHI just dropped reimbursement prices again and pricing reviews are now conducted on a yearly basis. As a result, I expect that prices will continue to decrease in Taiwan, reducing profit margins of both local and international companies, and forcing smaller companies with fewer intentions to invest in R&D to leave the market.

On the other hand, CCPG has been a frontrunner in ensuring our products display the highest quality standards and comply with the government's latest GMP standards, including PIC/S GMP. As a matter of fact, CCPC was the first Taiwan-based company to receive the cGMP certification, while all our production facilities in Taiwan now comply with PIC/S standards. In this regard, I hope that the government will be particularly stringent when it comes to ensure all healthcare providers in

the country comply with these standards, which are absolutely paramount to guarantee Taiwanese patients can access the highest quality of locally developed and manufactured medicine.

I then expect that decreasing reimbursement prices and heightened quality requirements will further accelerate the phase-out of those unqualified players in the Taiwanese market. From around 500 drug manufacturers twenty years ago, Taiwan's domestic industry still holds over 100 companies, including a large number of very small manufacturers with particularly limited product portfolios and R&D ambitions. Considering the size of our domestic market, these aforementioned trends should contribute to bring the Taiwanese pharmaceutical industry to a healthier number of manufacturers, more aligned with the government's ambitions to provide high quality, added-value, and affordable products in highly needed therapeutic areas.

To what extent CCPG can be considered as a family business?

Although my grandfather initially founded the company in 1952, CCPC has been on Taiwan Stock Exchange for more than fifty years, while CCSB went IPO in 2010. In this regard, we have developed a high level of corporate governance with the most talented professionals in the industry, for all our R&D and operational divisions. As a group, CCPG then stands as a family business that has successfully completed its institutionalization process, while – as a public company – we comply with a higher level of legal obligations than private businesses.

Our international partners can then fully benefit from this dual identity: an unrivalled local expertise combined with international standards and a modern corporate structure. In light with this positioning, we now plan to further accelerate the development of our distribution arm, and CYH is set to IPO on Taiwan Stock Exchange within the next three years, with the ambition to stand as an evermore appealing commercial partner for international companies eager to enter the Taiwanese market.

What are the main objectives you want to achieve within the next five years?

Leveraging the ongoing healthcare reform recently initiated by the Chinese government, I deeply believe that CCPG is perfectly positioned to meet evolving healthcare needs in China and attract new commercial partners in a country that is set to remain the fastest growing pharmaceutical market over the upcoming five years.

In Taiwan, we are committed to continue providing our patients with high quality and added-value but affordable products. In this regard, we are currently developing new technology platforms, such as our groundbreaking nano-technology platform, to develop innovative formulations, dosage

forms, and drug delivery systems.

Overall, international business development will continue to stand as one of our main focuses and we hold great ambitions regarding the rapid increasing of our exports to the Japanese market. Although we have not yet started to export finished dosage products to Europe, it also stands as a growth opportunity we consider with attention.

In the grand scheme, CCPG welcomes every opportunity related to the marketing and sales of pharmaceutical and health-related products in Taiwan and China. Moreover, we are not only expanding our collaboration with our current partners, but also open to partnerships with more international companies through the joint development of high-specialty APIs and drug products to export to strategic international markets such as Japan, the US or Europe.

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