

# Outsourcing Preclinical Studies to China: Benefits and Challenges

Eric A. Meyers, MBA



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# Executive Summary

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Within the past several years in China, a number of state-owned labs as well as private and joint venture CRO's have or will soon offer preclinical GLP study services to Western clients. This report, built on discussions, facility visits, and in many cases study monitoring and/or auditing at the most advanced labs, provides a detailed view of the current and evolving preclinical study capabilities in China, their structures and services as well as an analysis of the comparative costs between US and China-based CRO's.

This report reviews the state of preclinical study services in China to identify the current level and near term trends for compliance with Western GLP standards. Competition to supply CRO services is beginning to cause consolidation and attrition within China. A small number of key preclinical service providers, identified and profiled in this report, have emerged as strong CRO providers. A detailed cost comparison between China and US-based CRO's and a detailed case study analysis shows that study savings of between 35–50% are achievable and that these savings are likely to continue through 2012 and beyond. However, as the report details, a series of cultural, language, training and operational issues impact the approach one takes to evaluating and managing preclinical studies when using a China-based CRO. Western companies with and without operations in China have developed successful approaches to conducting preclinical trials in China. The report describes several approaches companies have taken to address such issues.

The cost savings associated with using CRO preclinical services in China are discussed in this report in the context of organizational and operational differences between CRO's based in the West and in China. A number of factors are presented that study sponsors must consider before committing to a Chinese CRO. Small and medium companies can make their preclinical studies budget go further by using China-

based CRO's through appropriate due diligence and upfront project planning. FDA and EU regulators have accepted preclinical data generated by China-based CRO's as described in the report and the FDA has begun to build a resident inspector network in China.

This report describes the impact of language skills and the shortages of key disciplines have on what studies and how best to structure preclinical studies in China. Also evaluated are the broad issues such as IP protection and CRO ownership as well as laboratory animal rights regulations. CRO's in China have access to large NHP breeding facilities and offer a clear advantage to those companies planning NHP studies. The report also discusses the several Western laboratory mice, rat and beagle dog vendors and well as lab animal feed providers operating in China.

The report presents an analysis of the current and near term state of preclinical services available in China beginning with a short introduction to the evolution of preclinical services as well as a background description of the three laboratory ownership categories. Chapter 2 describes the differences in organizational and operational structures, business practices as well as personnel storages and infrastructure issues that impact the choices available to Western companies. Chapter 3 provides a cost comparison and a case study comparing preclinical study cost between the US and China. Chapter 4 provides a discussion of possible caveats and due diligence factors to be considered when considering placing a preclinical study in China. Chapter 5 provides profiles covering operations, facilities and services of the eleven most advanced CRO's in China.

# Table of Contents

---

## CHAPTER 1

INTRODUCTION .....	1
1.1. Why China: The Current High Level Perspective.....	1
1.2 Why China: Motivation and Strategic Considerations for Assessing the China Opportunity .....	2
1.3. Why China: Emergence of the China PreclinicalCRO Sector .....	7
1.4. Why China: Trends in Safety Science Services and China’s Role ...	11
1.5. Report Background and Contents.....	15

## CHAPTER 2

THE STATE OF PRECLINICAL SAFETY SERVICES IN CHINA .....	17
2.1. Overview .....	17
<i>Organizational History</i> .....	17
<i>High Profile Laboratories</i> .....	18
<i>SFDA Accreditation</i> .....	20
<i>SFDA vs. US/OECD GLP Standards</i> .....	21
2.2. Industry Structure and Competitive Dynamics .....	22
<i>SFDA Labs</i> .....	24
Private Labs .....	25
Additional Observations.....	26
2.3. Industry Infrastructure .....	27
Language and Communication .....	27
Protection of Intellectual Property Rights and Confidential Information.....	28
Facilities.....	29
Lab Space .....	29
Lab Automation Systems .....	29
Instrumentation.....	29
2.4. GLP Compliance .....	30
2.5. FDA Acceptance of Data, FDA Laboratory Inspections .....	33

2.6. Human Resources, Key Job Categories, and Workforce Stability....	34
Examples of Personnel Limitations .....	35
<i>Pathology</i> .....	35
<i>Laboratory Animal Health</i> .....	36
2.7. Animal Husbandry and Supply .....	37
Laboratory Animal Welfare .....	39
Animal Supply.....	40
Non-Human Primate (NHP) Studies .....	40
<b>CHAPTER 3</b>	
<b>COST COMPARISONS FOR PRECLINICAL SERVICES</b>	
<b>BETWEEN US AND CHINA</b> .....	43
3.1. Comparison Cost Examples .....	43
3.2. Management Oversight .....	48
3.3. Study Pricing .....	49
Pricing Case Study .....	50
Price Sustainability .....	51
<b>CHAPTER 4</b>	
<b>KEY PLANNING ISSUES TO ADDRESS WHEN PLACING</b>	
<b>STUDIES IN CHINA</b> .....	53
4.1. Important Factors for Consideration .....	53
Total Cost Elements .....	54
Timing .....	54
Range of Services .....	54
Histopathology .....	55
Study Management and Oversight .....	55
Third Party Option.....	55
Laboratory Ownership .....	56
Business Attitude .....	57
Managing Regulatory Risk .....	57
Closing Comment .....	59
<b>CHAPTER 5</b>	
<b>PRECLINICAL CROs IN CHINA</b> .....	61
5.1. Introduction .....	61
Beijing.....	62
Shanghai .....	62
Shenyang .....	63
Chengdu .....	63
5.2. Laboratory Profiles .....	63
BEIJING .....	63
Bridge Laboratories—Beijing.....	63
<i>Summary and Background Information</i> .....	63
<i>Facilities</i> .....	64
<i>Operations</i> .....	65

Beijing Joinn—Beijing.....	67
<i>Summary and Background Information</i> .....	67
BioDuro—National Center for Safety Evaluation of Drugs National Institute for the Control of Pharmaceutical & Biological Products (NCSSED).....	68
<i>Summary and Background Information</i> .....	68
<i>Facilities</i> .....	70
<i>Operations</i> .....	71
National Beijing Center for Drug Safety Evaluation and Research/IPT (NBCDSER)—MicroConstants China.....	72
<i>Summary and Background Information</i> .....	72
<i>Facilities</i> .....	73
<i>Operations</i> .....	74
SHENYANG .....	75
Shenyang Chemical Industry Research Institute, Safety Evaluation Center (aka National Shenyang Center for Safety Evaluation of New Drug—NCDSE & PSEC) .....	75
<i>Summary and Background Information</i> .....	75
<i>Facilities</i> .....	76
CHENGDU.....	78
National Chengdu Center for Safety Evaluation of Drugs (NCCSED)—Frontier BioSciences (NCCSED is also known as the WestChina-Frontier Pharmatech Co. Ltd.) .....	78
<i>Summary and Background Information</i> .....	78
<i>Facilities</i> .....	79
<i>Operations</i> .....	80
SHANGHAI .....	80
Charles River Labs—China (formed as part of the Charles River Labs JV with Shanghai BioExplorer Co., Ltd.) .....	81
<i>Summary and Background Information</i> .....	81
<i>Facilities</i> .....	83
<i>Operations</i> .....	83
National Shanghai Center for New Drug Safety Evaluation & Research (NCDSER), Zhangjiang Hi-Tech Park.....	84
<i>Summary and Background Information</i> .....	84
<i>Facilities</i> .....	85
<i>Operations</i> .....	86
Medicilon-MPI, Zhangjiang Hi-Tech Park.....	86
<i>Summary and Background Information</i> .....	86
<i>Facilities</i> .....	88
<i>Operations</i> .....	88
WuXi AppTec, Wuzhong District, Suzhou, Jiangsu Province (1–1.5 hours from Shanghai) .....	89
<i>Summary and Background Information</i> .....	89
<i>Facilities</i> .....	91
<i>Operations</i> .....	92
ShangPharma, Zhangjiang Hi-Tech Park .....	92
<i>Summary and Background Information</i> .....	92
<i>Facilities/Operations</i> .....	93
SNBL China .....	93
<i>Summary and Background Information</i> .....	93

**References and Notes** ..... 105

**TABLES**

Table 3.1. Provides Cost Comparison for Sub-chronic Rat Studies and Chronic Monkey Studies..... 43

Table 3.2. Cost Elements for System-to-Model Toxicology Costs ..... 47

Table 3.3. Cost Comparison for Preclinical Safety Testing—US vs. China..... 51

Table 3.4. Comparison of Cost Elements for Preclinical Studies—China vs. US..... 52

**FIGURES**

Figure 1.1. Timeline of Major Developments in the Preclinical Safety Sector ..... 9

Figure 2.1. Western GLP Compliance Distribution in China and US..... 31

Figure 3.1. Cost Comparisons—6 Month NHP GLP Studies..... 45

Figure 3.2. Cost Comparisons—1-Month Rat GLP Studies ..... 46

Figure 4.1. Relative risk points associated with a typical IND submission ..... 59



## Company Index with Web Addresses

---

### A

Allergan (www.allergan.com) .....	91
Amgen (www.amgen.com) .....	2, 78
AstraZeneca (www.astrazeneca.com) .....	3, 56

### B

Beijing Joinn (www.joinn-lab.com) .....	19, 20, 26, 33, 62, 67
BioDuro (www.bioduro.com) .....	9, 19, 26, 62, 68–71, 89, 91, 103
BioExplorer JV .....	8, 10, 18, 19, 62, 81, 82, 90, 92, 93
Boehringer Ingelheim (www.boehringer-ingelheim.com) .....	92
Bridge Laboratories (www.bridgelaboratories.com) ..	7, 10, 11, 19, 25, 29, 33, 62–66, 81, 103

### C

Charles River Labs (www.criver.com) .....	3, 8, 10, 11, 17–19, 23, 29, 40, 49, 62, 65, 81–84, 86, 92
Chempartner (www.chempartner.cn/) .....	4
Covance (www.covance.com) .....	3, 9, 11, 12, 17, 23, 26, 63, 66, 90, 92

### E

Eli Lilly (www.lilly.com) .....	3, 11, 12, 81
Enzon (www.enzon.com) .....	91, 92

### F

Frontier Biosciences (www.frontierbsi.com) .....	7, 19, 41, 62, 63
--	-------------------

**G**

GeneLogic ([www.genelogic.com](http://www.genelogic.com)) ..... 63  
 GVK ..... 4

**H**

Harlan Animal Research Laboratory ([www.harlan.com](http://www.harlan.com)) ..... 40  
 Huntingdon Life Sciences ([www.huntingdon.com](http://www.huntingdon.com)) ..... 3

**J**

Johnson & Johnson ([www.jnj.com](http://www.jnj.com)) ..... 2

**M**

Marshall Beijing Biotechnology Limited ..... 9, 40  
 Marshall Farms ([www.marshallfarms.com](http://www.marshallfarms.com)) ..... 9, 40, 77  
 Medicilon ([www.medicilon.com](http://www.medicilon.com)) ..... 8, 10, 18, 19, 25, 29, 62, 69, 86–90, 92  
 Merck ([www.merck.com](http://www.merck.com)) ..... 91  
 MicroConstants ([www.microconstants.com](http://www.microconstants.com)) ..... 26, 62, 72, 73  
 MPI Research ([www.mpiresearch.com](http://www.mpiresearch.com)) ..... 8, 10–13, 17–19, 23, 25, 26, 29, 62, 69, 86–89, 92

**N**

Novartis ([www.novartis.com](http://www.novartis.com)) ..... 26, 81, 91

**P**

Pacific Forest Resources ..... 40  
 Pathology Associates Medical Laboratories ([www.paml.com](http://www.paml.com)) ..... 66  
 Pfizer ([www.pfizer.com](http://www.pfizer.com)) ..... 3, 12, 59, 81, 91

**R**

Roche ([www.roche.com](http://www.roche.com)) ..... 81, 91

**S**

Schering-Plough ( <a href="http://www.schering-plough.com">www.schering-plough.com</a> ) .....	91
Shanghai Laboratory Animal Center (SLAC) ( <a href="http://www.slaccas.com">www.slaccas.com</a> ) .....	89
ShangPharma ( <a href="http://www.shangpharma.com">www.shangpharma.com</a> ) .....	7, 19, 20, 26, 62, 92
SNBL Clinical Pharmacology Center ( <a href="http://www.sbnl-cpc.com">www.sbnl-cpc.com</a> ) .....	9, 19, 26, 41, 61, 81, 93, 94
Syngene ( <a href="http://www.syngene.com">www.syngene.com</a> ) .....	4

**V**

Vitae Pharmaceutical ( <a href="http://www.vitaepharm.com">www.vitaepharm.com</a> ) .....	90
Vital River .....	40, 71

**W**

WestChina-Frontier Pharmatech Co. (WCFP) ....	19, 41, 62, 63, 78, 104
WuXi AppTec ( <a href="http://www.wuxiapptec.com">www.wuxiapptec.com</a> ) .....	4, 7, 9, 11, 18–20, 25, 26, 41, 62, 81, 89–92, 104

**X**

Xybion Medical Systems Corporation ( <a href="http://www.xybion.com">www.xybion.com</a> ) .....	29, 92
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