



PHARMACEUTICALS EXPORT PROMOTION COUNCIL
(Set up by Ministry of Commerce & Industry, Govt., of India)

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Dated: 4th July, 2011

BeiGene Brings Biotech to China

Like so many tech entrepreneurs before them, Wang Xiaodong and John V. Oyler met last fall over dinner to discuss how to start a business. It wasn't the scope of their plans that was unusual, it was the locale. Between bites of stewed beef and honey-soaked cherry tomatoes in a Beijing restaurant, the two discussed how they could mount a small revolution in the pharmaceutical world from China, a country not known for drug development. Their goal: to emulate the success of biotech pioneer Genentech and launch a world-class biotech industry in Beijing focusing on cancer drugs.

Only 10 months later, Wang and Oyler have lured 20 China-born, U.S.-educated scientists from companies including Johnson & Johnson (JNJ), GlaxoSmithKline (GSK), and Merck (MRK) to help them search for medicines, passed over by other drug makers, that may yet have the potential to treat cancer, which strikes more than 2.6 million Chinese each year. Their closely held company, Bei Gene, already has received financial backing from Merck and is in talks with seven other drug makers and venture capital firms to raise an additional \$100 million to \$150 million this year, says Oyler, Bei Gene's chief executive officer. "We want to become the Genentech of China," he says, referring to the U.S. drug developer that Roche Holding bought for \$46.8 billion in 2009. "I'm confident we have built a world-class team that can develop a successful drug."

Of Bei Gene's 60-plus scientists, a third were born in China and received a U.S. education or worked at an American or European pharmaceutical company, Oyler says. Its president, Peter Ho, a medical doctor, graduated from Yale University before working in cancer-drug development at Johnson & Johnson and GlaxoSmithKline. Chief Scientific Officer Pearl Huang has a PhD in molecular biology from Princeton University and led research groups at Merck and Glaxo. Chief Medical Officer George Chen has an MBA from the University of Pennsylvania's Wharton School and has held senior posts at Glaxo, Eli Lilly, J&J, and Sanofi. BeiGene plans to hire an additional 140 scientists in 2011.

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Co-founder Wang, a naturalized U.S. citizen, gave up posts at the Howard Hughes Medical Institute and a professorship at the University of Texas-Southwestern to return to China in 2003. He helped China establish the government-funded National Institute of Biological Sciences, where he now is director, leading 800 researchers. Why go back? Wang says he wanted “to be part of what’s happening in China, which by any stretch of imagination is the most dramatic event in human history in the last 30 years.”

Spending on pharmaceuticals in China is projected to expand by at least 19 percent annually, reaching \$115 billion to \$125 billion by 2015, according to the IMS Institute for Healthcare Informatics. A major target: cancer, a disease that has increased in China 80 percent over the past three decades and now is responsible for about 1.8 million deaths annually.

Wang and Oyler provided part of the startup financing for BeiGene. Oyler declined to say how much Merck has invested, adding that the backing may lead to partnership deals. BeiGene, currently set up at a temporary office at the National Institute of Biological Sciences on the outskirts of Beijing, is testing five drug candidates. All will potentially fight malignancies common among the Chinese: lung, stomach, head and neck, and nasopharyngeal (upper throat) cancer.

BeiGene hopes to buy experimental medicines shelved by bigger companies whose research budgets have been trimmed. The plan is to use Beijing area medical schools and hospitals to test the most promising treatments in early- and mid-stage trials, usually involving hundreds of patients, Oyler says. Those that are successful may be sold back to larger drug makers or co-developed with a Western partner that can finance more costly late-stage studies typically involving thousands of patients.

The bottom line: Chinese startup BeiGene is recruiting staff with Western experience to develop drugs for an estimated \$125 billion local market.

Source: Bloomberg Business Week