Interview: C.Y. Cheng – Chairman & President, Formosa Laboratories, Taiwan



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C.Y. Cheng, chairman and president of Formosa Laboratories, shares exciting news about the establishment of a new drug development company, Formosa Pharmaceuticals. He explains how the know-how gained from running a successful international API production business will help Formosa avoid the typical mistakes that young R&D companies face.

Mr. Cheng, when we met you back in 2013 you noted that government and industry have to work together to make Taiwan more modern and more international. What main 'biotech achievements' have you observed on the island since then?

After President Tsai was elected, some regulations in biotech were modified and simplified. For instance, Taiwan cut taxes to retain and attract foreign talent. Also, government actively encouraged start-ups to grow through grants, subsidies and loans, not to mention the initiatives that were implemented to foster research and development in SMEs.

Still, we need to attract more foreign investment and ensure that working culture and standards are kept similar to those of Europe and the US. While the education system in Taiwan is relatively good and we develop a lot of talent locally, low labor costs means that we often lose this talent to neighboring countries which offer more competitive salaries. I cannot deny the fact that the government is trying to improve policy but the next step is working on the execution; members of parliament working in different government units should efficiently collaborate to offer even more

practical solutions and initiatives for the biotech industry.

Formosa Laboratories has managed to become a successful company in API & UV production despite the huge competition in the field. What would you name as the main success factors that have led to your strong standing in the industry?

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At Formosa, we focus on constant improvement and investment into new capabilities. Since my last interview in 2013, we have focused on improving our core business, generic API. Talking about innovation, we may be viewed as a manufacturer but to produce products without infringing brands' patents, we strengthened our IP department. Formosa's competitive advantage lies in a very strong process development; we are able to provide APIs that can bypass the originator's patent and therefore offer generic companies 'first to file' priority and consequently ANDA (Abbreviated New Drug Application) filings with successful product launches in important strategic markets such as the US.

Innovation does not just start in the laboratory; we have been building a new factory representing the creative thinking of our company during the past few years. We have selected a series of products, production of which requires a very specific type of equipment. Looking at the facility now, the USD 30 million investment we made early in the process ensured that we could increase our internal capacity and improve our product selection. A few years later, our main products are manufactured in this new factory and the financial returns are starting to show. Years of experience allow us to combine the know-how of the process with engineering.

What would you identify as Formosa's best performing markets?

More than 95 percent of our clients are international, mainly coming from the US or focusing on the US market. We have also been enjoying a growing business with Indian companies. A lot of Indian companies are export-driven and very aggressively trying to sell to the US. These companies are not doing simple formulations for the domestic market and therefore must adhere to international standards. Consequently, they seek partners that can deliver the highest quality APIs; which is where Formosa comes in.

Mr. Chen at ScinoPharm told us that his company is now expanding its scope to become fully vertically integrated and is also entering the generic and injectable markets. How has Formosa been reinventing itself in recent years?

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Formosa is actually setting up a new drug development company, a spin-off of our drug development arm called Formosa Pharmaceuticals, while Formosa Laboratories will still stand strong in API & UV filter manufacturing.

Originally, I tried to hire high-ranking executives from the US to have a fully integrated company based only in Taiwan. After some attempts, I realized that relocation and tax restrictions still make it difficult to attract foreign talent. As a result, we are now setting up two companies, one in Taiwan and one in the US. We will form a partnership whereby in Taiwan we will focus on drug discovery, medicinal chemistry, funding possibilities and the scouting of promising compounds from academia and research institutes, even though we are eager to license in from abroad too; whereas in the US, we will mainly work on major product drug development. Formosa Pharmaceuticals will be an internationally focused company and will form alliances and partnerships to overcome local challenges.

Can you introduce us to the product portfolio of Formosa Pharmaceuticals?

Formosa pharmaceuticals is developing both large and small molecules. In terms of compounds, we have one oncology drug in Phase I trial; an IND (Investigational New Drug) approved by US FDA but with the trial performed here in Taiwan. This compound is being co-developed with Taipei Medical University. Following that, we started in-house project, which is now at the early stage, working on a new modified antibiotic drug. Also, we have another project in collaboration with EirGenix in the area of ADC (Antiboy drug conjugate), which is used in oncology. EirGenix provides the antibody and we use our experience in handling high-potent compounds to do toxin plus linker and the final bioconjugation.

Through collaboration with our US partner we are also exploring other in-licensing opportunities.

What is your business strategy for Formosa Pharmaceuticals?

Simply put, it is a new drug development company. We will start from in-licensing very early stage or late stage NCEs or modified formulations 505(b)(2) which Formosa Pharmaceuticals will develop until Phase II and then look for a partner to share the cost. Companies in Taiwan do not have the financial resources or expertise to bring the product to market by themselves. At the end of the day, of course we want to partner with Big Pharmas.

How are you leveraging the know-how from Formosa Laboratories in establishing this new company?

Formosa Laboratories will remain the main shareholder in Formosa Pharma. I have to keep the business of Formosa Laboratories strong and stable to support the development of Formosa Pharma. One of our advantages is the fact that Formosa Laboratories is well established; not only we can provide the funding but also the support needed in drug development pathways; we can be a good API supplier and help with documentation.

Formosa Laboratories will be the initial investor in the company; early next year we will also introduce our drug development arm as an investment opportunity for venture capital firms and private investors.

What do you see as the main challenge ahead of you?

You need to look at the whole industry, at the whole of Taiwan, and ask, “how many good drugs have we produced so far?” There are few companies from Taiwan that has become successful and the success rate is low. Drug development involves a lot of failures and this is why I invested in a good project management team to evaluate and manage risk.

I am able to assemble people with the right experience, people that have been in this industry long enough, they know how to act in a systematic and prudent way and will not stick to failure for long. Thus, eventually, Formosa Pharmaceuticals will succeed and have a higher success rate than some of the younger companies just starting and learning their way through drug development.

What do you see as Formosa’s contribution to Taiwan?

Formosa employs close to 700 people, so, this is my small contribution to support the life of every single employee in the company. Not to forget, we adhere to the highest standards of API production so together with companies such as ScinoPharm we add to the total critical mass of API production, which is still rather unique in Taiwan.

What should the international life science community know about Taiwan?

Taiwan is a good place to look for partners. While the country might not be big, people are trained to respect regulations and intellectual property. Furthermore, the capital market is better than in most of the countries. Taiwan holds expertise in different supply chain aspects but needs support when it comes to commercialization of drugs, the same applies for Formosa. I hope that global players can spend more time evaluating Taiwan as an investment opportunity as well as the place to form valuable partnerships.

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