

28 May 2024 | Interviews

# China Biotech CEO Interview: Starting A CNS Venture In An Economic Downturn

*Big Potential But Challenges Abound*

by [Brian Yang](#)

From Wyeth/Pfizer to Jiangsu Hengrui to IMAb to starting her own biotech, Joan Huaqiong Shen has seen many ups and downs of drug development in China. She sat down with *Scrip* on the sidelines of the recent DIA China meeting to discuss her latest startup devoted to novel small molecules to treat schizophrenia and epilepsy and a gene therapy for ALS.

When asked about the rationale behind choosing the central nervous system (CNS) area as her biotech devotion, Joan (Huaqiong) Shen, CEO of Chinese bioventure NeuShen Therapeutics, said that it has potential both from a large market and big upticks in valuation.

Shen pointed to the deal last December in which [Karuna Therapeutics, Inc.](#), founded just five years ago by Arch Venture Capital with Andrew Miller as co-founder, was acquired by [Bristol Myers Squibb Company](#) for \$14bn in cash. Karuna's leading KarXT program is in Phase II development for schizophrenia and Alzheimer's disease, both CNS indications.

In China, however, the field receives much less attention and because disease mechanisms are more complex and clinical studies hard to manage, talent is also lacking. Graduating from China Western University and trained as a physician herself, Shen decided to set her sights on CNS for her own startup.

Founded in 2022, Shanghai- and Lexington-based NeuShen Therapeutics has already raised \$20m in initial funding and filed its first US IND last year, for a small molecule to treat schizophrenia. Meanwhile, the development of a gene therapy for amyotrophic lateral sclerosis, in collaboration with the lab of University of Massachusetts



professor Guangping Gao, is ongoing.

## Challenges Abound, Competition Rising

Entering the second half of 2021, the funding environment for biotech in general began to deteriorate and developing CNS assets was more akin to something like oncology, Shen told *Scrip* in an audio interview on 18 May on the sidelines of the DIA China Annual Meeting in Suzhou.

Finding investors has been “very hard,” conceded the serial executive, who was CEO of Nasdaq-listed Chinese firm [I-Mab Biopharma Co., Ltd](#) and before that chief medical officer at [Jiangsu Hengrui Medicine Co., Ltd.](#), another major Chinese company.

The main challenge in CNS is choosing the right dose and right patients and trials may be derailed if these are not aligned and compliance not strictly followed.

Furthermore, operational excellency such as strict record keeping is needed. Lastly, patient withdrawal must also be closely monitored and if more than 30% of participants back out of a study, this could severely impact data accuracy.

Despite the challenges, CNS - with its large potential and untapped market in China - has already attracted at least 22 companies into the fray including [NeuExcell Therapeutics Inc.](#), whose chairman is former [Novartis AG](#) China president Yin Xudong.

Another China CNS venture, 4B Biotech, was founded by former [GSK plc](#) China R&D vice-president Guan Xiaoming and Tsinghua University professor Lu Bai. (Also see "[Rare Opening In Tough Times: New Biotechs Rekindle CNS Development In](#)

### NeuShen Snapshot:

- Founded in 2022.
- Located in Shanghai, China and Lexington, MA, US.
- Pipeline: NS-136 for schizophrenia in Australian Phase I trial in healthy volunteers, China IND pending; NS-041 for major depressive disorder/epilepsy, Phase I China start due in second quarter; preclinical gene therapy for ALS.
- Initial funding: \$20m.
- Series A follow-up funding to be

*China*" - Scrip, 14 Apr, 2023.)

### 'Know What Not To Do,' Attracting Investors

The lingering "capital winter" and post-COVID-19 economic downturn requires a novice biotech to conserve cash flow and do more with less, Shen emphasized.

completed in 2024.

- Staff: <20 in both Lexington and Shanghai with majority in China.

Out of its current dozen or so staff, two-thirds are based in Shanghai, but a small team requires high efficiency and outsourcing. "[From years of biotech executive experience] I know what not to do," she said.

The flip side is what *to* do - including keeping motivated, focusing on the science, building agility and bridging science and business. But when asked about the decision to exit the corporate world to start her own business, Shen said she has never regretted the decision.

However, the overall environment for new ventures remains tough. Since its inaugural funding two years ago, NeuShen has yet to close its series A, although Shen said this is set to complete before the third quarter.

Adding to the funding challenges, the CNS and gene therapy areas require even more courting of investors, particularly those in China. Personal chemistry tops the list, Shen told *Scrip*. Such was the case with Lampam Capital, a venture capital fund devoted to the biopharma and health sector, which the CEO said she had to spend a year educating about gene therapy before they were convinced to put in money.

The process needs to be "very engaging and persuasive," she noted, contrasting the situation to the US, where potential investors are much more familiar with the biopharma sector and discussions more straightforward.

Another key ability is to self-advocate, Shen noting she took every possible opportunity from J.P. Morgan to domestic roadshows to showcase NeuShen's research progress. With years of experience interacting with investors and analysts honed from her CEO role at I-MAB, the executive believes she has what it takes to pull through the tough funding environment.

### Innovation To Win The Day?

When asked about the increasing decoupling in the biotech sector between the US and China, underscored by the proposed US BIOSECURE Act, the CEO believes innovation will ultimately win.

The planned US legislation would limit companies from "countries of concern" from gaining US government contracts and is seen affecting Chinese gene sequencing providers such as BGI, MGI and Complete Genomics, as well as major contract service providers like [WuXi](#), [AppTec Inc.](#) and [WuXi Biologics](#). (Also see "[US FDA Asked To Tighten China Risk Control By Legislators As Markup Looms](#)" - Pink Sheet, 10 May, 2024.)

But Shen declared "novel drugs have no borders," adding that multinationals will continue scouting novel assets from China, which is giving confidence to many in the industry. For example, Shen's old employer Hengrui has recently established a new joint venture backed by US investors.

"Innovation [from China] can't be ignored by [US investors]," she added, which should be a cause of optimism for many biotech entrepreneurs in China.

The key is to understand clinical study differences and to have data recognized by both sides. With a small on-the-ground team in the US, Shen relies on them to initiate the IND process, while the China team executes much of the other plans.

### CNS Patients' Needs

A Phase I trial in healthy volunteers for NeuShen's lead asset, the M4 selective positive allosteric modulator NS-136 for schizophrenia, is being conducted in Australia, and Shen said the next step is to complete this, along with a healthy volunteer study for NS-141, a selective KCNQ2/3 activator for epilepsy.

The hope is to co-develop these with multinational or US partners and raise funds mostly in US dollars. Any initial public offering could be around two years down the road.

Any partnership with a large company would help with providing CNS patients more centralized studies and clinical strength, Shen concluded.

[Click here to explore this interactive content online](#) ✨

### **Fosun To Fully Acquire Henlius In Go-Global Push?**

By [Brian Yang](#)

26 May 2024

Parent Fosun and biosimilars arm Henlius halt share trading on the same day, sparking speculation of a buy-out deal that would assist the Chinese firms' globalization push.

[Read the full article here](#)