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PRESENTATION

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Hello, everyone, and welcome to BeiGene's 2020 NRDL Results Conference Call. My name is Craig West, and I'm the Head of Investor Relations here at BeiGene. After the presentation, we will take questions from the audience. (Operator Instructions)

As a reminder, today's call will be recorded.

I would now like to introduce your host for today's conference, Dr. Howard Liang, Chief Financial Officer and Chief Strategy Officer of BeiGene. Howard? You may begin.

Heng Liang - *BeiGene, Ltd. - CFO & Chief Strategy Officer*

Thank you, Craig, and welcome to all of you joining us from around the globe. On today's call, we'll discuss the inclusion of 3 of BeiGene's innovative oncology products on China's National Reimbursement Drug List or NRDL and implications to our company and in the markets we serve.

Today, our CEO, John Oyler, will start us off with an introduction to put the reimbursement listing outcomes into the context of our overall mission and strategy and our recent progress. We'll then have Dr. Xiaobin Wu, President and General Manager of China, discuss some specifics of the NRDL process and what inclusion on the list means. John will then make some concluding remarks before we take questions from our analysts.

Next slide. Before we continue, please be reminded that we'll be making forward-looking statements on today's call and our business carries certain risks. Some of these are discussed in our filings with the SEC and the Hong Kong Stock Exchange, as noted in our forward-looking statement slide here.

Now let me turn the call over to our Co-Founder, Chairman and CEO, John Oyler. John?

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Thank you, Howard, and thank you for everyone joining us today, especially those of you who stepped away from holiday time with your family. We're very excited to announce the outcome of the China National Reimbursement Drug List negotiations. And the inclusion of all 3 of our products for which we submitted applications in all eligible indications at which we believe are reasonable prices.

We're very proud of our team's accomplishment, and we believe that this positions us well for the outlook of these products. This caps a year full of achievements and is a great way to end the 10th year of BeiGene. This year encompasses so many accomplishments that looking back, it makes even my head spin a little. I will test your eyesight by expecting you to read all the text on this slide, I'm showing it to give you the impression of the progress that we've made.

We work towards our corporate goals across all levels of our organization, which did power the results that you see here. Our research team advanced 4 molecules into the clinic this year, bringing to 11, the number of molecules, that we have brought to the clinic in the past decade since our founding.

Our clinical and regulatory teams have been highly productive from enrolling studies through data readouts, all the way to registrations and approvals. The commercial teams launched BRUKINSA in both the U.S. and China. Tisle has now been launched in China for 2 indications, and we're also launching products from our collaboration with Amgen, such as XGEVA and soon BLINCYTO. We've continued to add assets to our portfolio and our manufacturing build-out is progressing as planned.

The potential to add 5 more commercial products to the current 7 we have approved today. With the inclusion of the 3 products, and the NRDL announced today, REVLIMID and VIDAZA previously, the BeiGene team has been successful in securing national reimbursement in China for all of the products in which we were involved.

I'd like to [in-frame] the inclusion of the NRDL in the context of BeiGene's overall strategy. A core element of our mission is to improve access to high-quality innovative medicines around the world. Gaining access to NRDL in China allows us to spread the development cost of new therapeutics across a larger number of patients. This, in turn, also will allow us to price more affordably and reasonably around the world and thus improve access to a greater patient population. This map highlights the countries in which BeiGene currently makes or as near-term plans to make our medicines available either directly or through partnerships. We expect the NRDL inclusions announced today to be only an early step in advancing our goal of providing greater access to high-quality and innovative medicines to billions of more patients around the world.

BRUKINSA is approved in 2 countries, filed in a total of 12. And in 6 of these, the filing has been accepted. We believe that we're on our way to providing our products to potentially more than 60 countries and regions around the world.

I'll now turn the presentation over to Dr. Xiaobin Wu, for some more details on the NRDL progress and its implications for us. Thank you.

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

So thank you, John. I'm very happy and proud to join all of you today to reveal this important achievement to our company. BeiGene has successfully obtained NRDL listing for all 3 of the medicines we submitted for consideration, and for all eligible indications. This is a result of skilled execution by our commercial team, starting with expanded reimbursement eligibility to include more recently approved medicine.

So this amendment of NRDL requires is 1 that the BeiGene team advocated for in conjunction with industry association colleagues. The change allows patients to have access to newly approved drug as part of NRDL more quickly. This now includes BRUKINSA approved last June. Regarding reimbursement prices. For competitive reason, we are not at this time going to disclose exact pricing, we can say that we believe that the price are reasonable and we are proud of our team.

Tisle will be reimbursed for 2 approved indication, cHL, where we have a very strong CR reach and the bladder cancer and indication for which BeiGene [alone] received reimbursement within the class. Similarly, BRUKINSA will be reimbursed for use in CLL, SLL and mantle cell, indications where we also have very strong data.

Finally, XGEVA will be reimbursed for GCTB, we expect the NRDL inclusion in this nicher indication will help us open the door for us to persuade hospital listing. So it is (inaudible) that PD-1 was included despite of fierce competition, inclusion was far from assured and as or was 1 among only 3 newly added medicine for other PD-1 PDL-1 did not make it.

In addition, I want to point out, our BTK was listed 1 year ahead of industry expectations. Its inclusion means there is an important best-in-class and new medicine in doctor's treatment to box that will be reimbursed.

Lastly, we celebrate the fact that the [third] of our products to be included came from our collaboration with Amgen. XGEVA also is novel, as it is not only the first and only medicine approved for GCTB, but this active ingredient is also the first and only approved [rank] inhibitors -- antibodies in the world. So the headline here is that all of our submitted medicine for all their eligible indication or on the NRDL at least now is listed. And the price range that we believe to be reasonable in conclusion with or negotiations which resulted in balancing the various needs of our stakeholders. The pricing outcome is good for patients. This positions us our products well for long-term growth. Especially, I want to emphasize China NRDL reimbursement scheme covered 95% of 1.4 billion population. This inclusion will have the product penetrate much more into the general population.

So let's take a step back to briefly review some basics of the National Reimbursement Drug List or NRDL. China introduced NRDL in 2000 and the national essential drug list 2009 with the intent to support the universal [health care] coverage and affordable basic treatment for all citizens.

The NRDL has included innovative medicine through price negotiations since 2016. It is important to note that reimbursement is for approved indication. And the copayment to for patients. So it depends on the city or province ranged from 95% of the copayment from 5% to up to 50%. So besides the reimbursement portion and the patient will pay the copayment and also patients that can also pay -- self-pay the product, which is on the reimbursement list.

Overall, the NRDL inclusion is a very competitive process. This year, the NHSA received application for 758 drugs. There were several rounds of elimination before 162 application went into the negotiation. In the end, yesterday, Chinese government announced 119 drugs were added to this year's list. In the PD-1 class, only BeiGene and the 2 local firms made the NRDL list this year. So as you can see here, for generally known overlapping indications, where there are 8 PD-1 on the market today in China, of the multinational developed product in this class are not on NRDL.

So BeiGene's PD-1 Tisle is a truly globally developed products, supported by global run trials in large indications and high-quality manufacturing from German manufacturer BI.

In the BTK Class BeiGene's BRUKINSA is the only newly listed BTK on the list this year. And XGEVA made the list for use in its first oncology indication. A common question on investors' mind might be what happens after NRDL inclusion. Hey, I wanted to show you data on [sales] performance following NRDL inclusion. So meaning a drug with -- without a generic competition, they have IP protection in China.

Oncology drug on the NRDL, for which we have data. There are approximately 30 products presented here on this chart. Each line is a trajectory of a drug after being listed on NRDL. Q0, which is normalized to 100% of each drug is the quarter proceeding NRDL inclusion.

I would like to highlight a couple of things. First, they initially for many products, there is somewhat a slowdown because the price cut is immediately and volume increase takes some time to realize also you typically see some channel destocking even before the start of the NRDL because of the anticipated upcoming price reduction. So there is something to keep in mind as you model growth trajectory.

The second observation is that most of the products experienced sustained long-term growth following the inclusion in NRDL. As you can see from the right line, after 7 quarters of sales following NRDL inclusion, those products were on average at nearly 300% of annual sales value as compared to pre-NRDL.

Here we are looking 3 concrete example of the product from the last slide, which is -- so in general, in more greater details. The blue column represents the last 12 months of revenue pre-NRDL and the right column are after NRDL. In the left chart is Herceptin, which was flat to declining pre to NRDL.

So the -- you can see after NRDL includion it is approaching -- it has doubled 7 quarter after NRDL. So despite of 65% price cut. The annual sales of Herceptin in China exceeded 800 million in 2019.

In the middle chart, is the trajectory of TAGRISSO before and after its inclusion on the NRDL, you can see the acceleration of growth following NRDL inclusion, which, in this case, achieved more than again, USD 600 million in trailing 12-month sales in China as of quarter 3 2020.

In the high hand chart -- in the right-hand chart, we are showing the first generation EGFR inhibitor class, which as a class was relatively flat pre to NRDL inclusion. And remember, there was generic competition in this class. It is noteworthy that the class even without TAGRISSO's contribution more than doubled its total revenue despite the price reduction, generic competition and the impact of volume-based purchasing.

So now I turn it to the next slide. Now taking a close look at the China PD-1 market, you can say it is developed quickly in just the last 2 years that is this class has been sold into this market. As of today, it is essential -- it is essentially a self paid market with only 1 PD-1 on NRDL for a small indication of relapsed and refractory Hodgkin's lymphoma.

However, it is already at an annual run rate of approximately USD 2 billion. This is self paid market with a penetrated market of 3,000 -- 300,000 patients at a monthly cost of roughly USD 1,700 based on our market analysis. Just think about the current penetration of patients is 300,000. In China, eligible patients for annual patient for this market would be between 2.8 million to 3 million patients annually. This is just 10% of penetration today.

An important question in the past NRDL world might be, how big do we see the market now, with reduced price, it doesn't follow to apply the previous run rate. So we project the accounting to the run rate this year, it's USD 2 billion and going forward, longer term, will this market still be USD 10 billion, USD 15 billion, we believe, yes.

As I said before, the penetration rate today in China is extremely low. It's just 10% the DoT, the duration of treatment is also extremely low, according to our estimation, it is just so 3, 4 cycle, it should be much, much longer.

What we understand about the PD-1 market, it is one of the most significant oncology market in China. And as I said before, the annual incidents in China is 4 billion -- 4 million patients and eligible patients will be 2.8 million. So the bottom line is we expect the reimbursement and greater affordability resulting from the NRDL inclusion, which supports significant growth in the PD-1 market as it improves access for this large pool of patients and likely extend their duration of treatment. Even at half price, we anticipate the market grow to multiple of what it is right now.

Today, in China, there are 4 PD-1, PD-L-1 from multinational MNCs and 4 from domestic company, and the domestic company so far has led the market despite later entry. Only we and 3 domestic companies have successfully achieved NRDL inclusion. So we expect the PD-1 market in China going forward will be dominated by BeiGene and domestic player. We do not expect that MNC will be able -- so MNC will be able to achieve a low NRDL price level.

And we do not foresee any meaningful opportunity for our Phase 6, 7 player on this space. NRDL reimbursement is label based. Tislelizumab will now be included under NRDL for cHL and bladder cancer. We have filed with NMPA for 3 additional NDA for first-line squamous NSCLC, first-line non-squamous NSCLC, and the second third line liver cancer. We expect decision on those applications in the coming months. So please stay turned.

We believe we are well positioned to compete in the large PD-1 market. So the Tisle is -- everyone is talking about PD-1, Tisle. Our Tisle is unique and it's only NRDL reimbursed PD-1 that was globally developed for day 1. National reimbursement has played out, and MNC candidates did not make it under this list.

In our global clinical program, Tisle is in 16 filed or potentially registration and enabling trial. Several of studies in the program are global and enrolling more than 2,000 patients outside of Mainland China. Tisle has a differentiated mechanism as you know, of action and differentiated clinic data in the first approved indication of Hodgkin's lymphoma with a very high CR rate.

We are accumulating more data in additional indication, including in combination therapy to extend its use. Our molecule is manufactured on the high-quality standard used by our very experienced partner, BI, if you think the quality of German beer is impressive, the quality of beer, and here,

we are talking also about the quality of PD-1. And their innovation, the BIS, innovation and quality standard are truly world class. That is another differentiator for our PD-1.

So the BTK market in China is on a run rate of approximately USD 200 million this year. BRUKINSA is second BTK inhibitor to be included on the NRDL for R/R, CLL/SLL and R/R MCL. These 2 indications account for over 70% of the entire BTK market in China. We believe our head-to-head Phase III trial against ibrutinib, the ASPEN study has shown clearly differentiation in safety and suggested also efficacy differentiation.

In particular, our CLL/SLL data in China label are very strong relative -- very strong relative data in ibrutinib's China label. If you compare the label to label, zanubrutinib and versus ibrutinib. This is a big, big difference in the labor in the data.

Our ongoing development plan for BRUKINSA are late-stage and broad. And now include a filed application in R/ R, Waldenström's as well as further development in CLL/SLL and mantle cell. Additionally, we are pursuing indication in MZL and FA.

So the -- our ongoing development plan for BRUKINSA. So we are very pleased also to have the first product from our collaboration with Amgen listed on NRDL this year. XGEVA for years in GCTB or giant cell tumor of bone. This indication isn't as big as a potential sets from the SRE indication. That recently was also approved in China just a month ago, but the launch has gone well in its initial 3 months [the months] of the GCC. We look forward to what we believe will be an acceleration of hospital listing and improve the patient affordability.

So [ways] that this event, again, the inclusion of our product in China, 3 products in China and all indications eligible in NRDL, we are very happy and very confident our product from the next year will have opportunity to penetrate to cover more than 95% of the China population. We are very happy.

And with that, I will hand back the call to John. John, please?

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Thank you, Xiaobin. BeiGene's 10-year was extraordinary from start to finish. We're thrilled to have capped it off by successfully negotiating the NRDL to include these 3 products for all 5 indications that we applied. I'd be remiss if I didn't take a moment to congratulate and thank the spectacular teams across BeiGene, who have worked nonstop to pull this together from the tactical execution through the strategic negotiations.

I was thrilled by the quality and the passion that I saw in everything they did. We're pleased with the outcome of the NRDL negotiations. We believe it will help patients contribute meaningfully to our mission to bring innovative medicines more broadly around the world as we can and to many more people. As we've just shown, historically, NRDL reimbursements on average have resulted in volume increases that more than offset any price decline and generally results from negotiation.

In sum, we considered a major accomplishment to have these products improved and reimbursed in China for these important indications to better serve patients who need them.

And with that, I'll hand it back to Craig to begin the Q&A, please.

QUESTIONS AND ANSWERS

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Okay. Thank you, John. This concludes our presentation, and it's the start of our question-and-answer session. (Operator Instructions) Our first question comes from the line of Wangzhi Li. Wangzhi, I see you as muted. All right. We're going to come back to you, Wangzhi.

Wangzhi Li - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research in Biotechnology*

Sorry, can you hear me?

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Yes, we can hear you now.

Wangzhi Li - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research in Biotechnology*

Sorry for that. Yes. So my question is regarding the -- see if you can provide any color on the pricing. I understand it's not disclosed, but any high-level color on the profit margin of your product or in general for the class based on the prior PD-1 antibody in NRDL list?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

So let -- John, you want to start or you want me to answer a question?

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Why don't you start with price? And then I can jump in there after.

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

Okay. Thank you, Li. As you've said correctly, and Asian, we do not talk in exactly the pricing. But 1 thing I can tell is the price this year is reasonable. And the -- our price is higher than the industry expectation. So that's just a fair balance between the affordability of patient accessibility and also encourage innovative industry for long-term growth. So at the latest, when the China start to implement NRDL beginning of March 1, that will be pending, the price will be more or less public because all companies need to involve the distributors. So I stop here. So we are happy with the current price.

Wangzhi Li - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research in Biotechnology*

Got it. Great. If I can add one more question. In terms of duration of treatment, you mentioned that China right now is about 3 months on average and shorter than in the U.S. Can you provide any color on what's the reason and what do you think of the dynamics going to change in the coming quarters in terms of duration?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

So there's a couple of reasons for the short duration. Definitely, affordability is one big challenge. The -- also almost every company provide a PIP program, but the entry hurdle for patients are still high. That is, therefore, the drop-off of rate after the 1, 2 cycle are extremely high.

That they wish NRDL, the patient copayment will be dramatically reduced that is because the majority of the costs will be taken over by the government. That will have the large duration, extended duration.

The second reason is in China, the diagnose is normally late much later than in the developed country with NRDL inclusion of not only PD-1 but also the other oncology drugs. The awareness will become much bigger, much greater and many patients -- many hospital patients -- which screened patients much earlier. I think that would be the 2 major reasons for the DoT.

Wangzhi Li - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research in Biotechnology*

That's very helpful. Maybe one last question, sorry for adding one more. For the BTK class, you mentioned is about USD 200 million run rate right now, if you compare to that in the United States or western world, there's a big difference. I wonder if you can provide any color on the outlook for this class in China? And maybe what's the some reasons for the big difference?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

The big difference is the #1, the incidence rate in China for the major indications say is less than U.S. The -- that maybe is because of the diagnose and I hope with inclusion of BTK, the diagnose rate in China will be also increasing. That's number one.

The CLL is a very long treatment. In the past, the reimbursement hurdle is very high. The patient -- normally, the CLL patient, normally they use BTK for years. That is the -- DoT is much, much longer. So that is not the case in China for 2 reasons: 1 is affordability. The second is BTK is introduced in China just 3 years ago. It's not long enough for to -- there's only 1 player, putting it in the market, which is not focusing on whole China is just focused on big cities and awareness is still low. We hope with our inclusion and NRDL, the awareness in the market will be largely, largely increased.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Our next question comes from the line of Michael Schmidt.

Michael Werner Schmidt - *Guggenheim Securities, LLC, Research Division - Senior Analyst & Senior MD*

Thanks for the detailed information on the PD-1 market in China right now, that $2 billion annual run rate sounds very impressive. Could you maybe just comment on tislelizumab's current market share among domestic PD-1s and how you think that might evolve in the coming years given that you have now 4 competitors that are reimbursed in China?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

Yes. So I can start, and John and as a colleague can give additional comments. We launched the Tisle in the -- in this year as 7th product in the Chinese market. We launched Tisle in March. March was the time where pandemic in China is worsening, and we decided despite of all these challenges, we launched the product from traditionally -- traditional off-line launch, big meetings and switch to the online launches because we believe our product is very differentiated, which can help patients in a bigger way. Therefore, we did not hesitate -- hesitate and we just launched the product.

After -- from March until now, we're ramping up from #7 at the beginning, at launch, now we become #4. So in the market, we believe we are working on this. We definitely want it to be top 3 next year, PD-1 with the inclusion of NRDL with the not inclusion of KEYTRUDA and also other multinationals, we believe there all penetration will become even accelerated next year.

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Yes. Yes, I think I'd just reiterate that there's a slide in the deck that was presented. I'll spare you repeating me the things on that slide. But PD-1 is the 1 NRDL reimbursed medicine that's truly global. You have regulatory agencies in countries all around the world, seeing 2,000-plus patients

worth of data, safety and efficacy associated with it, you have the different mechanism and so on and so forth. So I think when we look at that slide, our team has that in hand we also -- 3 of those 4 companies ran studies at the same time at the same centers in cHL, they all have labels in cHL. And I think we're very happy with the label we have, and we think it speaks to the quality of the medicine that we have.

So I think from that perspective, it's great position. We should do well. We have, in our mind, the best set of cards to play. I think from the other perspective, you have an incredible commercial organization run by Dr. Wu Xiaobin. And it's a science and medicine based team. And everything we're doing is really geared towards high-quality science and high-quality medicine.

And I think the way we can interact and build a relationship is different than other organizations, and that's important, too. And all of those are important for our PD-1 medicine, but they're also important for BTK as and for everything that we're bringing to market. This is the future of what you're really going to need to be successful in China.

Michael Werner Schmidt - *Guggenheim Securities, LLC, Research Division - Senior Analyst & Senior MD*

Okay. And could you comment on your U.S. strategy for tislelizumab as while potential timing of launch and our thoughts around pricing and commercialization there.

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Sure. I mean, I'm happy to do that. I think that we've said in previous forums that we've always had an intention since day 1 to be global. We've manufactured in a global manufacturing quality way with BI. Every patient on every study, the intention is for that to be included as part of the safety package in the U.S. and Europe and every other country around the world. So everything has been done with that in mind.

When we originally embarked with our PD-1, we had a collaboration for a short time with Celgene until they were acquired by BMS. And during that time, we began a series of global trials, which now have read out and begun to read out.

And from our perspective, as we've said before, the primary thing we've been waiting on is the CMC ability to be able to move forward and that's something that we think is occurring in the near future. And we haven't guided specifically when but that's something we're working to in small months, not years.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Sounds good. We'll move now to the line of Matthew Harrison.

Matthew Kelsey Harrison - *Morgan Stanley, Research Division - Executive Director*

Great. I guess two parts for me. One, can you comment a little bit on what NRDL listing does in terms of additional approved indications, but they're not obviously NRDL listed in terms of hospital formularies or other sort of benefits from that regard. And then, I guess, secondly, just a follow-up on the pricing question that you answered earlier. Can you talk about, just broadly speaking, obviously, know the price of the PD-1 that is already listed on the NRDL. How do you think about competitively versus that price?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

So indication, the NRDL reimbursement is definitely indication based. The -- that is only for the approved indication and if you applied for. Therefore, the next year then we will have -- we believe we will get an approval for the first-line squamous, non-squamous small cell lung cancer. And also second, third line HCC sometime, so near term.

And if we get that approved, we would be eligible for the negotiation next year for the large indication. In terms of hospital listing, that is key. The inclusion of NRDL will definitely facilitate hospital listing, which is -- which makes for oncology products, almost 90% of the market share, the hospital. And the -- for general medicine, this would be 80% market will be generated in the hospital.

So 2 years ago, when China government announced the NRDL, NHSA even released a document to recommend hospital to lease the approved drug into the hospital formulary. Last year, they didn't do this. And -- but in general, many hospitals -- this is definitely facilitating the hospital listing in the big way.

The -- your second question, that is a benchmark in NRDL and so reimbursement from last year or from this year, basically the 1 of the domestic company, which is RMB 98,000 annualized. Definitely the all newly include the products as price is lower than that. But the different company has different pricing, not a unique price that depends on the efficacy and safety profile and also the indications, how big is indication. Our site is lower as well, but not significantly low.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Our next question comes from the line of Gang Lee.

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

He is on mute.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

No, he was actually using an older version of Zoom. So we'll go now to Yang Huang.

Yang Huang - *Crédit Suisse AG, Research Division - Research Analyst*

This is Yang Huang from Credit Suisse. So my first question is about the sales team expansion plan. I wonder after we have 3 drugs adding to NRDL, what's our sales team expansion plan for next year in China?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

Yes. Thank you for asking this. A very good question. Our commercial team is currently -- so our 1,500 people. We continue to build that team so a quarter ago, 3 months ago, we started to build our broader market team. So with initially 150 people to -- so our expectation, this team realized the unmet needs in the rural area is so huge. And so that traditionally is not be focused by many bigger hospitals and et cetera.

So the performance, the people in the broad market team feel very proud, they really identify the big unmet needs for patients. They are so happy to have to able to have so many patients. So going forward, with inclusion of NRDL, as I said before, that the Chinese NRDL scheme cover 95% of entire 1.4 billion population. And this require us also to penetrate not only focusing on the big cities, but also penetrate to much, much broader market.

Not only to utilizing the traditional sales rep model that will be a combination with new technology, with IT and all other new things. And we are working on with various digital company in the market to much, much broadly to promote our product. So the -- that showed a very good efficacy.

Recently 2 months ago, with key opinion leaders, we did so the disease awareness campaign with key opinion leaders, not product specific, but disease campaign in the [JD.com.] Guess what? That at the same day, this is over 200,000 watches and so during that time, people asked the

question are very much interested in all the disease awareness and et cetera. That is a fantastic and new way of doing business and of promoting the awareness and helps awareness.

So therefore, the next year, in summary, we will continue to build our team in the traditional way, but more importantly, in the nontraditional way with using technology.

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Yes. I think, Xiaobin, I'd probably add to that. The reality is commercialization in the biopharmaceutical industry in China is a scale game. And it's a scale game, which to be successful, you're going to need a breadth and a depth of products. And from that perspective, that's why we have the deep research capabilities we do, the team of over 500 folks and growing and why we've developed the partnerships we have, you're going to need to have a rich plethora of medicines to bring to patients all across China to be able to support the team in smaller markets, but the smaller markets in aggregate are huge.

So this is something that I think those of us in the market see and we understand, and it makes it very hard for organizations that come later or come with too few compelling products to build up breath and not scale.

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

And in addition, as we said before, the current penetration of all PD-1 together, 7 companies together, 8 now, now it's 8, 4 multinational and 4 domestic, 8 PD-1. The penetration rate in China for eligible oncology patient is just 10%. Going forward, this 90% of the eligible patients are still not using PD-1. The company who get on the reimbursement lease NRDL will have responsibility and social responsibility to make the product available for other 90% of the eligible patients that will require us much more to build up our team and utilizing the technology.

We don't know how many years we will need to recharge all these patients we hope as soon as possible. This is life, and therefore, we are very confident with this inclusion, our opportunity is much, much greater and patient to have a patient.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Okay. We'll move to our last and final question from the line of Li Changshu.

Unidentified Analyst

And this is (inaudible) I am from Goldman Sachs, on for Ziyi. I have two questions. The first one is, I understand that we don't discuss detail in pricing about (inaudible) but we're thinking about (inaudible) two relatively small indication next year, we're going to have launch. So could you please maybe comment on the long-term NRDL pricing dynamic in China, what do you see as potential (inaudible) by staying [300,000] per year like as the biannual cost or something like that. That's number one.

And number two is given the competition dynamics in China and increasingly, decreasing R&D return, will there be any changes to R&D programs, especially if it's for the (inaudible)?

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

So the -- we discussed intensively in the industry about the large indication inclusion going forward, whether price cut will occur again in how big. The general opinion is the NHSA for the innovative products are so far, especially this year are reasonable. This is a good balance of helping patients and also to encourage innovative industry. Going forward, we believe with large indications inclusion the price reduction will be not so significant anymore. And that we're probably in the range of 10 to 20, we don't know. But many people in the industry believe that will be the case.

So the competition your second question was?

Unidentified Analyst

Yes, the second portion is about the R&D return, is giving increasing competition in PD-1 pricing what has -- have been any changes or current R&D program?

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Yes. I can answer that, Xiaobin, if that's okay. I think, fundamentally, if we go back to the economics of our industry, it's all upfront cost, it really is. And 90% of the time and 90% of the energy is in clinical. That's why people say, BeiGene, what are you doing sometimes, what BeiGene has been doing is we've been trying to build our own infrastructure for clinical, believing it's a big long-term sustainable competitive advantage.

But I think at this point, we've convinced ourselves and those who have come in under the cover that that's really true. We can do stuff more quickly, we can do things more affordably, not just because it's more affordable in China. But if you can run a study more quickly and maybe take a 2.5-year study and turn it into a 2-year study, you reduce your cost everywhere else in the world, you have a clinical site open because it's open 6 months shorter.

You also can reduce the number of sites you need to open and [brand new] sites that are very expensive because they only enroll one patient in the entire study. So I think, first of all, BeiGene's always had the view. It was founded by Xiaobin and I on the belief, the problem in our industry isn't does great science work? Great science works. It's how do you be affordable.

And the primary problem for us all to solve is reducing the cost of clinical trials. BeiGene's done that [verse] through building its own internal infrastructure. So we can optimize things through being a leader and understanding China joining the global clinical trial ICH and becoming a clinical science leader we're in the heart of that, but we're not in the heart of that running China studies for China registration. We're in the heart of that running global studies that are highly China inclusive for global registration. This is the key, number one.

We do believe that the costs are dramatically lower in clinical, and it's not about research. Research is small and research is much, much higher probability of success today than it's ever been. Science is really working. It's this clinical piece we need to sort out. BeiGene has a 4-legged strategy of which we haven't fully disclosed, but entirely around how you reduce clinical cost because this is all that matters. It's hard. It's all logistics.

And in our industry, for some reason, we've outsourced this to CROs, to PPD, Quintiles PRA, these firms run the core competency, the most important part of the industry for making affordable medicine.

I don't know, Amazon doesn't outsource its logistics to someone else, nor does FedEx. But in our industry, we've done this. So we're reclaiming this, and we're trying to really become truly excellent in this area, believing this is the way to affordable medicine.

The second thing that we believe is, of course, gross margins will matter, cost of goods sold matters. It's more important in areas that are more expensive like biologics manufacturing. And for that reason, yes, we work with Boehringer Ingelheim, who has just unbelievable quality and track record like no one for quality antibody. And Xiaodong and I wanted that because we wanted to sleep at night knowing patients were going to have excellent medicine that was helped developed and manufactured by a world class organization, we'll continue to work with them and do that.

In addition to that, though, we've built our own state of the art facility in Guangzhou, I think at this point in time, there's over 50,000 liters of capacity that is physically there in the ground. Not all of it is functional yet, but they're bringing the rest of it online. And that's a facility that is with other things we're doing, stated to build us into a manufacturing capacity of over 100,000 liters as a company over time. So we believe excellence in this area is also important.

So I think that BeiGene for 10 years has been envisioning a world with a different price point for medicines, driven by China NRDL reimbursement. With the understanding, it was going to have to be at a price point that we're seeing today. And that when that happens, it will influence the entire industry. But BeiGene is absolutely focused on rebuilding the entire value creation chain so that under the cost structure, under the pricing structure you're seeing today, you can have a highly, highly profitable, innovation-driven and innovation driving industry, and we continue to believe that.

And we also believe the benefit -- beneficiaries of all of this is a few billion additional patients around the world that we're going to be able to get medicines to under that cost structure that currently today have to wait until patent expiration for 10, 15 years until they can have access to those medicines.

And we think the world is changing in a very positive way but it's not changing the attractiveness of our industry from a profitability, from a value creation or from an innovation perspective. This is an incredible industry doing so much good so much breakthrough in oncology and then other therapeutic areas now, too. And we're going to be a big part of that, and we're going to help rebuild and restructure it in a way that can be truly excellent in every area. So we're excited about that. And we wholly believe that's a business model that investors will like, scientists will like doctors will like and patients will love.

Craig West - *BeiGene, Ltd. - Senior Director of IR*

Okay. Well, this concludes the question-and-answer portion of the call. And so I'll now turn the call back to Howard for closing remarks. Howard?

Heng Liang - *BeiGene, Ltd. - CFO & Chief Strategy Officer*

I'd just like to thank everyone again for taking time off to join us from your holidays or from your busy schedules around year-end. As you can tell, we're very excited about the NRDL outcome and how it positions our products. We look forward to updating you on our progress in 2021, starting with investor conferences in January. Thank you, and have a wonderful new year.

Xiaobin Wu - *BeiGene, Ltd. - GM of China & President*

Thank you. Happy New Year to everyone.

John V. Oyler - *BeiGene, Ltd. - Co-Founder, Chairman & CEO*

Happy holidays.

Heng Liang - *BeiGene, Ltd. - CFO & Chief Strategy Officer*

Yes. Bye.