GeneMedix sets sights on Southeast Asia

Biogeneric manufacturer GeneMedix (Esher, UK) raised almost £20 million ($30 million) when it listed on the London and Singapore stock exchanges at the end of November. GeneMedix is the first biotechnology company to list in Singapore, attracted by the government's strong support of its blossoming life science sector and potential investor interest. However, other generic manufacturers are skeptical that GeneMedix, which plans to launch its first product in China, will be able to make an impact on the Southeast Asian market, given stiff competition from local manufacturers and the threat from foreign imports.

GeneMedix's listing on the London Stock Exchange was a natural step to take from an unregulated OFEX listing (an over-the-counter trading facility), but the move to the Singapore exchange was unusual. Kim Tan, one of GeneMedix founders, says that the company considered the option after being approached by the Singapore government. GeneMedix was impressed by the government's efforts to establish the island state as a regional hub for biotechnology and pharmaceutical businesses, in particular its commitment last year of S$1 billion (US$580 million) toward four investment funds to support R&D by life science companies. Whether investors will be equally supportive remains to be seen. However, Girish Sahajwalla, senior manager of corporate finance at PricewaterhouseCoopers in Singapore, says choosing Singapore makes sense. "While the sector is still young in Singapore, the government is promoting the life science industry and aims to establish Singapore as a biotechnology hub. . ."

GeneMedix plans to sell its first product—granulocyte macrophage colony-stimulating factor (GM-CSF), a treatment for patients with a low white blood cell count—in China later this year. It has established a manufacturing facility near Shanghai through a joint venture with Shanghai Shenglanda Biotech (Shanghai) and, in July, it acquired 75% of the equity in Shanghai Dongxin Biotechnology, a subsidiary of the Chinese company. Through this deal, GeneMedix gets a high quality, but relatively low-cost, manufacturing facility in China; part of the proceeds of its initial public offering will fund this acquisition.

The Southeast asian markets, says Tan, are ripe for picking by drug manufacturers. Sahajwalla agrees that the market potential is significant, arguing that the increasing affluence and health consciousness of its


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The financial district of Singapore, where GeneMedix is the first biotech firm to list.

growing population create a significant market opportunity. "Over the next 5 years, the Southeast Asian market is expected to grow with a compound annual growth rate of 11%, compared to about 7% for the US and Europe." There is a particular opportunity for generics because many small-molecule drugs and therapeutic proteins are unpatented in some regions. GeneMedix hopes that it will have a competitive advantage, as one of the few companies able to manufacture recombinant proteins in China.

However, despite an estimated $10 billion market for GeneMedix's products, investors have been cautious; GeneMedix's share price slipped from 90p to 77.5p the week following its listing.

One of the reasons could be that the company faces foreign-import competition from such companies as Immunex (Seattle, WA) and Cangene (Toronto/Winnipeg, Canada). In addition, John Langstaff, president and CEO of Cangene, says China is not a key territory for sales, arguing that many countries in Asia feel more confident about products that have been given the green light by western regulators such as the US FDA and the European Agency for the Evaluation of Medicinal Products. "Our view is that it is much easier to sell a product to a foreign country if you already have a license in the US or Europe." As a result, although Cangene has conducted clinical trials in China, Langstaff says that Cangene will focus on launching products in wealthier western markets.

In addition, GeneMedix's products may come under scrutiny as a source of exports: Not only must its Chinese manufacturing plant satisfy Western manufacturing standards, but the products will also have to meet whatever regulatory standards for biogenerics are agreed on by Western regulators. At present, these requirements are still being developed. Should GeneMedix launch its products in the US and Europe, it would also then have to battle with other western manufacturers—both smaller outfits and multinationals with generics businesses.

Liz Fletcher

Chinese gov't chips in to industry

The Chinese National State Planning Commission announced in November that it will invest RMB 200 million (US$ 24 million) over two years in the Beijing National Center for Biochip Design and Engineering (NCBDE). Observers think the effort, with its experienced director and focus on innovation, stands apart from most of the chip-based companies in China, many of which have arisen to cash in on the biochip frenzy in Asia.

The new center was set-up as a company in September 2000 jointly by Tsinghua University, the Chinese Academy of Medical Sciences, the Chinese Academy of Military Medical Sciences, and the Central China University of Science and Technology, all located in Beijing. It will receive RMB 25 million (US$ 3 million) per year from Tsinghua University, and RMB 5 million (US$ 600,000) from each of the other three institutions, and there are plans to raise another RMB 150 million (US$ 18.1 million) in venture capital from funds in Hong Kong, China, Malaysia, and the United States.

Some observers say chip-based technologies that are cheap and easy to handle could revolutionize medical care in China: State-of the-art diagnostic laboratories are highly centralized and concentrated in a few large cities, creating huge disparities in medical care infrastructure among the country's 1.25 billion population.

The center, which will focus research on "active" biochip technologies and microfluidic devices for applications in high-throughput screening and diagnos-

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