China’s Hua Medicine seeks funding for US$200m diabetes drug development plan

Hong Kong’s relaxed listing rules for biotech companies may tempt Shanghai-based firm to list here, says CEO Chen Li

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Hua Medicine, a biotechnology firm backed by investors including the investment arm of Fidelity International, plans to spend US$200 million in the next three years to bring its diabetes drug to production and grab 15 per cent of the China market by 2025.

To fund the plan, the Shanghai-based firm is arranging its fourth round of private share sale and is studying a potential stock market listing in Hong Kong or New York after raising US$100 million between 2011 and 2016, said chief executive Chen Li.

“We are working on the next round and in the next two years, we will have multiple fundraising exercises,” he told the *South China Morning Post* on the sidelines of the JP Morgan Healthcare Conference in San Francisco.

Hong Kong Exchanges and Clearing last month said it would allow biotechnology firms to list, provided they have a market capitalisation of at least HK$1.5 billion and have registered or applied for multiple patents.

They must also have at least one product that has passed drug regulators' review of their first-phase clinical trial on safety and efficacy, with permission to start second-phase trial.

Hua last month hired former Bank of America Merrill Lynch investment banking veteran George Lin as its chief financial officer.

The company has obtained global patents on its drug and is conducting the last phase of clinical trial required before commercialisation, said Chen, a former China chief scientific officer at Swiss pharmaceutical giant Roche.

The trial involves 1,500 patients across China, which has 26 per cent of the world's estimated 422 million diabetic people.

Hua is working towards what may be the first commercialisation of a first-in-class drug in China Chen Li chief executive of Hua Medicine

Hua licensed Roche's diabetes know-how in 2011 for further development.

"Hua is working towards what may be the first commercialisation of a first-in-class drug in China," Chen said, adding recent industry policies would help China – the world's second largest drug market – narrow the gap with the US where over 70 per cent of the world's innovative drugs are first commercialised.

While international rivals are also developing diabetes drugs, he claims Hua is at least five years ahead of them since the former have yet to announce clinical trials on a drug with similar efficacy.

Hua's drug Dorzagliatin helps Type 2 diabetegain control of blood sugar equilibrium, by working on an enzyme that acts as a "glucose sensor" regulating the body's carbohydrate metabolism. Existing drugs have side effects and deficiency in glucose control in some patients.

Hua aims to market the drug in China in 2020 and targets to have about US$3 billion of sales in 2025, or 15 per cent of China's diabetes drug market worth US$20 billion that year as forecast in a Morgan Stanley research report, Chen said.

It plans to contract out future manufacturing to Wuxi AppTec, one of its shareholders, which also include Fidelity-owned Eight Roads Ventures, California-based venture capital firms Arch Venture Partners and Venrock Healthcare Capital partners.