Desmond Hau – CEO, Pangenia Group



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Dr Desmond Hau, CEO of Pangenia Inc, sits down with PharmaBoardroom to shed light on the company's progress since taking the reins three years ago. Hau also explains Pangenia's strategy to develop their brand in South East Asia, the changes he foresees for the industry post the COVID-19 pandemic, and the need for consolidation amongst small diagnostics testing companies.

What has been your impact since becoming the CEO three years ago?

In terms of product profile, we have improved significantly when compared with three years ago. Currently, we offer a DNA testing service which is subdivided into seven major categories, including reproductive medicine, prenatal and neonatal health, women and men health, hereditary and recessive disease, oncology, personal lifestyle and research services tests.

For our DNA testing services, we are now divided into three brands. One of these is Pangenia Lifesciences. This focuses on the medical diagnostics area. We are using innovative technology such as MDx (molecular diagnostics) and sequencing methods in order to provide a DNA testing service.

Furthermore, we are also no longer focused solely on Hong Kong and have since established a footprint in South East Asian markets through our affiliated company DiagCor Life Science. DiagCor offers clinical diagnostic services in Global Markets and is also the inventor and manufacturer of a number of *in vitro* diagnostic (IVD) reagent kits and devices. We export to South-East Asian

countries using our authorised distributors that have a pre-established relationship with DiagCor and are working closely to commercialise our products with doctors and patients alike.

We hope to further expand our footprint to South East Asia through our brand *22 Plus.* These are personal lifestyle-based tests available to the general public and are geared towards personal risk assessment testing for our customers, all while utilising DNA testing technology. The types of tests we offer include the potential talent discovery test, athletic aptitude DNA testing, responsiveness to dietary nutrients test, and a physical and mental health test. *22 Plus* is geared to corporate customers and companies who can utilise these services for risk assessment purposes. We are advancing this testing platform using online orders, thus increasing our digital marketing footprint.

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What has been your strategy to penetrate your target markets in South East Asia?

In South East Asia, in terms of product positioning, we start providing our personal lifestyle testing service, although which is far more price sensitive. We are accepting a reduced margin on simple testing in order to develop and establish our brand name overseas.

Sales have been most successful in highly populated countries, namely the Philippines, Indonesia, Malaysia, Thailand and Vietnam. The personal lifestyle tests fare better on these markets because of the competitive pricing compared with our clinical diagnostics tests

By increasing our brand awareness, we hope to subsequently promote the uptake of our clinical testing, which is a higher margin service for Pangenia. Thus, lifestyle testing acts as an entry door into the market.

We can also benefit from being a Hong Kong-based company. It is well recognised that Hong Kong possesses strong technology and high-quality medical services. Consequently, Hong Kong-based products and services are well established in South East Asia and are highly esteemed.

How can Pangenia distinguish itself in a crowded market?

It is true that there are many diagnostics companies claiming to provide testing.

One way to maintain competitiveness is to increase market awareness of the fact that we are heavily invested in R&D, conducting all of our testings in-house, with a customer-oriented solution. This is not ubiquitous amongst other diagnostics companies.

We are also expanding our commercial and IT team, becoming more aggressive within the market to increase our brand awareness.

Diagnostics has become a salient issue in the midst of the COVID-19 pandemic. How have your operations been affected?

During the crisis, we have provided IVD products and have distributed reagents to Chinese companies conducting and producing testing. It is more straightforward for Pangenia to work with distributing reagents.

We currently have not been providing testing or analysis service to the Hong Kong market as of yet. The Hong Kong Government, given its concerns regarding accuracy and speed, are conducting all of the testing in house rather than relying on private laboratories.

Do you envisage a higher profile for diagnostic testing as a consequence of the COVID-19 pandemic?

Even 20 years ago, significant resources were allotted to spreading the importance of diagnostics testing in healthcare. This has been accelerated by the crisis. In my opinion, as an industrial stakeholder, the environment in Hong Kong was already improving compared with ten years ago. The government has taken steps to improve the industrial footprint for Hong Kong's industry which is another positive step.

One of the benefits to the diagnostics industry is that the profile and willingness to use testing as the first line of defence in the medical industry will be here to stay in the future. Similarly, patients will be more willing to undergo diagnostic testing, likely increasing market demand.

As a diagnostics company, we are striving to ensure that our partners understand the benefits clinically of testing. We have an internal slogan which exemplifies this point, "*get diagnostics, then therapy*".

Given the number of small testing companies in Asia, do you see benefits in M&A activity within the diagnostics industry?

In the future, it may be necessary to consolidate these smaller companies in order to compete with our larger competitors. Capital markets will be paramount in achieving successful consolidation.

I have met capital investors who have the means and the interest yet remain reticent to invest in the diagnostics industry. To gain the confidence of investors, we need to continue to develop resources, especially human capital, which can effectively run these small businesses. The difficulty is finding and recruiting people who possess a knowledge of both sales and marketing, and R&D. Many profiles are incomplete and lack the full skillset. We need people who have the business know-how, understand the science, and how to operate a laboratory. Cooperation within the industry will be critical in order to increase our efficiency, effectiveness, and the skillset of our workforce.

Once we demonstrate that our business models are successful, capital investors will gain sufficient confidence to acquire a number of laboratories and consolidate within the industry.

At Pangenia, we are confident that we can expand our services by opening laboratories in other countries. These could then act as third-party laboratories and kickstart cooperation within the industry.

What are Pangenia's ambitions regarding an initial public offering (IPO)?

The Hong Kong stock exchange has traditionally been more focused on upcoming pharmaceutical companies, despite their greater risk. I believe the stock exchange is now looking to diversify within healthcare, and thus be more flexible for companies working in diagnostics.

Although we are considering an IPO in the future, the IPO regulations in Hong Kong are more concentrated on revenue, rather than intangible assets. While in terms of profitability we believe we would meet the criteria for an IPO, we are striving to do better. Thus, we hope to increase our net profits within the next 1-2 years, meanwhile maturing our intangible assets into tangible ones to a sufficient level.

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