Interview: Andros Chan – President, HKMHDIA



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Ir. Prof. Andros Chan, president of the Hong Kong Medical and Healthcare Device Industry Association (HKMHDIA), introduces the organization's mandate, the emerging trends in Hong Kong medtech, and the impact of the Greater Bay Area initiative on his industry.

Andros, as a founding member of the HKMHDIA, could you share a little about how the association has evolved over the past 15 years, as well as its mandate today?

To give you some context, when we started the association, it was called the Hong Kong Medical and Healthcare Manufacturers Association. The focus was initially very much on manufacturing, and all our members were manufacturer, while distributors were associate members. Accordingly, we were very focused on technology and regulatory affairs, particularly related to quality systems, as most, if not all our members, would also be exporters. We therefore started by working very closely with government entities, such as joining the Hong Kong Trade Development Council (HKTDC) at various international healthcare exhibitions like MEDICA in Germany and Arab Health in Dubai, for instance. Relatedly, a major achievement for the association was the establishment of the Hong Kong International Medical Device and Suppliers Fair nine years ago, which occurs in May each year and ranks as one of the most important exhibitions in Hong Kong.

Four years after our establishment, Professor John Chai became our Honorary Chairman, and we decided to enlarge our scope to the entire industry value chain from research to sales and marketing, and after service, instead of solely focusing on the manufacturing niche. This was most clearly reflected in our name change, as we adopted the current name: HKMHDIA. We also opened

full corporate membership to entities along the whole value chain.

This was also when we crafted our association's dual mission, which endures till today. The first is based on two of the six pillars of Hong Kong's growth as identified by then-Chief Executive Donald Tsang: innovation and technology, and healthcare. We bundled the two together to become developing Hong Kong from a more traditional economy to a more innovation- and knowledge-based economy through the growth of the medical device and biomedical sectors. The second was on public health. We encourage and support our members to develop high-quality and safe products for public use.

I am very proud of what the association has accomplished over the past few years. But there remains more to be done. We have started to focus a bit more on stakeholder communication as we have realized that HKMHDIA's purpose and activities need to be better understood. In this regard, we are reaching out to more groups, including more government departments, consulate-generals, academic and research institutions like the Hong Kong Science and Technology Parks (HKSTP), and even regionally, to other associations like the Asia-Pacific Medical Devices Association (APACMed).

What are some of the hot topics trending across the Hong Kong medical device and technology landscape at the moment?

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A very notable ongoing development is the discussion of the Bill to introduce a medical device product listing regulatory regime in Hong Kong. It may surprise you that despite Hong Kong's world-class healthcare standards and systems, we do not have our own medical device registration listing system! In 2004, in response to a few instances of adverse medical events resulting from misuse of equipment, the Department of Health established an office to regulate the use of medical devices called the Medical Device Control Office, using a voluntary Medical Device Administrative Control System (MDACS) and taking the Asian Harmonization Working Party (AHWP) Harmonization Goals as a guiding framework. After 14 years of lobbying, we finally have a Bill on the Proposed Regulatory Framework for Medical Devices in discussion by the Legislative Council Panel on Health Services.

It goes without saying that there are pros and cons to this. Any sort of regulation would slow down the deployment of medical technology in the public health system. While multinationals may have the resources and capacity to meet the new requirements – and indeed, may already have implemented international good practices on a voluntary basis, small- and medium-sized companies (SMEs) could face resource and knowledge constraints.

However, we believe it is very important that Hong Kong has its own regulations, because, as I mentioned, most, if not all, Hong Kong manufacturers are exporters. In many, if not most

occasions, recognition of regulation regimes is reciprocal. At the moment, we cannot even negotiate accelerated approval with the Chinese FDA, for instance, we do not have our own market registration and approval regulations. It is a non-starter. This means that Hong Kong-manufactured products are still considered imports and currently go to the federal CFDA entities in Beijing for approval. In addition, when companies ship products to foreign countries, they are often asked for product registration from their home country or region, and usually people are very surprised to find out that Hong Kong does not have its own product listing regime.

Of course, many Hong Kong manufacturers have since moved our manufacturing sites to neighboring Guangdong province, or what we used to call the Pearl River Delta. This allows us to be seen as a domestic co-supplier, so that for lower product classes, we can go through municipal or provincial CFDA approval instead of federal CFDA approval. The Greater Bay Area is definitely one of the hottest topics in this region at the moment but I would like to say it is not something completely new to Hong Kong manufacturers!

Speaking of the Greater Bay Area, what opportunities and challenges will this bring to companies based in Hong Kong?

As I alluded to, once Hong Kong establishes our own market authorization regime for medical devices and technology, we will be far better positioned to explore the potential for regulatory alignment, whether through reciprocal recognition or Green Channel-type initiatives, all of which will ultimately make it easier for companies in Hong Kong to distribute their products in China. We have already been approached by a number of Greater Bay Area cities like Shenzhen, Dongguan and Zhongshan, and we have sent delegations there to speak to not only municipal government officials but also municipal CFDA officials, about the possibility to establish such pilot programs within their cities. This brings benefits not just for Hong Kong companies in terms of access to a larger market but also for Greater Bay Area citizens, who would be able to enjoy faster access to new medical devices, technologies and therapies.

From another perspective, Hong Kong also has a lot of good technology and research but one of our main challenges is that Hong Kong-based companies lack the critical mass required to scale up, given that we only have a population of around seven million. If we consider the southern part of China, below the Yangtze river, the top five universities in this region are all found in Hong Kong. Our universities and researchers are very focused on solving technical problems with patents and publications under the University Grants Council (UGC). Being the medical and healthcare devices industrial association, we can link these technical solutions to resolve clinical challenges to suit the market needs. In terms of education standards, research output and innovation in general, Hong Kong undeniably has the edge. The question of how to bring that edge to the Greater Bay Area as a testing site is therefore very interesting to our members, to see how we can massage the value

chain not just in Hong Kong but across the region.

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At the same time, we need to be aware of the challenges as well. Everyone speaks about China's 1.3 billion population size representing a huge market opportunity for their company or product, and for a start-up to become a unicorn, you just have to sell into China! I always tell them, yes and no. For instance, in terms of healthcare, not all of that 1.3 billion people are sick, firstly. Then not all of the sick can afford treatment. Per capita expenditures are still quite low compared to developed countries. People need to be realistic about what the numbers they are quoting really mean.

Furthermore, we also need to be conscious of the fact that the medtech industry in the region is not new or even nascent. Shenzhen and Guangzhou are always ranked within the top ten Chinese cities for medical devices and technologies, and there are also other medical and healthcare technology and industry hubs in the rest of China. Over the past few years, the Shenzhen government has also really committed to investing a significant amount of resources and capital to boost this industry, and in fact, they have done a better job here than Hong Kong! A lot of seed money has been deployed to support entrepreneurs and private enterprises in a way that is not possible to do in Hong Kong because there is more demand for accountability and defined deliverables here.

Therefore, we need to understand that the Chinese market is already extremely competitive. What is positive is that there has been a clear strategy on the part of the Chinese government to implement healthcare reforms like the launch of the "two-invoice" system in drug distribution on a trial basis in 2017 to make the public healthcare system more transparent, fair and efficient, which will give Hong Kong companies more space to compete.

As you pointed out, for Hong Kong-based companies, the Greater Bay Area will give them access to the potentially huge market that they lack within Hong Kong, and yet the Chinese medtech market is already very competitive with many local players. How will the balance between competition and collaboration be struck?

The question of how to turn a competitor into a collaborator is extremely interesting. It is not easy. But entrepreneurs should always think in terms of possibilities and synergies. In addition to innovation and technology, I think elements like the distribution network, financial support, and international connections are all important things to a business' development and success that Hong Kong companies can bring to our potential partners in the mainland. But how we play the right card to maintain and sustain our economic growth is definitely a very strategic and critical decision.

Of course, there are many types of entities in the region, it is not just about mainland Chinese

companies versus Hong Kong companies, and everyone can choose the best way for them to collaborate and compete.

At the same time, another interesting perspective is the fact that these opportunities do not always have to revolve around so-called ‘high-tech innovation and technology’. Personally, I find that today, there is an over-emphasis on breakthrough innovations, especially when it comes to entrepreneurial activity. When you consider the survival rate of start-up companies in general, it is already very low at around five percent, while the survival rate of innovative tech companies is also less than ten percent. Combining the two then, the success rate is less than 1 percent!

Taking my own company as an example, I founded my company providing medical lighting solutions in 2002 after I had already retired at the age of 42. It took me two years to receive my first order, and it took 12 years for the company to break even! Not many entrepreneurs would be able to last this long. Governments in the region encourage entrepreneurs into disruptive but high-risk, high-return technologies. However, companies offering mid-range, proven technology in a way that offers a better value proposition than existing options have a greater long-term impact on economic growth.

To wrap up, what are your future hopes for the association as well as the medical and healthcare device industry in Hong Kong?

Having served for the maximum two terms of five years – and in the process becoming the longest-serving Chairman – I will step down by the end of this year. I told my successor to follow two ‘P’s: The first ‘P’ is ‘professional’. HKMHDIA has a very professional image. A large part of this stems from the fact that we know the medical and healthcare device industry very well, because our 200 corporate members include both large multinationals, and small- and medium-sized enterprises (SMEs). This gives us a very balanced view of the industry landscape; I can consolidate the views of all my members to reflect the whole picture. Many other industry associations are much more niche.

Another reason is that HKMHDIA is very active in organizing events and training courses. For instance, in the past 12 months, we have organized 22 events on our own, not including those organized in conjunction with other associations! We do provide a lot of information and insights to our members and other industry stakeholders.

The second ‘P’ is ‘priority’. Many things are interesting and many things can be done, so we need to be very focused on our two missions: knowledge-based economic development, and public health and safety. Everything related to those will be supported. As I like to say: resources are limited, creativity is unlimited.

Looking to the future, I hope to see more connections and collaboration with like-minded associations and stakeholders. More generally, the Greater Bay Area and The Belt and Road are

very good initiatives. At the same time, we also need to cultivate independent thinking instead of relying on groupthink.

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