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Benjamin Chan of MediConcepts – a Hong Kong-based medtech CDMO – outlines the potential impact of the Greater Bay Area Initiative on Hong Kong medtech, and the key factors behind his company's success.

Benjamin, as an industry veteran within the Hong Kong medical devices sector, with also a factory presence in Dapeng district in Shenzhen, could you first share your perspective on what this Greater Bay Area initiative might mean for Hong Kong medtech companies?

I must start with the caveat that the Greater Bay Area or GBA is a huge region with nine cities and three different administrative systems. Hong Kong companies – including mine – may not necessarily be familiar with all aspects of the entire region. We certainly have a better understanding of the cities closest to us like Shenzhen, and less so as you head west to Jiangmen and Zhaoqing.

The initiative is certainly attractive insofar as there are still many unknowns, because unknowns represent opportunities for companies. On the retail and marketing side, the market size is attractive and very reachable; Hong Kong's language, geographical and cultural proximity to the GBA population definitely brings us closer. For medtech companies, there should be easier access

to the market, and efficient time and communication management.

Hong Kong medtech companies should be mindful of the value proposition that we can offer to the GBA population. The medical device industry is highly regulated, and we should put more emphasis on these and consider providing more GBA companies to reach the overseas markets. Medtech is also very much about IP protection and valuation in most cases and we should utilize our internationally recognized legal and regulatory infrastructure, especially when it comes to intellectual property (IP) protection. Medtech is still a new industry and it will be a steep learning curve for many companies. Hong Kong medtech companies should be able to compete not on price, but through offering more value-added services offering to potential customers in GBA. We should collaborate with the local GBA companies to compete with other provinces. Our low tax rate, free trade ports, English-language proficiency, capital, financial tools and strong international linkage environment should be utilized to bring value to the region.

On the other hand, I am still visualizing our role and opportunities at MediConcepts as a service provider to the medtech sector with R&D operations in Hong Kong and a manufacturing facility in Shenzhen. As a service provider, I am hoping that there will be more collaboration with the GBA research institutions to commercialize their products and technologies for export purpose, just like the way that I am serving the overseas institutions and companies to bring them into China but in reverse.

In terms of policy, what do you think should be done to upgrade Hong Kong's value proposition within the Greater Bay Area then?

I have always advocated that we need to attract foreign multinationals to establish R&D centers in Hong Kong. The HKSAR Government, through support to various organizations or institutions, should put more emphasis on this aspect. Our research and clinical experience should be able to attract renowned institutions to establish joint laboratories in Hong Kong. The fact that Hong Kong is also a global financial center should attract a larger group of other mid-sized companies and institutions from places like the US, Europe, Australia, and even China to settle in HK.

My prediction is that in the next few years, there will be a flurry of M&A activity within the smaller and mid-sized players and hence more deal flows. I also predict that there will be fewer acquisition opportunities amongst the big players because the acquisition of a small company or a small portfolio will add little to their offerings, as well as a minimal contribution to the top lines of the mega companies. However, smaller companies can generate significant value if they find another

similarly-sized company with a complementary product portfolio. The R&D cycles of these mid-size companies are usually faster and more flexible, and our foundational manufacturing industries will be able to speed them up too. If we can attract a larger volume of these mid-sized players to Hong Kong, they will definitely enrich our medtech ecosystem.

I also see the need for our Administration as well as various industry stakeholders to allow a more risk-taking approach in decision-making processes. We should think out of the box and should consider strategies that other regional economies do not or spend more resources to acquire advantages if necessary.

In terms of innovation, we need to understand that Hong Kong has been a user and adopter of technology but not an innovator so far. To change that, we need to ‘live and cultivate’ a culture of becoming more innovative. Engineering alone may be a skill while innovation is an art. Engineering can be taught but innovation must be cultivated.

We also need a better platform to commercialize so that local innovations can have quicker access to our local market – for instance, through the Hospital Authority – or the GBA, provided that products and services are safe and effective. Last but not least, we should allow mistakes to be made without too much criticism.

Hong Kong recently released a list of 11 types of migrants who will get priority to live in the city even if they do not have a job lined up yet under a scheme to attract highly qualified people, of which one is innovation and technology experts in fields such as pharmaceutical and life sciences/biotechnology, data engineering and materials science/nanotechnology.

However, for local SMEs, hiring foreign talent is prohibitively expensive, once you factor in housing, education and relocation allowances. I hope there will be a matching scheme and follow up action to bridge the financial gap.

We have very little time to waste and we need to fast track everything and processes in order to reinforce our foundation in medtech innovations and then enrich our core competencies – bearing in mind that we are not in the lead, we are catching up. There needs to be concerted effort to invest in this because global competition is fierce. For instance, San Diego has invested a significant amount to lure medtech companies away from San Francisco. GBA cities will just be resourceful as Hong Kong to do the same.

Coming to MediConcepts then, could you introduce your company to our international audience?

MediConcepts is a Hong Kong-based medtech CDMO providing a one-stop-shop design and manufacturing service for medical device development, offering comprehensive, vertically-integrated contract manufacturing solutions. Our goal is to provide the most cost-effective solutions to realize the product ideas of our clients. We have never been a pure contractor but always offered more value-added services such as design and product development, whether in technical engineering support, project regulatory portfolio management, and business development services. This is the added value that we can offer our clients. We want our customer to see the difference between us and the other regular contract manufacturing and we want to our customer to ‘Redefine Your [their] Medical Device Outsourcing Experience’ which is our motto for the last few years!

Over the years, we have built an enviable track record of delivering success to our clients when it comes to product development, manufacturing solution, compliance, regulatory approval and market authorization processes. Through our competences and expertise, we can usually ensure that their products successfully receive market authorization in key markets like the US, EU, Japan, and Australia. This is particularly useful to start-up companies because one of their contractual milestones to their investors is to achieve regulatory approval.

We hope that with our vertically integrated service in medical device lifecycle management, which include manufacturing, our customers can gain an entrance ticket to the market and get their foot in the door! Thus far, virtually all of our clients have been able to successfully receive more investments or been acquired by multinationals through our work with them.

What do you see as the factors behind MediConcepts’ success?

We have accumulated our expertise and knowhow from a lot of research and development as well as learning from our mistakes (and thanks to our customers allowing us to rectify from those mistakes that we made). I joke that we made the mistakes so that we can stop our clients from making them! The core management of the company is myself and my General Manager, Gene Tang, and we are also surrounded by an excellent team of 12 employees in Hong Kong and around 70 employees in our Shenzhen manufacturing facility. In addition, we also have partners in UK, Australia, and USA who can offer different aspects of services that compliment to those we are offering to our customers.

We are also fortunate that we have been exposed to many kinds of medical devices from the work that we do, such as handheld instruments for laparoscopic surgery to cardiovascular surgery, and we have covered a very wide spectrum of surgical treatment in relation to human anatomy. We have also delivered non-surgical projects such as electronic wearable devices, automated pharmaceutical packaging solution, laboratory devices, and IV infusion projects. The spectrum also covers preventive, diagnostic, intervention and medicinal devices. We have seen so much that there is also something valuable to new project new customer! Very few CDMOs can boast of this breadth across therapeutic areas and market segments.

In addition, we also have a flexible manufacturing set-up. I can work for start-ups and smaller companies on smaller irregular production that other larger CMOs may not want to work with, so this is another point of advantage. As a result, around 60 percent of our business comes from small and mid-sized companies, usually from the US and Europe. Strategically, this has worked out very well for us because it not only hones our technique and expertise but also increases our exposure to the larger players, because, as I mentioned, many of these start-ups go on to be acquired by the multinationals.

In fact, this is how we built our portfolio of multinationals – through our clients' acquisition by these multinationals, they were introduced to our services and kept us on. Multinationals now represent around 40 percent of our business. Our work with them has also exposed us to industry techniques and helped us access global expertise and build our capabilities. I see it as a very positive and promising virtuous cycle. A good example is that it used to take me a while to win a single contract from a customer but over the years, as MediConcepts' reputation has grown, that timeframe has shortened substantially. This shows that what we offer is also well-suited and needed by the market.

Finally, we also take a longer-term perspective on our relationships with clients. As mentioned, the medtech industry has long timelines so we would be working with our clients for a few years, taking their idea from concept to production to registration. Sometimes we know better than the customer what the final product should look like! Maintaining positive, long-term partnerships with our clients are of critical importance.

Looking forward, what do you hope to achieve for MediConcepts in the next few years?

Firstly, I value my employees very much so I hope to be able to continue to motivate and empower them. I always remind them to celebrate their success as members of the elite team in medtech

industry in Hong Kong. Not many had the opportunities to benefit from such a broad experience.

For the company, I hope to eventually develop our own portfolio of products and our own brand. This will take us further up the value chain, and I think we have the skills, expertise, and network to accomplish this. At the moment, we are looking at working with other local companies to develop our portfolio.

For the Hong Kong medtech industry, I hope that together with other industry veterans and other local companies, we can contribute to the growth and development of the industry over the next few years. Innovation does not happen just because we talk about it. We need to work together to stimulate the industry, as well as attract and train more people.

A final message on behalf of MediConcepts to our international audience?

MediConcepts prides itself on delivering value to our clients. Our success is not based on our prices but our values. If you give us the idea, I will give you the product. We understand our customer's wants and our customer's needs, and we can offer them a cost-effective solutions. As I like to say, "MC is the best CM": MediConcepts is the ideal Contract Manufacturer!

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