

Interview Transcript of Dr Anna Lavelle, CEO, AusBiotech

ACB News:

AusBiotech recent publication “ Guide for Australian Medical Technology Companies seeking to engage in China ” appears part of a concerted push to promote China as a target market for Australian companies.

Does AusBiotech cultivate official relationships within China? Are these focused at a national/regional level? Are they more focused on Universities, Industry groups or individual companies? For the education of our readers where do you feel your strongest official co-operative relationships lie?

Dr Lavelle:

AusBiotech is interested and actively maintains relationships across the biotechnology ecosystem, including industry groups, national and regional governments, technology parks and universities. As AusBiotech is Australia ’ s industry group, there is a natural affinity with counterparts in China and AusBiotech has memorandums of understanding (MoUs) and cooperative relationships with a number of groups, including:

The Shanghai Medical Instrument Trade Association (SMITA) and AusBiotech are the industry associations representing the medical instrument industry and signed an MOU in 2014;

China Chamber of Commerce for Import & Export of Medicines & Health Products (CCCMHPIE) based in Beijing signed an MoU with AusBiotech in 2014;

Hong Kong Biotechnology Organization 2012

China Association for Medical Devices Industry (CAMDI) and AusBiotech signed an MOU at AusMedtech 2010; and

AusBiotech signed an MoU with the Tianjin Municipal Government, Science and Technology Commission in 2009.

ACB News:

Can you comment further on Ausbiotech plans for the Chinese market and where you see the largest opportunities for Australian products and services?

Dr Lavelle:

As China ’ s interest in the benefits of biotechnology grows, its activity and commitment increases, so too does its interaction with Australian biotechnology interests.

China is developing as a pivotal partner in the Asia Pacific region, and this is especially important from an Australian perspective as a regional neighbour.

Australia observes with great interest and notes developments and investment in China as it emerges in the world market as a key player. China ’ s commitment has placed it as an important future partner, with biotechnology one of the six key planks of economic development the central government ’ s last Five-Year Plan. We expect this will continue under the new Five-Year Plan – and it will be interesting to watch this important development and work along-side China over the next decade.

Australia ranks fourth in the world for innovation in biotechnology and is the leading location for biotechnology companies in Asia-Pacific with high quality biotechnology companies and medical technology companies. It is home to a booming biotech industry and a world-leader in medical breakthroughs, such as the Cochlear hearing implant and cervical cancer vaccine (Gardasil). These achievements have not only improved the quality of health of millions of people across the globe, but it demonstrates the ability of Australia to successfully commercialise its innovation.

ACB News:

From your personal perspective experience of the Australian industry where are Australian BioTech players strongest at delivering results to foreign investors?

Dr Lavelle:

Across the therapeutics and medical technology spectrum, including digital health there are opportunities for Research and development partnership and Chinese investment. China has a long and established record of investing in Australia and Australia expects this interest will grow in bio and medical technologies in future. It has been noted that some of the Chinese investment coming into Australia is moving from the resources sector to biotech, in WA particularly.

China is one of the fastest-growing and remarkable healthcare markets in the world. Its astonishing growth is largely attributable to the country's increasing government spending, underpinned by robust economic growth, which has led to improved healthcare access and infrastructure, as well as the ongoing expansion of public insurance coverage and infrastructure for less developed parts of the country. Beyond the growth in government spending, patients' ability to afford better medical care has increased – driven by the rapidly-increasing middle class – and like many countries, an ageing population.

Inter-country collaborations on clinical trials are cheaper in Australia than the US and Europe in phases I and Ib, but the Australian population is small and a valid strategy is to coordinate phase III and at times phase II trials in China where there is a large 'treatment naïve' population.

ACB News:

Through 2016 the AusBiotech website notes a number of international efforts including one in HK in May, one for Australia in China week in April and the International Biofest in October. International Biofest includes Australia Biotech Invest (ABI). Do you think this event is of interest to Chinese investors and industry? Based on your past experience can you comment on the participation of Chinese visitors to ABI in the past and what elements planned for the 2016 event might be of interest to Chinese BioTech companies and investors?

Dr Lavelle:

In May (5- 6) AusBiotech will, for the fourth year running, hold its key biotechnology investor meeting in Hong Kong as it is a logical place for Australian companies and Chinese investors to meet.

Hong Kong, with its relationship with China, is developing as a pivotal hub in the Asia Pacific region, and this is especially important from an Australian perspective as a regional neighbour. Private investment by Chinese venture capitalists has burst forth in recent years. The average Chinese VC investment in life sciences is approximately \$25 million, compared to \$10 million from US investors – demonstrating the value that is seen in this area.

AusBiotech will also this year be conducting the first investor meeting in Singapore at their request.

ACB News:

In your submission to the Australian Trade Commission regarding the structure of the Significant Investor Visa (SIV) program you argued for a VC component to SIV requirements. This is now part of current SIV regulations.

Can you explain in more detail what AusBiotech wants to see happen with Chinese funds investing in Australia?

Dr Lavelle:

AusBiotech is particularly interested in how the SIV program can increase investment in innovation and the commercialisation of high quality Australian ideas, research and development - where there is net benefit to Australia. The new rules incentivise better engagement between countries and the opportunity for joint benefit.

AusBiotech contends that high tech industries like biotechnology are exactly the type of R&D-based innovative industry that will benefit Australia's economy in the future. The SIV

requirements pose an important opportunity for small Australian technology companies, and in time, Australia's economic sustainability.

ACB News:

An often cited criticism of the SIV regulations is that it mandates investment in higher risk plays which Australian funds themselves do not appear eager to assume. What is AusBiotech's response to this?

Dr Lavelle:

Previously, investment through the SIV program was largely going into passive investments like government bonds and residential real estate funds – areas that already attract large capital flows. The SIV provides an opportunity for the invested funds to create benefits for Australia while providing visa access to Australia.

ACB News:

SIV investment aside demographic changes in China and increased wealth are driving investment interest in the biotech and medical sectors.

Current AusBiotech emphasis with China is on medical technology companies exporting product. Australia however can arguably be said to have as more strength in original research and early stage biotech and pharmaceuticals sector. What decided AusBiotech to choose medical devices as their initial strategic push into the Chinese market?

Dr Lavelle:

AusBiotech has been supporting Australian biotechnology companies for more than a decade to consider opportunities in China.

The recent focus on medical devices, while not the first strategic push, was initially driven by a project that was designed to take a detailed look at challenges and barriers to information. The project received support from the Australian Government under the Asian Business Engagement programme.

ACB News:

As they move through the phases of R&D, investment and monetisation Australian medical companies have historically looked to the United States as the final destination for commercialising their IP. How seriously are Australian companies looking to China as an alternative destination market?

Dr Lavelle:

As the China market evolves and intellectual property protections mature, Australian companies will continue to assess opportunities.

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