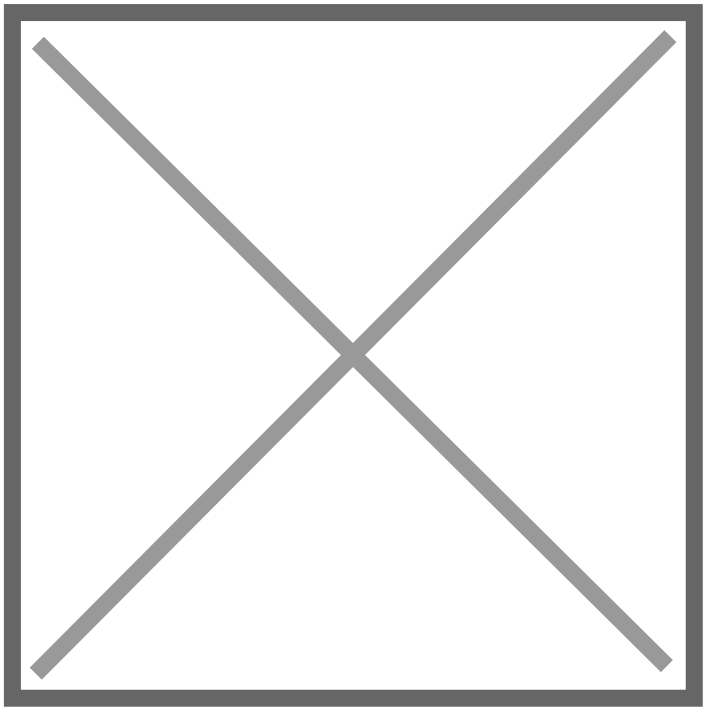
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Ã¢â?¬Å?We aim to be world's leading provider of vaccines,Ã¢â?¬?

06 May 2009 | News



“We aim to be world’s leading provider of vaccines,”

— Weidong Yin, chairman, president & CEO, Sinovac Biotech, China

Sinovac Biotech, also known in China as Beijing Kexing Bioproducts, specializes in the research, development, commercialization, and sales of human vaccines for infectious illnesses such as hepatitis A, hepatitis B, influenza and SARS. Working closely with Chinese public health officials, Sinovac focuses on manufacturing and marketing human-use vaccines and related products. Sinovac is currently developing a universal pandemic influenza vaccine and Japanese encephalitis vaccine. Sinovac is the first and currently the only company in the world to have been granted permission to begin clinical trials for a vaccine to prevent SARS. Recently, as a testimonial to its commitment towards quality products, the company has received Good Manufacturing Practice (GMP) certification for its newly opened filling and packaging production facility. In an interview with BioSpectrum, Weidong Yin, chairman, president and CEO of Sinovac Biotech, elaborates on the company’s endeavors and the vaccine market in China.

What do you see as Sinovac’s competitive advantage?

I believe, Sinovac has the management flexibility compared to big companies. The company has multiple sources of financing as well as standardized and transparent management through public listing in the US stock market. The local production provides cost advantages. Full understanding of market demands in China enables Sinovac to achieve strong market penetration. Sinovac has strong R&D capabilities. Compared with other Chinese companies, Sinovac is more open to collaboration and it has a clear mission of targeting the improvement of China’s public health.

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Can you elaborate on the vaccine market in China as such and where Sinovac is positioned in the industry?

China’s vaccine market can be divided into two sections, namely the public market and private market. In the public market, vaccines are mainly purchased by the central government. Both central and local governments provide centralized financial allocations for the public market. In the private market, the purchases are made by individuals, and include Sinovac’s adult and pediatric vaccines. In addition, the private market also includes vaccines for special groups, such as rabies vaccines and hemorrhagic fever vaccine.

The vaccine market in China is expanding rapidly. Since the open of the private market, domestic vaccine market has grown at a 15 percent annual growth rate, which is much higher than global average number of 10 percent. The market scale in 2006 was about Rs 3.34 lakh crore ($670 million), of which more than Rs 1.93 lakh crore ($388 million) came from the private

market. With the public's increasing attention to vaccination, the private market is expected to continue to develop rapidly. In addition, purchases from the government and the development of novel vaccines (improved vaccines) are encouraging the development of the vaccine market. It is estimated that the annual growth rate will be more than 20 percent in the future. By 2010, China's vaccine market scale may achieve Rs 7,312-8,777 crore (10—12 billion RMB).
Sinovac is a leading vaccine biological company, and the largest supplier of hepatitis A inactivated vaccines in China. We enjoy advantages in the R&D, standardized management and financing capability.Ajeesh Anand

How strong is your customer base in China? What are the other markets in focus?
In the market of planned immunization, China has a huge base of population of more than 130 crore. Vaccine usage is changing with the fluctuation of the annual birth rate. There is a big potential developing market with 1.5 crore newborns each year. Regarding the private market, Sinovac's principal consumers are the 20—30 crore people living in developed areas.
Sinovac has in-house sales team, including 91 sales professionals covering 30 provinces and cities in China. Other than China, Sinovac plans to export products to developing countries. Currently, we are exploiting international markets with two of our products, hepatitis A vaccine and influenza vaccine.
Ajeesh Anand

Can you update us on your product pipeline? Please elaborate on the status of Japanese encephalitis, H5N1 and SARS vaccines?
Currently, we have disclosed six projects in our pipeline, namely universal pandemic influenza vaccine, EV71 (hand, foot and mouth disease) vaccine, hepatitis C vaccine, JE (Japanese Encephalitis) vaccine, rabies vaccine and pandemic influenza vaccine. Our R&D team actively provides momentum to project development. Since the R&D process of vaccines is relatively complex and long-term work, Sinovac plans to launch one or two products each year during 2012 and 2020.
Pandemic influenza whole virus inactivated vaccine, Panflu, obtained a production license from the China SFDA in April 2008. We have also completed volunteer enrollment for the split pandemic influenza inactivated vaccine in the third quarter of 2008. Sinovac anticipates the preliminary results in early 2009.
The Japanese Encephalitis vaccine is in the preclinical research stage. We believe our production technology can increase manufacturing yield, simplify operations and stabilize cultivation conditions, all of which facilitate large-scale automated production. We had completed phase-I clinical trial for SARS vaccine in December 2004.

Recently Sinovac has received approval from China's Ministry of Agriculture to conduct trials of rabies vaccine. Can you throw more light on this? How do you see the market opportunities for veterinary vaccines in China?
Sinovac's wholly owned subsidiary, Tangshan Yian Biological Engineering Co, is entering the veterinary vaccine market in China by developing a domestically produced inactivated rabies vaccine which will be one of the first inactivated versions to be developed in China. We anticipate that the field trials for the inactivated animal rabies vaccine will take approximately nine months to complete and that the vaccine will be launched in China's veterinary market in 2010. The move indicates that, while Sinovac will maintain its leading position in the human vaccine market, the company is expanding into a related business area that allows it to leverage its core competencies in vaccine R&D and production. Tangshan Yian obtained approval from China's Ministry of Agriculture to conduct field trials of its internally developed inactivated animal rabies vaccine with independent intellectual property rights in early 2009.
Farming output in China is significant and rapidly growing. Given the human health hazards associated with animal diseases, China's government is raising investment in the prevention and control of animal diseases. From 2000-08, foot and mouth disease, bird flu, swine fever and swine blue ear disease have been included in the compulsory vaccination program. The compulsory vaccination program has lead to the creation of a number of animal health enterprises with an annual value of over Rs 364.43 crore (500 million RMB). The Chinese government continues to expand the scope of the veterinary vaccination program. Huge farming output and the expanding veterinary vaccination program are creating market opportunities.

What are the major challenges from the industry? What is your strategy to tackle those challenges?
I believe the major challenges for the vaccine industry are linked with the challenges to human health. Our mission is to supply vaccines to eliminate human diseases. Our major challenges are meeting the public's demand for safe and effective vaccines against diseases, like SARS and bird flu. We are in a leading position in the research and development of vaccines. At the outbreak of SARS, we are the first and only company to have completed phase I clinical trials. When human cases of the H5N1 virus are reported, we promptly advanced the R&D of a vaccine against the virus. In other words, Sinovac's strategy is to monitor our R&D capabilities and to increase investment on R&D. More importantly, since we put efforts into cost control, we can supply high quality vaccines at a relatively low cost.

What sort of impact Sinovac has due to the global economic crisis? How do you see the future of Sinovac?
China is also affected by the global financial crisis that hit the world in 2008. The biopharmaceutical industry relates to people's livelihood, though demand for biopharmaceutical products is somewhat rigid. The biopharmaceutical industry is less

affected by macro-economy, but rather controlled and affected by industry policies. Under the shadow of the dim world economic view, the crisis has had a relatively small influence over the biopharmaceutical industry. Sinovac's operation has not been affected by the crisis.

Since Chinese citizens are increasing their standards for health and quality of life, and the Chinese government is gradually increasing its support for innovative enterprises, space for development of Sinovac will enlarge accordingly. The ultimate objective of Sinovac is to become a leading provider of vaccines in the world.

Ajeesh Anand