Ch’ng Kien Peng – Executive Director, Xepa-Soul Pattinson, Malaysia

We have always strived to be pioneers in our sector

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Ch’ng Kien Peng, executive director of Xepa-Soul Pattinson, offers insights on the dynamic healthcare industry in Malaysia and the new government’s key role in supporting the local industry. He also details Xepa-Soul Pattinson’s strong footprint in the country as well as the company’s geographic expansion plans outside of Malaysia.

Can you please introduce the company to our international readers?

Xepa-Soul Pattinson was established 50 years ago by two Malaysian pharmacists and we are now one of the leading producers of off-patent drugs in the country and a subsidiary of the Apex Healthcare Group. We employ over 400 Malaysians who work together for our 10,000 customers which include doctors, hospitals and pharmacists. At the moment, the company mainly focuses on the development, manufacturing and marketing of products. The company was built on five core values, starting with leadership and pioneering spirit. Indeed, we strongly encourage employees to challenge themselves and accomplish missions they never did before. We also believe in integrity, respect, continuous improvement and innovation which can be seen in our daily operations. For example, we are always making effort to bring the company to the highest standards and in September 2017, we obtained the EU-GMP certifications for our current manufacturing plant and we are now looking at getting the accreditation for our upcoming plant SPP Novo to take the

company to higher levels. Innovation is another fundamental pillar. We believe in Innovation, not only innovating our products and processes but also our business model and management styles. We also strongly support our employees by providing them meaningful career paths and guide them along the way until they succeed in their career.

How has the company been evolving over the years?

We have always strived to be pioneers in our sector. 15 years ago, Xepa-Soul Pattinson was the first company in Malaysia to introduce the 90 ml and 120 ml packaging for cough syrups. With our years of experience, we are now the leader in cough syrup for the private market and are aiming to maintain this position. Moreover, we have established our focus on therapeutic areas such as cardio-vascular and respiratory therapies as well as cream and ointment treatment for skin and eye-drops.

Nonetheless, we recently digressed from just developing our own brands to concurrently developing brands for our customers and got stronger in contract manufacturing. Xepa-Soul Pattison is aiming to provide a full and extensive range of services to its customers. We have been investing in a new manufacturing plant that should be operational next year in order to accommodate our services expansion plan. It will allow the company to increase its number of foreign customers and partners by showcasing quality and safe manufacturing practices.

Looking forward, we are predicting growth from metabolism diseases such as hypertension and diabetes due to the Malaysian evolving diet. Indeed, the Malaysian population is ageing and will require specific treatments targeting the new heath burdens. Xepa- Soul Pattinson’s strategy is to focus on product development according to the demographic needs to ensure Malaysian citizens can have access to medicines.

How important are partnerships for the growth of the company?

Xepa-Soul Pattinson has a strong partnership culture considering our contract manufacturing services truly are our growth driver. For example, we worked for more than ten years with Taisho Pharmaceuticals, the number one OTC pharmaceuticals in Japan, and helped them enter Malaysia by developing and producing their cough syrup products. We are Sanofi’s approved GMP site since 2016. We developed eye drop products for Singapore Eye Centre (SNEC) since 2014. We have been providing contract manufacturing services to Combiphar for Eye Mo since 2017.

However, we are very selective in choosing our partners. We believe both companies should adjust to each other's philosophy and company DNA to make a successful partnership. We are not the inexpensive partners in the market, but we offer value and strive for a win-win relationship in a project where both companies get the chance to grow and learn from each other. We are currently looking for new partners in Europe and other developed countries. Malaysia is strategically located and offers economic incentives that ensure the most competitive services for companies willing to expand in Asia.

Partnerships can also contribute to the international expansion of Xepa-Soul Pattinson. What is your strategy in this regard?

With around 25 percent of our revenues coming from exports, Xepa-Soul Pattinson is looking at expanding its operations beyond the Malaysian borders. Our presence is very strong in Myanmar with over 20 staff members. We are now entering Vietnam as we are in the process of product registration. We want to keep expanding and growing in South-East Asia considering that the region is economically strong. We are also looking at strengthening our presence in African countries. We want to put ourselves in the world map but to achieve our goal, we need to accomplish a few milestones first including EU-GMP certified manufacturing plants, which we have successfully obtained in 2017, and next to increase our manufacturing capacity and expand our solid base production in 2018 and 2019.

What are you expecting from the recently elected Minister of Health?

Malaysia has solid foundations in regard to healthcare with high regulation standards and good manufacturing capability and ability. However, we would need the government to take a stand and support more the local industry. Xepa-Soul Pattinson has been very active in supplying materials and medicines to public healthcare facilities. In 2014, our government business segment represented only five percent of our revenues, while today, this segment has grown to ten percent. We are willing to make sure we can provide affordable medicine, participate in public tenders and be a good partner of choice for the Malaysian Ministry of Health.

With the recent change of political landscape since May 9, 2018, I am confident that the new policy from the Ministry of Health will continue to support the local manufacturers' domestic and international expansion plans as it will be beneficial for the country's economy. Indeed, the Ministry

has been focusing on this area as they realized that in terms of value of government budget spent, 75 percent goes for imported drugs which represent only 25 percent in quantity. It is the proof that Malaysia is still producing high quality and affordable medicine, and that the government needs to change the ratio the healthcare budget is spent. We wish to see the Malaysian pharmaceutical market continue to grow and Malaysia to become a strong manufacturing base in Asia.

Looking forward, where can we expect Xepa-Soul's future investments?

Xepa-Soul Pattinson believes Malaysia is a very prospective market with high growth potential. That is why we decided to invest MYR 80 million (USD 19,5 million) in the construction of a new manufacturing plant in Malaysia instead of another location in other country. Malaysia will remain the priority market for Xepa-Soul Pattinson and the company will keep investing in the country through new infrastructures at the same time to fulfill our international expansion plan. In 2014, we reached MYR100 million after seven years of effort. We are hoping the new investments will lead Xepa-Soul Pattinson to reach its 2022 financial target of MYR200 million revenue. Our corporate culture was also be continuously evolving to fit our new goal. We now believe in doing more with less by developing our brands for our own product portfolio we market, at the same time growing and strengthening every product category we partner with contract manufacturing customer.

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