

ASIAN HEALTH NEWSLETTER

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A bimonthly newsletter of developments in the healthcare markets

CONTENTS

INTRODUCTION	1
CHINA/HK	1
INDIA	2
INDONESIA	3
JAPAN	3
KOREA	4
MALAYSIA	4
PHILIPPINES	5
SINGAPORE	5
TAIWAN	5
VIETNAM	6

CHINA/HK

The Baiyunshan Traditional Chinese Medicine Factory, a subsidiary of Shenzhen-listed **Guangzhou Baiyunshan Pharmaceutical Co**, will finish the initial phase of a GMP expansion by October 2002. The company invested US\$8m to increase its annual production capacity of balangen granule from 510 million packets to 1.3 billion packets. The balangen granule is a Traditional Chinese Medicine used in treatments of tonsillitis, mumps and hepatitis. The company has a 45% market share in China in this segment and the capacity expansion will alleviate a shortage in the market. (March 22, 2002)

Boehringer Ingelheim of Germany has announced plans to establish a Sino-German joint venture, **Boehringer Ingelheim Shanghai Pharmaceuticals Co Ltd**, in Pudong, Shanghai. The new company will be a key base for **Boehringer Ingelheim** to supply medicines and chemical reagents to the Chinese market. The JV will produce *Atrovent*, *Combivent* and *Inflammid* for respiratory diseases, *Mobic* for arthritis and *Micardis* the hypertension medicine. The annual production capacity of the new factory is 150 million tablets, 6 million dose inhalers, 10 million bottles of liquid pharmaceuticals and 12 million unit dose vials. **Boehringer** will hold a 95% stake in the JV and its partner, **Shanghai Sine Pharmaceutical**, will hold the remaining 5%. The shareholders invested US\$41m in the JV. (March 22, 2002)

Chindex International, a US-listed distributor of medical instruments in China, is increasing its investment in the hospital sector. **Chindex** has established a second JV in Shanghai after five years of operating the **Beijing United Family Hospital**. The **Shanghai United Family Hospital** will open

INTRODUCTION

We hope you find the *Asian Health Newsletter* informative.

BDA is a corporate finance advisory firm which helps multinational clients to identify and to execute acquisitions and JVs in Asia. We focus on the health sector and are well placed to advise international companies on structuring acquisitions, JVs and divestments.

If you think that BDA's services may be useful to you, please contact me at erellie@bdallc.com.

Euan Rellie
Managing Director

in Q4 2002 and is a 70/30 contractual JV with the **Changning District Central Hospital**. The Shanghai hospital will be a 50 bed facility providing both inpatient and outpatient services. Chindex targets expatriates in China and wealthy Chinese citizens. (March 20, 2002)

CITIC Pacific Ltd and the **Shanghai Lanshen Guojian Corp** will establish a JV company, **Shanghai CP Guojian Pharmaceutical Co Ltd**, to research and develop new drugs relating to genetic therapies. CITIC Pacific will take a 51% stake in the JV and will invest up to US\$44m. (March 15, 2002)

According to the **Guangdong Drug Administration (GDA)**, Guangdong Province will allow trial operations of foreign-invested drugstores in the cities of Guangzhou, Shenzhen, Zhuhai and Shantou in 2002. China is due to open its drug distribution sector in 2003 according to its WTO commitments. The GDA noted significant interest from foreign retailers, but did not reveal which foreign firms would be allowed to participate in the program. (March 15, 2002)

China's **National Administration of Medicines (NAM)** has estimated that 50% of the country's drug manufacturing facilities need to be closed because they either fail to meet WTO standards or are producing pirated brands. After these closures, NAM estimates only 1,300 manufacturing facilities will remain. (March 12, 2002)

INDIA

Abbot Laboratories India was granted a 15-year royalty-free, exclusive license for the trademarks and technology relating to manufacturing, processing and packaging of certain pharmaceutical, nutritional and healthcare products. The Foreign Investment Promotion Board (FIPB) has also approved the proposal that **Pharmacia** of the US acquire a 51% stake in Abbot Laboratories India from the US **Abbot Laboratories** and up to a 24% from the public. (March 19, 2002)

The Apollo Group, through subsidiary **Apollo Health and Lifestyle Ltd**, has announced plans

to establish a chain of franchised clinics across India. Each clinic will offer a 24-hour pharmacy, general and specialists consultation and diagnostic services. Investment in each clinic will total US\$4m. The Group is seeking to add 30 clinics by Q4 2002. (March 5, 2002)

Aurobindo Pharma Ltd and **Citadel Fine Pharmaceuticals Ltd** have created a 50/50 JV called **Citadel Aurobindo Biotech Ltd**. The JV will focus on branded prescription formulations in the cardiovascular, diabetology, gastroenterology, infection, nutrition and pain management segments. Both of the shareholders are contributing some of their existing brands into the JV. Citadel brands are expected to comprise 70% of the revenues to the JV initially, which the shareholders expect to be US\$30m in the first year. (March 25, 2002)

Dr Morepen Ltd has stated that it is interested in further brand acquisitions in the Indian market. The company recently acquired **Burnol**, a popular antiseptic brand, from **Reckitt Piramal**. Dr Morepen has said it is primarily interested in OTC remedies, especially cough and cold remedies, antacids and analgesics. The company has plans to relaunch the **Burnol** brand as the core of skincare range of products. (March 21, 2002)

Dr Reddy's Laboratories will acquire two small UK-based generic drug companies for a total of US\$13m. This is Dr Reddy's first cross border acquisition and is expected to close by April 2002. The companies being acquired are **BMS Laboratories** and subsidiary **Meridian Healthcare**. The companies manufacture and sell liquid medications and packaging in the UK. The acquisition will help Dr Reddy's diversify its non-India revenues, which are mostly from the US at present. (March 17, 2002)

Ranbaxy Laboratories Limited plans to establish 25 clinical research centers in India and eight in China over the next several years. The focus of the centers will be as contract research facilities to allow other pharmaceutical companies to outsource parts of their clinical research. The clinical research centers in China will focus on the Traditional Chinese Medicine market for clinical documentation and will work closely with clinical testing for New Chemical Entities to be developed in the future by Ranbaxy. Ranbaxy is making a substantial investment in the

centers because it foresees strong demand for outsourcing of clinical research from Indian and MNC pharmaceutical companies in India. (March 25, 2002)

Sartorius AG, the German biotechnology company, is looking at increasing its presence in India through strategic partnerships, acquisitions and investments according to the Sartorius Group Chairman and CEO. The goal is to ally with pharmaceutical firms for contract research and manufacturing services. (March 11, 2002)

Wockhardt Ltd has announced the completion of the restructuring of its JV with **Rhein Biotech GmbH** of Germany. The JV, **Wockhardt Rhein Biopharm**, is now a wholly-owned subsidiary of Wockhardt and has a co-exclusive license on Rhein's technology used to produce Hepatitis-B vaccine in India. (March 27, 2002)

Wockhardt Life Sciences Ltd has sold its intravenous (IV) fluid business to **Baxter India Pvt Ltd**, a subsidiary of **Baxter Healthcare International Inc** of the US, for US\$45m. Wockhardt Life Sciences has been the market leader for IV fluids in India, but Wockhardt is keen to focus on its pharmaceutical and biotechnology business and will use the proceeds from the divestiture to further fund growth in these businesses. (March 7, 2002)

INDONESIA

The **Indonesian Government** has pledged to accelerate its privatization program. This pledge comes in spite of growing resistance from employees at some state-owned enterprises. In the health sector, the Government plans to sell its stakes in local pharmaceutical companies, **Indofarma** and **Kimia Farma** in 2002. (March 20, 2002)

Nutricia International BV, **Washington Soul Pattinson**, and **Quanda Pharmaceuticals** are all reported to have cancelled their plans to bid for the Government's stake in **PT Indofarma**. All three are reported to have been seeking to acquire a

majority stake, or management control, in the company, which the Government has decided it wishes to retain. (March 12, 2002)

Pfizer has launched a tender offer to acquire the remaining 20% of shares in **PT Pfizer Indonesia** currently held by minority investors. This will allow Pfizer to increase its ownership to 100% and delist the subsidiary from the Surabaya Stock Exchange. This move is part of Pfizer's stated global strategy to maintain 100% ownership in its overseas operations. (March 27, 2002)

JAPAN

Amgen Ltd, the local arm of US biotech firm **Amgen Inc**, is working with **Kirin Brewery Co** to conduct Phase III clinical trials in Japan on a new treatment for aplastic anemia. Amgen hopes to begin marketing the drug in 2003. Amgen is currently selling its hepatitis treatment in Japan through cooperation with **Yamanouchi Pharmaceutical Co**. (March 18, 2002)

Meiji Seika Kaisha Ltd, the Tokyo Stock Exchange listed pharmaceutical company, has acquired the development, manufacturing and sales rights to L-084, an antibiotic being developed by **Wyeth Lederle (Japan) Ltd**. L-084 is used against penicillin-resistant streptococcus pneumoniae. Wyeth Lederle is currently conducting Phase II clinical testing of the medication in Japan. L-084 will be the first oral medicine in this segment in Japan - all other similar drugs on the market are injectables. Meiji Seika Kaisha will begin marketing by 2007 in Japan and in several other Asian countries for which it has the rights and is targeting US\$75m in annual sales from the drug. (March 20, 2002)

Merck KGaA, the German pharmaceutical group, will acquire **Mohan** of Japan from **Kyowa Hakko Kogyo Co**, in an effort to expand its generics business in Japan. Merck will become the third largest generic drug producer in Japan as a result of the transaction, and expects annual revenues for its enlarged Japanese generics business to reach US\$100m. (March 13, 2002)

PanGeo Pharma Inc, a Canadian pharmaceutical company, has acquired a 14% stake in **SORM**, a Japanese pharmaceutical distribution company. Terms of the deal were undisclosed. PanGeo intends to use the relationship with SORM to strengthen its access to the Japanese market. PanGeo uses SORM to distribute OTC products throughout Japan and is SORM's exclusive supplier of non-prescription pharmaceuticals. (March 19, 2002)

Snow Brand Milk Products Co and **Otsuka Pharmaceutical Co** have established a JV to produce and sell enteral nutrition products. The JV, **EN Otsuka Pharmaceutical Co**, will assume Snow Brand's production of two enteral nutrition products, *Twin Line* and *Racol*. Snow Brand and Otsuka each hold a 40% stake in the JV and an Otsuka manufacturing subsidiary holds the remaining 20%. Snow Brand has contributed all of its enteral nutrition related assets and staff to the JV. (March 26, 2002)

Suntory Ltd and **Daiichi Pharmaceutical Co** have announced plans to develop a new Alzheimer's treatment based on memantine. Suntory, a major whiskey producer, has been moving into the pharmaceutical segment on the strength of a licensing agreement with **Merz + Co** of Germany. The company is currently conducting clinical testing for the new treatment in Japan. The treatment is supposed to slow the progression of Alzheimers in mild to moderate cases. (March 19, 2002)

Taisho Pharmaceutical Co and **Merck & Co** will jointly conduct clinical tests on a new treatment for schizophrenia. Taisho has developed a new drug and conducted pre-clinical trials and will work with Merck on clinical testing beginning in 2003. Taisho will have marketing rights to the drug in Japan and other Asian markets and Merck would have rights in other regions. (March 5, 2002)

Yamanouchi Pharmaceutical Co and **Metabolex Inc**, a private US company, have agreed to jointly develop diabetes and obesity drugs. The research will focus on discovery and development of treatments for type 2 diabetes, insulin resistance, impaired glucose tolerance and obesity. Metabolex will receive an initial fee to begin research and ongoing milestone payments. The US firm will retain co-marketing rights in the North and South

American markets for any drugs developed under the cooperation. (March 21, 2002)

KOREA

Celltrion, a US/Korean JV was recently established to build and operate a new pharmaceutical manufacturing facility near Incheon City, Korea. **Vaxgen** of the US holds a 45% stake in the JV, **Nexol Corp** 18%, **Korea Tobacco** 16%, **J. Stephen & Co** 13% and **Ginseng Corp** 6%. Vaxgen will contribute mammalian cell culture technology and production expertise into the JV. The Korean companies will invest the capital necessary to build and operate the production facility. Initially the facility is expected to produce 200 million doses of an AIDS vaccine annually. (March 1, 2002)

Medison Co, a Korean manufacturer of ultrasound diagnostic scanners, filed for bankruptcy protection on February 6. The court's decision on the receivership petition is expected shortly. Analysts believe that the court is likely to approve it, allowing Medison to continue trading while it establishes a plan for repaying its creditors. Medison is a leader in the gynecological ultrasound diagnostic scanner market. The company is a large exporter of ultrasound equipment, with export revenues of US\$85m in 2001, and holds the top position in the Korean market for diagnostic scanners. (March 7, 2002)

Novartis has decided to close its drug manufacturing facility near Seoul. The production facility had faced difficulties with Korean labor unions and, as a result, was beset by declining productivity. The Korean arm of Novartis will resume importing medicines that were previously produced at the facility. (March 13, 2002)

MALAYSIA

Hovid, a Malaysian pharmaceutical company, has established a subsidiary to enter the Philippine

generic drug market. Hovid produces nearly 300 pharmaceutical products including paracetamol, mefenamic acid, antacids, antibiotics, anthelmintics, steroids and tranquilizers. The company will consider establishing a local manufacturing facility in the next two or three years. (March 17, 2002)

Kotra Industries, the OTC focused pharmaceutical company, intends to focus on manufacturing generic prescribed drugs going forward. This is seen as a move to capitalize on the Government's encouragement to use generic prescription drugs in public and private Malaysian hospitals. (March 25, 2002)

Ranhill Bernhard will form a JV with **Mediconsult Management Sdn Bhd**, the Malaysian healthcare consultancy. The JV, **MediGlobal Sdn Bhd**, will focus on healthcare facilities development. This leverages the experience the two companies have developed while working jointly on development at Ranhill's Serdang Hospital. (March 13, 2002)

PHILIPPINES

The **Philippine Department of Trade and Industry (DTI)** has announced that more hospitals in the country will source drugs imported from India beginning in April 2002. The **Department of Health** will sell Indian branded medicines at the hospitals and health centers that it manages. The DTI intends to discount prices up to 80% when compared to costs of comparable products at private drugstores. (March 22, 2002)

SINGAPORE

The **Economic Development Board's** Biomedical

To submit stories to future editions of this newsletter, please contact Paul DiGiacomo in Hong Kong on 852.2537.9565 or pdgiacomo@bdallc.com.

Sciences Investment Fund has announced that it will establish a London office to identify investment opportunities in European and Asian biotechnology and biomedical firms. The US\$600m fund will focus on Western Europe and will seek to establish links between European firms and Singapore. (March 7, 2002)

Parkway Holdings, the Singapore based healthcare services company, plans to spend US\$25m to take private two of its group companies, **Parkway Laboratory** and **Medi-Rad Associates**. The company will also focus on expansion in regional markets, with an emphasis on growing its hospital consultancy management business. (March 17, 2002)

PhytoProtein Biotech Pte Ltd, a Singapore based biotechnology firm, received an investment from Malaysian venture capital firm, **Commerce Technology Ventures (CVT)**. This increases CVT's stake in the firm to 12%. PhytoProtein is 30% owned by Australian biotechnology company **Agenix Ltd** and focuses on developing and manufacturing recombinant antigens for use in diagnostic kits and animal vaccines. PhytoProtein also provides technology used to produce immunogenic proteins using plant cell-based expression systems. (March 15, 2002)

Raffles Medical Group, the healthcare services group, will continue with expansion plans. The group is planning to add six more clinics this year to its existing network of 65 in Singapore and Hong Kong. The Group is also targeting Malaysia and Indonesia as potential markets for an acquisition. Raffles posted its first ever net loss in 2001, but said that it expects to return to profitability in 2002. The Group's **Raffles Hospital**, launched in March 2001, but expects to be profitable in 2002. The hospital had 100 beds in operation in 2001 with an occupancy rate of 40%. (March 26, 2002)

TAIWAN

Chang Gung Memorial Hospital, a subsidiary of the **Formosa Group**, has been asked by Chinese authorities to delay its plans to establish three

hospitals on the mainland. The group had targeted Beijing, Xiamen and Fuzhou as the locations for the hospitals. The delay has been explained as relating to the uncertainty of receiving regulatory approval due to the pending election of the next generation of Chinese leaders. (March 18, 2002)

is to have 230 beds and open in early 2003. Proparco is a subsidiary of **Agence Française de Développement** devoted to providing financing for private sector projects. Investors in the hospital include a group of French physicians, the **International Finance Corporation**, the **Asian Development Bank** and the **Bank for Investment and Development of Vietnam**. (March 20, 2002)

VIETNAM

The **Far East Medical Vietnam Company** secured US\$5m in financing from **Proparco** towards the construction of the **Franco-Vietnamese Hospital** under development in Ho Chi Minh City. The hospital

The **Ministry of Planning and Investment (MPI)** has reported that foreign investment in Vietnam's health sector has reached US\$300m. According to the Ministry, the foreign investment has gone into 15 diagnostics and treatment projects and 17 projects involving pharmaceuticals and medical equipment. (March 26, 2002)

Euan Rellie, Managing Director
Paul DiGiacomo, Senior Associate

Kathleen Ng, Associate
Delphine Hou, Analyst

ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions and divestments. BDA helps clients to find local business and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul, Shanghai, Taipei and Tokyo. For further information on BDA's services or on any of the articles in this newsletter, please contact our offices below.

New York

Andrew Huntley
Business Development Asia LLC
The Economist Building, Suite 1105
111 West 57th Street
New York, NY 10019
Tel: (212) 265-5300
Fax: (212) 265-4300

Singapore

Genevieve Wong
Business Development Asia Utd Pte Ltd
20 Raffles Place
#10-07 Ocean Towers
Singapore 048620
Tel: (65) 6533-8500
Fax: (65) 6533-8506

London

Euan Rellie
Business Development Asia Ltd
10 Crown Place
London EC2A 4FT
United Kingdom
Tel: (44) 20-7655-3748
Fax: (44) 20-7655-8953

Shanghai

Simon Wu
Business Development Asia
Shanghai Centre, Suite 504B
1376 Nanjing Road West
Shanghai, China, 200040
Tel: (86) 21-6279-8390
Fax: (86) 21-6279-8906

Tokyo

Charles Maynard
Business Development Asia
#505 Sengokuyama Annex
5-3-20 Toranomon, Minato-ku,
Tokyo 105-0001 Japan
Tel: (81) 3-3433-5803
Fax: (81) 3-3433-5269

Hong Kong

Paul DiGiacomo
Business Development Asia
(HK) Ltd
23/F Tung Hip Commercial
244-256 Des Voeux Road Central
Hong Kong
Tel: (852) 2537-9565
Fax: (852) 2537-4406

bda@bdallc.com

www.bdallc.com