

# ASIAN HEALTH NEWSLETTER

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## INTRODUCTION

Indian pharmaceutical companies have been aggressively seeking to raise capital to fund overseas M&A, a trend which has accelerated recently. We also continue to see restructuring in the pharma sectors in China and Japan, which we believe will yield opportunities for strategic investors.

BDA is a corporate finance advisory firm, which assists MNCs and Asian companies to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at [pdigiaco@bdallc.com](mailto:pdigiaco@bdallc.com). We look forward to speaking with you.

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## CHINA

**Bridge Pharmaceuticals**, the private California-based research firm and a spin-off of **SRI International**, plans to spend US\$150m on 3 acquisitions in China and Taiwan during the next two years. CEO Glenn Rice noted that acquisitions could include facilities, existing businesses and intellectual property rights and will consider both private as well as government-backed companies and research programs. He anticipates growing organically and consolidating in the regions outside Beijing. Bridge Pharmaceuticals' BridgeNet unit is a network of 2,500 pre-screened chemical and manufacturing service providers in China and Taiwan. The company's Vital Bridge joint venture provides Bridge Pharmaceuticals exclusive access to animal supplies from the largest animal breeding facilities in China. Bridge Pharmaceuticals recently opened a new 85,000 square foot preclinical laboratory in Beijing that is believed to be one of the first independent labs that is compliant with US standards. (June 16, 2006)

**China Health Holding Inc ("CHHI")** has acquired 60% of **Henan Furen Huaiqingtang Pharmaceuticals ("HFHT")** for US\$95m. Zhengzhou-based HFHT has US\$100m worth of assets, US\$110m of annual gross revenues and a SFDA certified GMP, and manufacturing facility. CHHI manufactures and commercializes natural herbal medicinal products and a wide range of all-natural multi-vitamins and mineral food supplements. The acquisition helps achieve vertical integration as well as the expansion into western medicine. (August 16, 2006)

**Chindex International (“Chindex”)**, the listed US healthcare company is seeking to acquire another hospital in China in 2007, in addition to the Beijing and Shanghai United Family Hospitals that it now owns. This move could potentially boost profits for the fiscal year of 2008. Chindex currently has a market capitalization of US\$60.9m. (August 9, 2006)

**Golden Meditech**, the Hong Kong-listed medical device company is open to taking on strategic investors looking to grow their businesses in China and has cited US-based counterparts **Medtronic** and **Johnson & Johnson** as possible strategic partners. The criteria for a strategic partner that Golden Meditech seeks include advanced technology, unique medical sector products and be well-established position within the US, Europe or Japan. Golden Meditech is also currently negotiating with overseas medical companies to promote its product *TangHerb* to foreign markets. (July 14, 2006)

**Gome**, the Beijing-based listed electrical appliance maker, is to create a JV pharmacy with **Walgreens**, the Illinois-based health care products retailer. The application files for the JV were in the final stage of review and the JV would be based in Beijing. Gome chairman Huang Guangyu could invest between US\$250m to US\$375m in the JV. Through this deal, Gome expects to make inroads into China’s pharmaceutical and health care operations. (August 8, 2006)

**Heilongjiang Qitai Pharmaceutical Limited (“HQPL”)**, a nation-wide Chinese distributor of pharmaceutical products, was acquired for US\$4m by **American Oriental Bioengineering Inc (“AOB”)**, a Canadian manufacturer of natural herbal supplement products based on TCM. The acquisition increases the number of distribution points tenfold to 100,000 and AOB will rely on HQPL’s network to distribute exclusively its products. This vertical integration will allow AOB to fully extend its distribution and marketing capabilities across China. (August 3, 2006)

**Inverness Medical**, a listed US-based medical diagnostics company, has made six acquisitions

ranging from US\$10m to US\$175m in the past year. Through the acquisition of **Acon**, a global provider of diagnostic test kits in the consumer, point-of-care and laboratory markets, it acquired a newly-constructed manufacturing facility in Hangzhou. (August 31, 2006)

**Shanghai Fosun Pharmaceutical (“Shanghai Fosun”)**, a Chinese drug maker has acquired a 36% stake in Chinese fuel cell research and development company, **Shanghai Shen-Li High Tech**, for US\$6.3m. Shanghai Fosun is plans to increase its stake to 39%. (July 21, 2006)

**Zhejiang Conba Pharmaceutical Co Ltd (“Conba Pharma”)** will acquire a 100% stake in **Zhejiang Conba Medical and Healthcare Products Ltd (“Conba Medicine”)** in order to speed up development of its plant-based medicines. It will acquire 90% stake from its parent company Conba Group and the remaining from individual Fang Xiaowei for US\$6.4m. Conba Medicine’s products include nutritional supplements of oral solutions and capsules. For the first half of 2006, Conba Medicine’s sales were US\$43.4m and net profits of US\$2.4m. (August 25, 2006)

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## INDIA

**Biocon**, the listed India-based biotech company, has expressed interest in acquiring US and European biotechnology companies which have valuable intellectual property assets on both products and processes in the range of US\$50m to US\$100m. Biocon is not interested in companies with manufacturing assets but rather those with patents in the area of antibodies and mainly on oncology. A recent acquisition of bankrupt US-based **Nobex** is an example of Biocon’s interest in acquiring companies in financial trouble. Biocon is now focusing on statins which contributes over half of its revenue. Biocon’s revenue for year ending March 31, 2006 was US\$175m. (July 5, 2006)

**Dabur**, the listed Indian herbal/ayurvedic remedies and health foods company, is currently in negotiations concerning a US\$100m acquisition of a listed company in the US. Dabur is looking to acquire more in the healthcare and personal care product business segments. Its FY06 net sales were US\$84m. (September 4, 2006)

**Dishman Pharmaceuticals and Chemicals**, through its wholly owned subsidiary **Dishman Pharma Solutions (“DPS”)** in Brussels, acquired Swiss-based research company **Cabbogen Amcis AG (“Cabbogen”)** from **Solutia Europe (“SESA”)** for over US\$75m. The transaction was financed through share capital contribution of US\$23m and a syndicated loan of US\$52m. (August 25, 2006)

**Glenmark Pharmaceuticals**, the listed Indian drug maker, is interested in acquiring firms with annual revenue of US\$20m in Germany, France, Italy and Spain. The targets should possess good management and products both already in the market and those in trials. Formulations or branded generics account for 80% of the firm’s US\$127m revenue. The company looks to grow organically as well as through acquisitions and is interested in new chemical entities that it will subsequently license further stages of development and marketing to potential partners. (July 11, 2006)

**Jubilant Organosys (“Jubilant”)**, the listed Indian drug manufacturer, is considering an acquisition of listed US-based **Cambrex Biosciences (“Cambrex”)**. KPMG and McKinsey are financial advisers for Jubilant Organosys while Bear Stearns is advising New Jersey-based Cambrex which announced in February that it was examining strategic alternatives. The sale could include either the sale of Cambrex units or the entire company. Cambrex’s biopharma outsourcing unit which manufactures active ingredients in biotechnology drugs has been the most problematic as well as promising unit and could thus be a suitable acquisition target for India-based pharmaceutical firms. Jubilant has recently bid for several US-based generic drug firms. The company is considering an equity stake sale in order to raise funds for a large acquisition. Cambrex has 2,000 employees throughout its operations in US, Europe, Asia and

South America and revenue of US\$439m for 2004. Jubilant is one of the largest Custom Research and Manufacturing Services companies in India and has a market capitalization of US\$682m. (July 2, 2006)

**Marksans Pharma (“Marksans”)**, a listed drug maker in India, plans to raise US\$100m to acquire US-based generic firms that possess marketing and distribution strengths as well as a sizable product pipeline. Besides drug manufacturing, it also trades solvents and chemicals. For the quarter ending March 2006, Marksans reported revenues of US\$16m. (June 30, 2006)

**Mylan Laboratories (“Mylan”)**, the US-based generic drug major has recently acquired a 51.5% stake in **Matrix Laboratories (“Matrix”)**, a listed Indian pharmaceutical firm. The shares were previously owned by Singapore’s **Temasek Holdings Pte, Newbridge Capital LLC** and the founder-chairman Nimmagadda Prasad. This will be followed by a tender offer to Matrix’s other shareholders. Matrix is the world’s second largest applicant of Drug Master Files (“DMF”) for Active Pharmaceutical Ingredients (“API”). This move deepens Mylan’s vertical integration and supply chain capabilities. The total purchase price inclusive of the open offer if fully subscribed is US\$736m, 3% less than Matrix’s 52 week high and 32 times of Matrix’s free cash flow. (September 1, 2006)

**Metropolis Health Services (“MHS”)**, a private Indian diagnostic-centres chain, is in the process of acquiring an unspecified UK-based chain of pathology labs through a two-year investment plan worth between US\$22m to US\$27m for its domestic operations and overseas acquisitions. (June 18, 2006)

**Nicholas Piramal**, the Indian pharmaceutical company, has through its wholly-owned UK subsidiary **NPIL Pharmaceuticals (UK)**, acquired **Pfizer’s** Morpeth facility. The transaction includes a supply agreement till November 2011 with a value in excess of US\$350m. The Morpeth facility is a hub for supplying certain Pfizer products to the US, Europe and Japan. (June 15, 2006)

**Orchid Chemicals and Pharmaceuticals Ltd (“Orchid”)** plans to buy out US-based **Bexel Pharmaceuticals Inc (“Bexel”)** by acquiring a 26% stake for over US\$3m. It currently holds a 74% stake and the agreement would bring both companies under a unified structure. Bexel’s founders and key employees would receive 650,000 stock options as part of the agreement. Bexel’s focus has been on drug discovery research for metabolic research while Orchid’s focus has been on inflammation, cancer and anti-infective areas. (August 1, 2006)

**Ranbaxy Laboratories (“Ranbaxy”)**, the listed Mumbai-based generic drug maker, is considering a US\$100m bid for **Akrikhin**, a Russian generic drug maker. Akrikhin generated US\$38m revenue in the first half of 2006. With a presence in 21 of the 25 EU countries, Ranbaxy already has significant operations in the UK, France, Germany, Spain, Italy and Romania. Its 2005 net revenues amounted US\$779m. Ranbaxy also seeks to divest its Ireland manufacturing unit for US\$32m to US\$44m. (August 21, 2006)

**Ranbaxy** has acquired the **Mundogen** generic business of **GlaxoSmithKline (“GSK”)** in Spain for an undisclosed amount. The value of the Spanish generic market is US\$750m with an annual growth rate of 25%. The total pharmaceutical market is worth US\$12.5b. (July 18, 2006)

**Strides Arcolab (“Strides”)**, Mumbai-listed pharmaceutical firm, has recently acquired **Drug Houses of Australia (“DHA”)**, a wholly owned subsidiary of Singapore’s **Haw Par Healthcare Ltd**, engaged in the manufacturing of generic drugs. The transaction was valued at US\$12.5m. DHA announced a net profit of US\$1.7m and sales of US\$10.2m for 2005. Over the last two years, Strides has acquired four overseas companies. (September 5, 2006)

**Sun Pharma**, the listed Indian drug maker, is seeking acquisitions in the generic-space arena in the US. Using a portion of the proceeds from the US\$350m it raised through a sale of foreign currency convertible bonds (FCCBs), Sun Pharma acquired New Jersey’s **Able Labs** for US\$23m and Ohio’s **Valeant Pharmaceuticals** for US\$10m last

year. The company’s revenue for FY06 is US\$364m. (August 10, 2006)

**Wanbury**, a listed Indian drug manufacturer, is in acquisition negotiations with unspecified Western Europe generics companies with annual revenues of between US\$13m to US\$32m. (June 21, 2006)

**Wipro**, the listed Indian IT major, plans to acquire US targets with at least US\$100m in revenues and a focus on health service outsourcing. Likely targets include Pennsylvania-based **NCO Group’s** US\$140m healthcare unit, Atlanta-based **Convergent Resource’s** US\$60m healthcare unit, Roundtable Healthcare Partner’s **MedAssist** and Missouri-based **Outsourcing Solutions (OSI)**. OSI is currently being advised by Merrill Lynch for a sale. Wipro’s third quarter revenue for 2006 is US\$629.5m. (August 10, 2006)

**Wockhardt**, the Mumbai-based pharmaceutical group, is considering a US\$127m bid for privately-owned Irish pharmaceutical company, **Pinewood Healthcare, “Pinewood”**. Pinewood received bids in the range of US\$120m from India’s **Zydus Cadila** and Israel’s **Teva Pharmaceutical** earlier in July. A US\$127m bid would represent a 20 times P/E multiple. The firm posted a US\$7.0m pre-tax profit and US\$58.7m revenue for the year ending June 30, 2005. Pinewood’s managing director Michael Costello and director Martin Carmody are two of the group’s biggest shareholders. (August 30, 2006)

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## JAPAN

**Asahi Kasei Pharma Corporation (“AKP”)**, a Japan-based biopharmaceutical company, has provided US\$39m of financing to **Artisan Pharma, Inc. (“Artisan”)**, a biopharmaceutical company. Co-investors include **NGN Capital LLC**, a global healthcare venture capital investment firm, **JAFCO**, a later-stage biopharmaceutical and medical device investment fund, **New Leaf Venture Partners**, a life science dedicated investment capital firm,

**Bio\*One Capital**, a biomedical sciences investment management company in Asia and **Quintiles**. Artisan in-licenses clinical stage products for development and commercialization in critical care and hospital-based markets. AKP licensed late-stage ART-123 to Artisan. The license includes development and commercialization rights to all pharmaceutical applications worldwide except for Japan, China, Taiwan and Korea. (September 7, 2006)

**Daiichi Sankyo**, the listed Japanese pharmaceuticals company, is interested in making acquisitions in Europe in order to triple its revenue to US\$1.3b by 2011. Potential targets have not been revealed so far. Daiichi Sankyo Europe's 2005 revenue was US\$409m. (July 25, 2006)

**Eisai**, **Daiichi-Sankyo** and **Takeda**, listed Japanese pharmaceutical companies, could become potential buyers of the pharmaceutical division of a listed German chemicals and pharmaceuticals company, **Atlanta Pharma**. Offers for Atlanta Pharma are due on 8 September 2006 and amongst the bidders are Belgian pharmaceutical company, **Solvay** and financial investor **Kohlberg Kravis Roberts ("KKR")**. Denmark's **Nvcomed** is also a potential bidder for Atlanta Pharma. Atlanta Pharma is valued at between US\$6.9b and US\$8.5b. (September 5, 2006)

**Nipro Group ("Nipro")**, a listed Japan-based global supplier and manufacturer of medical devices, through its subsidiary Nipro Medical is expected to acquire the perfusion products business of **Edwards Lifesciences ("Edwards")**, a US-listed cardiovascular treatment group. The amount is undisclosed and the purchase is expected to close by the fourth quarter of 2006, pending regulatory approvals. Edwards' products are currently sold throughout Latin America, Asia, Eastern Europe and parts of the Middle East and Africa. Since 2000, Edwards has divested its perfusion products operations in the US, Japan and Western Europe. The business being acquired by Nipro was estimated to contribute approximately US\$20m in revenues and US\$2m in earnings to Edwards in 2006. (August 08 2006)

**Olympus**, the listed Japanese precision equipment maker, has acquired **Bacus Laboratories ("Bacus")**, a privately-held US-based innovator of virtual microscopy. Bacus also develops microscope software for clinical laboratory applications and holds various patents in the field of microscopic digital images. The value of the deal was not disclosed. Olympus forecasts sales of immunologic testing and conventional biological testing to reach over US\$512m over the next three years. (July 17, 2006)

**Takeda Pharmaceutical ("Takeda")**, the listed Japanese pharmaceutical firm is considering acquisition of firms that own technology that Takeda does not currently possess. Possible targets include local pharmaceutical firms in the US and Europe with expertise in the drug development for cancer and the central nervous system. The company plans to launch 8 new drugs in the US by 2010. (August 10, 2006)

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## KOREA

**Bioneer**, the listed Korean biotech company is currently seeking investors for the stake currently held by **Korean Asset Management ("KAMCO")**. CEO Park has expressed interest in finding a long-term investor for its investments in the company. Bioneer has 65 patents and an equal amount pending approval. Bioneer has plans to list its US subsidiary on the NASDAQ upon reaching a sales target of US\$30m in three years and a profit of US\$5m. Meanwhile, they are looking to acquire US biotech companies involved in new drug development as well as other companies involved in merger or technology licensing. Bioneer is also seeking acquisitions in China. Bioneer's recent investments include US\$350m to build a factory in the San Francisco Bay Area for manufacturing oligo nucleotide. They target to be the top three makers of oligo nucleotides in the US within three years. (August 28, 2006)

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## TAIWAN

**Taiwan Biotech**, the private Taiwanese biotech company, has been keen to acquire overseas biotech companies and is currently focusing on the US market, in particular biologics companies with multiple licenses. They are interested in investments with over US\$5m and would evaluate each proposal based on the kinds of licenses these companies possess. Targets with manufacturing

and marketing capabilities to bring Taiwan Biotech's products to the US are under consideration. Taiwan Biotech has five product groups; drug formulas, health care products, Chinese herbal medicine products, medical devices and bulk drugs. The plant manufactures drugs for gastrointestinal and respiratory treatments. Total turnover for Taiwan Biotech and its affiliates for 2005 is US\$60m. (August 14, 2006)

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## 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. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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