

ASIAN HEALTH NEWSLETTER

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CHINA/HK

AstraZeneca, the third largest pharmaceutical giant worldwide, has established a clinical research center in Shanghai. The center is an integral part of AstraZeneca's worldwide research network, where all data obtained from China, Hong Kong, Taiwan, and South Korea will be processed. The center will also closely cooperate with Chinese medical institutions and organizations during global drug clinical trials. (March 5, 2003)

BASF of Germany will establish a JV to produce vitamin C in cooperation with China's **Northeast Pharmaceutical Group**. BASF will hold between 50% to 70% stake in the JV while the Chinese party will hold the remaining stake. Construction of the JV will start in 2004 and will be completed in 2006. Production capacities of the JV have not been revealed. (March 4, 2003)

Eisai Co, the biggest Japanese seller of prescription drugs in China, will increase its salesforce in the PRC by 20% and also increase the number of cities covered to 65 in 2003. The drugs marketed in China include its *Aricept* Alzheimer's treatment and *Pariet* for ulcers. Eisai estimates the overall sales growth in China to be as much as 12% annually, while growth in Japan, the US and Europe is slowing. Its turnover in China is expected to rise to RMB355m (US\$38.3m) in 2003 from RMB234m (US\$25.2m) in 2002. Eisai has factories in Suzhou, Jiangsu Province which manufacture drugs solely for the local market. Eisai's sales in China are about a third of **Janssen Pharmaceutical Inc**, subsidiary of **Johnson & Johnson**, the largest foreign drug maker in China. (March 21, 2003)

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, JVs and divestments in Asia. We focus on the health sector and are well placed to advise international companies.

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

Euan Rellie
Managing Director

Hoya Corp of Japan will establish a wholly owned subsidiary, **Hoya Optical Technology (Suzhou) Ltd**, in Jiangsu Province as its new production base to manufacture optical lenses and glass. The new factory, slated to begin production in April 2004, is set up to meet the rapidly increasing demand for such products in China. (March 12, 2003)

The **ING Capital Life Insurance Company Ltd**, a 50:50 life insurance JV between Netherlands-based **ING Insurance International** and the **Capital Group of Beijing**, a state-owned corporation involved in financial services, infrastructure and real estate, began operations on February 21, 2003 in Dalian, Liaoning Province. It is the first such Sino-foreign insurance company to open in northeast China. The JV will focus initially on traditional and individual life insurance products, offering basic coverage such as protection, endowments, medical compensation and disability compensation. More sophisticated products, such as participating insurance and investment-linked insurance, will be launched at a later stage. (February 24, 2003)

Ion Beam Applications SA (IBA) of Belgium will open a medical device sterilization JV in China, where it expects the market for such services to grow 10% annually. Paul Goethals, investor relations chief at IBA, said the group will target US and European medical device companies that have operations in China. He said the company might also expand into food irradiation for export purposes. IBA has invested Euro7m (US\$7.4m) in the JV. (February 20, 2003)

The first Sino-American joint pharmacy run by **Medicine Shoppe International** and **Nep-star** has opened its first franchise store in Shenzhen, Guangdong Province. This is a milestone in China's drug retail market, marking the introduction of well-known foreign drug retail brands in the mainland. Medicine Shoppe International, which recorded revenues of US\$1.7bn in 2001, will provide brand image, corporate management expertise as well as operational support to the joint pharmacy. Based on China's commitments to the WTO, China will officially open its drug retail market to foreign investors by 2003. The Shenzhen market has been opened earlier to foreign investors as a pilot program. (March 5, 2003)

A Sino-Russian eye hospital, the first JV in the

medical field between the two countries, has commenced operations in Daqing, Heilongjiang Province. Jointly run by the Daqing-based **People's Hospital** and Russia's **National Fedorov Ocular Microsurgery Center**, the hospital specializes in short- and far-sightedness and astigmatism treatment with laser technology, cataract removal, artificial lens transplant and complicated retina diseases. (February 19, 2003)

Philadelphia International Medicine (PIM) and **The China Trade Center of Philadelphia (CTCP)** will market PIM healthcare education and training services in China. The agreement allows CTCP to contact government officials, medical schools, prominent hospitals and physicians in China to promote PIM services, such as training programs for health care administrators, advanced clinical programs for physicians, training programs for nurses, observerships and visiting physician programs. PIM was created by nine hospitals to promote Philadelphia as an international healthcare destination of choice. It provides continuing medical education, as well as health care training and education to international physicians, administrators and other practitioners. The CTCP is a public-private strategic alliance dedicated to promote opportunities between businesses and organizations in China and Philadelphia. (February 26, 2003)

Servier Tianjin Pharma, a 90:10 JV between **Servier International** and **Tianjin Huajin Pharma** with a total investment of US\$15m, has commenced operations in the Tianjin Economic Technological Development Area (TEDA). Servier, the first French pharmaceutical company to enter the China market in 1997, estimates its revenues in China to be nearly US\$40m in 2002. Previously in 2001, Servier established **Servier (Beijing) Pharmaceutical Development Co Ltd**, its twelfth international drug R&D center worldwide. (February 12, 2003)

Siemens Medical Solutions, a subsidiary of the Germany-based **Siemens** and a leading global medical equipment supplier, has established a CT (computerized X-ray tomography) machine factory in the Pudong New Area of Shanghai. The new production facility, **Siemens (Shanghai) Medical Equipment Co Ltd**, is Siemen's first CT production and R&D base outside Germany, and is designed to produce 500 CT machines a year using the same

standards as those of Siemens' German operations. The products will be sold both inside and outside China. Further investment will be made in the CT machine factory to enhance its R&D and production capacity, which will also produce X-ray equipment and medical equipment parts in the future. (February 26, 2003)

Sweden's **Skandia Insurance Company Ltd (Skandia)** has been approved by the **China Insurance Regulatory Commission (CIRC)** to start preparation for a life assurance JV in Beijing. The 50:50 JV between Skandia and the **Beijing State-owned Assets Management Corporation Ltd** is expected to begin providing services to Chinese clients in Q1 2004. China is expected to approve more foreign insurers to sell policies in more areas to meet the commitment the nation made to the WTO. China's insurance industry has enjoyed rapid growth in the past decade, making it one of the most lucrative markets for insurance companies. (March 21, 2003)

Hong Kong-based **Sun Hung Kai & Co Ltd (SHK)** has rejected a fresh offer for its stake in medical clinic operator **Quality HealthCare Asia** as the price offered is considered unattractive, the South China Morning Post reported, citing COO David Parker. SHK is the single largest shareholder of Quality HealthCare with a 28.53% stake. Quality HealthCare executive director Nelson Wong, through private company **Caduceus Medica Ltd**, had relaunched a general offer for the company's shares at HK\$0.181 cash each, or one Caduceus share for each Quality HealthCare share. Parker said the revised offer does not reflect the value of Quality HealthCare, which has strong growth potential. Caduceus had previously proposed paying HK\$0.15 cash or one of its own share for each Quality HealthCare share. The revised price was 20% higher than the original offer. (March 21, 2003)

Systemx Corp of Japan has obtained China's approval for the production of 23 kinds of biochemical reagents at a local subsidiary. The company will also sell examination devices and data management systems with the reagents. Systemx estimates that sales in the Chinese biochemical market total some US\$150m a year and that the market is growing by 10% each year. By enhancing its price competitiveness and expanding its product lineup

in China, Systemx aims to be the leading biochemical examination company in Asia. (March 10, 2003)

Unilever's China R&D center will increase its R&D of traditional Chinese medicine formulas, disclosed the chairman of **Unilever (China) Ltd**. The company will invest over RMB10m (US\$1.2m) a year towards the R&D of products containing natural herbs in the future. (March 6, 2003)

INDIA

Global medical devices major **Beckton Dickinson** plans to make its Indian subsidiary a sourcing hub for South East Asia, and is in the process of registering its medical devices products in China as part of this plan. The company had already established a new auto disposable syringe line at its plant in Haryana and was also working on establishing backward integration linkages for meeting export requirements. (February 12, 2003)

Essilor SRF Optics Ltd, a JV between the French **Essilor International SA** and **SRF Ltd** of India, aims to make its optical lens products available across all parts of India. The total market for both mineral (glass) and plastic lenses in India is 70 million pieces. Essilor, which makes virtually only plastic lenses for spectacles, accounts for six million lenses of the Indian market. Essilor views India as a highly important market as it is making the conversion from mineral lenses to plastic, according to Patrick Cherrier, President, Essilor (Asia Pacific). He added that India and China account for 25% of the world market for spectacle lenses and 70% of the market for mineral lenses. (February 8, 2003)

Delhi-based **Fortis Healthcare** is in talks with a number of private equity funds to raise money for its expansion plans. Fortis Healthcare, a company founded by the shareholders of **Ranbaxy Laboratories** to set up tertiary and secondary-level hospitals, started operations in 2001 with the **Fortis Heart Institute** and **Multi-speciality Hospital**. Fortis has major plans to invest close to Rup10bn

(US\$209.7m) over the next four years. The next project will be its second speciality hospital, to be located at Noida. This hospital will specialize in neurology, orthopaedics and gastro-enterology. The company also plans to set up mid-sized secondary healthcare centers across the northern region of India. (March 22, 2003)

Three mid-sized Indian pharmaceutical companies and a US-based pharmaceutical firm have come together for the first time in India to form a global alliance branded 'The life science alliance' in order to offer global firms a host of services under one umbrella. Indian firms - **Shasun Chemicals and Drugs Ltd (Shasun)**, **Suven Pharmaceuticals Ltd**, **Innovasynth Technologies (India) Ltd** and US-based **Austin Chemical Company Inc (Austin)** have established an agreement which will allow the companies to share resources and offer services in R&D and manufacturing of drugs to clients based on their individual core competencies, according to the alliance representatives. Under the agreement, the Indian companies will each form a 50:50 JV with Austin. When a customer enters into an agreement with one of these JVs, the work would be subcontracted to the individual firms as per the requirements. Austin will take a fee for sourcing the business to the Indian firms, which could range from 5% to 25%. An official said that the alliance would help rationalize capital investment, share resources among members without breach of intellectual property and retain individual identity. Also, it would enable access to 200 research professional in the three companies and result in faster completion of work. (March 24, 2003)

SV Products, the Bangalore-based maker of *Chandrika*, a 60-year old popular ayurvedic soap brand, is in discussion with a number of fast moving consumer goods companies including **Marico**, **Wipro**, **Henkel**, **CavinKare** and **Godrej Consumer Products** to divest the brand. Industry analysts estimate *Chandrika* to command a consideration of 1 to 1.5 times its annual turnover, which is approximately Rup300m (US\$6.3m). *Chandrika* is well established in Southern India but has a weaker presence in the rest of the country. (March 24, 2003)

JAPAN

US-based **Matritech Inc** and **Mitsubishi Kagaku Medical Inc** of Japan have formed a partnership to develop NMP66, a blood test for the early detection of breast cancer. Matritech's NMP66 protein is a biomarker present in the blood of women with breast cancer. The potential for future revenues is promising as Japan has the second largest diagnostic market in the world. In addition, more than 35,000 new cases of breast cancer are detected in the country each year even with a low utilization of mammography. Mitsubishi Kagaku Medical is a division of **Mitsubishi Chemical**. (March 10, 2003)

Merck Co is set to take full control of Japan's **Banyu Pharmaceutical Co**, as it has acquired more than 80% of outstanding Banyu shares through a tender offer. When Merck launched the tender offer on January 9, 2003, it already owned a 51% stake in the company. Banyu will become Merck's largest overseas subsidiary. (March 8, 2003)

Pfizer Inc and **Pharmacia Corp** of the US will integrate their Japanese subsidiaries. The move is in line with the two companies' planned merger. The new firm created by the integration will be named **Pfizer Japan Inc** and is expected to achieve sales of approximately ¥400bn (US\$3.3bn) in FY2003. It plans to launch new drugs every year after 2004, and hopes to achieve sales of ¥500bn (US\$4.1bn) in FY2005. (March 6, 2003)

Roche of Switzerland and its Japanese unit **Chugai Pharmaceutical** have announced their first product licensing agreement to arise out of the two firms' broad-ranging collaboration signed in October 2002. Under the merger agreement, Roche has first rights to all products which Chugai offers for licensing outside Japan and South Korea. The drug, a humanized anti-interleukin-6 antibody called MRA in development for rheumatoid arthritis, has shown promising efficacy in a Phase II program and is gearing up to enter clinical testing in Japan. Roche will co-develop MRA and promote it in all countries except Japan, South Korea and Taiwan, while the two companies will share promotion rights in the UK, France and Germany. Chugai reserves an opt-in right to co-promote MRA in the USA, Italy and Spain. (March 3, 2003)

KOREA

Il Yang Pharm Co of Korea has signed a definitive agreement with US-based medical service company **InterCure Inc** to exclusively distribute the US firm's *RESPeRATE* brand of medical device in Korea. The exclusive agreement marks Intercure's first distribution relationship in Asia. *RESPeRATE* is the only medical device clinically proven to lower high blood pressure with little or no side effects. The interactive, device-guided breathing technology used in *RESPeRATE* is based on scientific evidence that certain breathing exercises, when performed routinely, can significantly lower blood pressure. *RESPeRATE* will be available in Korea immediately upon approval of the Korean Food & Drug Administration, which is expected by mid-2003, according to Il Yang Pharm. (February 7, 2003)

MALAYSIA

Imaging solution specialist **Agfa (ASEAN) Sdn Bhd** plans to establish a regional R&D center in Malaysia within the next two years to strengthen its position in ASEAN's healthcare industry. The region contributed approximately 15% to Belgian-based **Agfa-Gevaert NV**'s global turnover of Euro4.7bn (US\$5.0bn) in 2002, according to managing director of Agfa (ASEAN), Peter Buytaert. He said Agfa also plans to set up a technology application laboratory for digital technology in healthcare and informatics, as well as to further upgrade its call and service centers in Malaysia. (March 3, 2003)

Ranbaxy Laboratories Ltd (RLL), a world leader in the manufacture of generic drugs, has selected Malaysia as its base to market pharmaceutical products for the ASEAN region. RLL has raised its

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equity stake in **Ranbaxy (Malaysia) Sdn Bhd** from 45% to 55%. Ranbaxy (Malaysia), a JV set up with Malaysian shareholders in 1983 primarily for the import of finished products from RILL, owns a pharmaceutical manufacturing plant in Sungai Petani, Kedah. RLL is ranked as the ninth largest generic manufacturer worldwide and holds a strong position in the ASEAN healthcare market. (March 6, 2003)

Schering AG plans to incorporate its Malaysian operations within the next one year, according to **Schering Malaysia**'s managing director Dr Sebastian Guth. The company now distributes its pharmaceutical products in Malaysia via Zuellig Pharma Sdn Bhd. Schering, the world's biggest maker of birth control pills, also provides treatment for multiple sclerosis, Alzheimer's and Parkinson's diseases, skin disorders and cardiovascular diseases. (March 3, 2003)

Sime Darby Bhd plans to sell its hospital and healthcare unit **Subang Jaya Medical Centre (SJMC)** for RM270m (US\$71.1m) as part of its decision to focus on its core businesses, the Star reported, quoting unnamed industry sources. For the year to June 2002, SJMC reported a net profit of RM6.7m (US\$1.8m) on revenues of RM118.2m (US\$31.1m). (March 24, 2003)

SINGAPORE

Biosensors International of Singapore has entered into a definitive agreement to sell certain assets of its everolimus eluting stent program to US-based **Guidant Corporation**. Under the terms of this agreement, Biosensors retains exclusive rights to commercialize other drugs and drug eluting stent coating technologies that it has under development, including its fully biodegradable drug eluting stent program. The agreement provides Guidant with an exclusive worldwide license to Biosensors' bioabsorbable polymer formulation technology in the field of everolimus eluting stents, complementing Guidant's exclusive license for the use of everolimus in the vascular system. It also

provides a non-exclusive license to utilize Biosensors' bioabsorbable polymer formulation technology with other drugs in drug eluting stents controlled by Guidant. Guidant has the option of commercializing the Biosensors everolimus eluting Challenge stent that has been used in Biosensors' clinical trials. Guidant's agreement comes three months after the company suffered a setback in its bid to be among the first to reach the market with a drug-coated stent. Guidant is the market leader for bare-metal stents, but is behind rivals in the development of next-generation stents coated with drugs released to prevent scar tissue from forming new artery blockages. (March 20, 2003)

Bristol-Myers Squibb Co plans to invest US\$7m in Singapore in 2003, the bulk of which is earmarked for a new clinical research hub aimed at expediting its collection of clinical data. The center will collect clinical data from the region, particularly on the company's drugs for Hepatitis B, HIV AIDS, diabetes and rheumatoid arthritis. Cezary Statuch, the executive director for Bristol-Myers' global development operations, predicts the amount of investment in Singapore to increase by up to 15% each year. (March 20, 2003)

GlaxoSmithKline (GSK) is expected to complete construction of its fourth plant in Singapore in 2003. The new plant produces fluticasone propionate, the active compound in respiratory medicines. To date, GSK has invested more than S\$1bn (US\$566.3m) in its plants in Singapore. (March 10, 2003)

Haw Par Corporation, the producer of the *Tiger Balm* ointment, launched a surprise S\$43m (US\$24.3m) offer to **Haw Par Healthcare's** minority shareholders for the 22.6% in the company it does not already own, effectively taking the company private. It is offering S\$2.45 for each share, which represents a 15% premium over the S\$2.13 level at which Haw Par Healthcare shares were trading before they were suspended. (March 6, 2003)

THAILAND

Molnlycke Health Care AB, one of the world's leading manufacturers of single-use surgical and wound-care products, is expanding its production base in Thailand to make it the company's largest facility in the world. **Molnlycke Health Care (Thailand) Ltd**, wholly owned by Molnlycke, has two facilities manufacturing a range of products from single-use surgical gowns to patient drapes and sets under the *Barrier* and *Klinidrape* labels which are exported to Europe and the US. (February 13, 2003)

The Thai subsidiary of UK-based **SSL International Plc, SSL Healthcare (Thailand) Ltd**, is introducing additional *Scholl* foot-care products and spending Bht35m (US\$0.8m) on promotional efforts in the Thai market, which it sees as an immature market with strong potential. SSL Healthcare has recently launched new products, including rough skin remover, deep moisturising cream, and softening lotion to its foot-care line, all of which have proven successful in Europe. The company is widely known for its shoe inserts and foot deodorants. The company expects its share of the foot-care product market in Thailand to grow from 27% in 2002 to 35% in 2003. In 2002 the total market for all skincare products was Bht2.8bn (US\$65m), of which foot-care products represented 1.6%. (February 12, 2003)

VIETNAM

Pan Pharmaceuticals Limited, Australia's largest contract manufacturer and developer of complementary healthcare products, will establish a manufacturing operation in Vietnam as part of the company's strategic expansion into the ASEAN region. Its initial investment in Vietnam will be US\$6m, including working capital, occurring mainly in 2004. It has acquired a site that will allow for

future capacity expansion. The Vietnam plant is expected to commence production in Q4 2004 and break-even within the following year. (February 26, 2003)

worldwide marketing rights for Campath. Schering obtained international rights, excluding Japan and East Asia, in 1999. **Berlex Laboratories Inc.**, a member of the **Schering AG Group**, markets Campath in the US. The new pact also includes rights to develop Campath for other purposes. (February 6, 2003)

GENERAL

Schering AG of Germany has acquired exclusive rights to develop, sell and distribute **ILEX Oncology Inc's** Campath treatment in Japan, China and Asia Pacific. With this agreement, Schering now has

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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 our offices below.

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