

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

ASIAN HEALTH NEWSLETTER

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A bimonthly newsletter of developments in the pharmaceutical, hospital and medical device markets

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CHINA/HK

Biofarma, a subsidiary of **Servier Pharmaceutical Group** of France, has signed an agreement with **Tianjin Huajin Pharmaceutical Factory** to set up a JV in Tianjin. Construction will begin in October 2000 and the facility is expected to come onstream in 2003. The US\$16m JV will produce 15 drugs developed by Servier. (July 6, 2000)

Celera Genomics Group, a division of **PE Corp** of the US, has acquired a 47.5% stake in **Shanghai GeneCore BioTechnologies Co Ltd** of China from **Axys Pharmaceuticals Inc** of the US. **PE Biosystems Group**, also a division of PE Corp, owns another 47.5%. Shanghai GeneCore is a genomics service company that specializes in nucleotide synthesis, DNA sequencing, bioinformatics analysis and mutation detection. Celera Genomics, which generates and commercializes genetic information, is expected to expand its business globally through the acquisition. (July 9, 2000)

Daiichi Pharmaceutical of Japan has constructed a new formulation facility in Beijing for **Daiichi Pharmaceutical (Beijing)**, its Chinese production and marketing subsidiary, established in 1995. The new facility has a production capacity of 200 million tablets per year and will start producing *Cravit* antibacterial tablets in plain and film-coated form in December 2000. Daiichi's consolidated sales in China are expected to reach ¥10bn (US\$90m) by 2004. (July 19, 2000)

Dr. Reddy's Laboratories Ltd (DRL) of India has signed an agreement with **Canada Rotam**

INTRODUCTION

We hope that you find the *Asian Health Newsletter* informative. In this issue we profile medical glove manufacturers in Malaysia.

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 healthcare sector and are well placed to help Western companies structure mutually beneficial transactions with local partners.

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

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Enterprises Company Ltd of Canada and **Kunshan Double-Crane Pharmaceutical Company Ltd** of China to set up a JV, **Kunshan Rotam Reddy Pharmaceutical Company Ltd**, in China. DRL will hold a 51% equity stake in the US\$16m JV, Canada Rotam will hold 47% and Kunshan Double-Crane will hold the remaining 2%. The JV will produce and repackage bulk formulations, tablets, capsules, ointments and gels. (July 12, 2000)

Pfizer Inc of the US has been granted the right by the **Chinese Government** to export its impotence drug, *Viagra*, to the Chinese market. The drug, commonly known as **Wei Ge** (big brother), will be sold with a doctor's prescription and under its official Chinese name **Wan Ai Ke**. (July 6, 2000)

The Chinese National Human Genome Center (CHGC) and **Roche (China)**, a subsidiary of **Roche Holding Ltd** of Switzerland, have signed an agreement to cooperate on human genome research for schizophrenia and diabetes. Under the agreement, Roche (China) will facilitate the project with US\$300,000 in funding as well as technical support and personal training until 2003. All data and results of the research will become the joint property of the two companies. CHGC is one of the major Chinese participants in the Human Genome Project. (July 17, 2000)

Unigene Laboratories Inc of the US has entered into a JV agreement with **Shijiazhuang Pharmaceutical Group Company Ltd (SPG)**, the most profitable pharmaceutical company in China. The 45:55 JV will produce and distribute injectable and nasal calcitonin products for the treatment of osteoporosis in China and other Asian countries. The JV will use SPG's existing injectable calcitonin license to sell Unigene's products from Q4 2000 onwards. The JV will also establish a storage facility for Unigene's products produced in the US and a production facility for the manufacture of bulk drugs in China. SPG has annual sales of RMB2.5bn (US\$300m) and exports its products to 50 countries. (July 19, 2000)

INDIA

Abner Pharmaceuticals (Abner) of India intends to form a strategic alliance with an undisclosed US company to manufacture and market an anti-carcinogen drug developed by the US firm in India. Sales are expected to reach Rup100m (US\$2.2m) per year. Abner is also in talks with several multinational companies in the UK and the US to acquire the technology for drugs presently not manufactured in India. Abner Pharmaceuticals makes antibiotics, non-antibiotic drugs and veterinary drugs. (July 12, 2000)

Bayer AG of Germany has begun phase-I trials in the US on **Ranbaxy Laboratories'** drug delivery system for *ciprofloxacin*, an antibiotic. If the results are satisfactory, Ranbaxy will receive US\$5m payment in September 2000, followed by a further US\$15m by January 2001 upon receiving FDA approval to market the new drug. (July 3, 2000)

Biological E of India, **Amersham Pharmacia Biotech** of Sweden and the **Centre for Cellular and Molecular Biology (CCMB)** of India have formed India's first DNA Chip technology facility in Hyderabad, India. The Rup49m (US\$1m) facility is expected to become operational in Q3 2000. (July 17, 2000)

Glenmark Pharmaceuticals of India has acquired *Alex*, *Flucort* and *Sensur*, three of the major brands of Indian pharmaceutical company **Lyka Lab**, for Rup343m (US\$8m). These drugs generated revenues of Rup230m (US\$5m) in 1999. (July 5, 2000)

Hikal Chemical Industries Ltd of India will be renamed **Hikal Ltd** as a result of the diversification of its pharmaceuticals, biotech, agro chemicals and information technology sectors. Hikal also plans to set up six new plants to produce *thiabendazole*, to be sold to **Merck & Co** of the US. (July 5, 2000)

JB Chemicals and Pharmaceuticals of India will merge the pharmaceutical units of **Unique Pharmaceutical Laboratories (UPL)** and **Infunik**

Pharmaceuticals Ltd (IPL) of India into its own. The planned merger will provide access to the combined technical and managerial resources of the companies. (July 6, 2000)

Kee Pharmaceutical Ltd of India plans to introduce 12 new biotechnology products for use in oncology, cardiology and immunology by 2003. The company has also formed a new division, **Kee Biogenetics**, to develop and manufacture its biotechnology products. Kee has partnership agreements with **Heber Biotec SA** of Cuba, **State Scientific Centre Research Institute**, **Institute of Polio Myelitis** and **Medicor** of Russia. It is also negotiating with **Biocon** of India for the right to manufacture hepatitis B and cancer drugs in India. (July 6, 2000)

Orchid Chemicals and Pharmaceuticals Ltd of India and **Cambridge Chemicals International Ltd** of the UK, have formed a JV, **Orchid Nutricare Ltd**, for the distribution of nutraceutical products developed by Orchid in the UK. Orchid, which will hold a 65% equity stake in the JV, plans to set up a manufacturing facility in Chennai, India, to manufacture these products. (July 22, 2000)

Pfizer India Ltd, a 40% subsidiary of **Pfizer Inc** of the US, plans to reorganize into a new matrix structure in the hope of reducing manufacturing costs, offering a wider range of products and ensuring compliance with regulatory issues. After the reorganization, the Thane and Chandigarh units of Pfizer India will come under the global manufacturing organization. Pfizer India is also cooperating with its parent company to conduct clinical trials and research in India for products developed by Pfizer Corp. (July 12, 2000)

Ranbaxy Laboratories Ltd (Ranbaxy) of India is evaluating the feasibility of buying US-based **Sidmark Laboratories**, which is valued at approximately US\$87m. It is also planning to establish an R&D center in the US. **Ranbaxy Pharmaceuticals Inc, USA**, a wholly owned subsidiary of Ranbaxy, has signed an MOU with **American Generics Inc** of the US for the purchase of a branded unit of American Generics. It has, however, yet to finalize due diligence. (July 11, 2000)

Zydus Cadilla of India will market *Penagra*, a drug for the treatment of male erectile dysfunction that it developed, in India. The drug is similar to **Pfizer's Viagra**, which was launched successfully in India two years ago. The company announced separately that it plans to acquire brands or companies in the US that manufacture treatments for sexually transmitted diseases. It has recently acquired the formulation business of **Recon** of India and expects to acquire a US company in Q1 2001. Zydus Cadilla reported net profit of Rup400m (US\$9m) in 1999. (July 19, 2000)

INDONESIA

PT Millenium Pharmacon International of Indonesia will sign a distribution and marketing agreement with **Sigma Pharmaceuticals Pty Ltd** of Australia for Sigma's eye care products. The agreement will be valid for three years with two years automatic renewal. (July 17, 2000)

Tempo Scan of Indonesia, a distributor of pharmaceutical and generic drugs, has settled a lawsuit with **Roche Indonesia**, a subsidiary of **Roche Group** of Sweden, related to cancellation of the contract with Tempo Scan to distribute OTC drugs. Tempo Scan will continue to distribute prescription drugs for Roche in Indonesia. (July 18, 2000)

JAPAN

CuraGen Corp of the US has agreed to collaborate with **Ono Pharmaceutical Co Ltd** of Japan for research in molecular toxicology. The two companies seek to gain a better understanding of how genes influence, and ultimately affect, drug efficacy and toxicity. The expandable two-year collaboration agreement will use CuraGen's platform of functional genomic technologies. (July 19, 2000)

Daiichi Pharmaceuticals of Japan has developed new anti-infectives, anti-carcinogen and anti-thrombotics drugs. Clinical trials are being carried out in Japan, Europe and the US for *Du-6859a*, an anti-bacterial agent, and *DX-8951f*, a new anti-carcinogen, while phase-I clinical trials for *DY-9760e*, an acute cerebral infarction drug, will be started in the UK in Q4 2000. (July 7, 2000)

Dainabot Pharmaceutical of Japan and **Maruishi Pharmaceutical** of Japan have agreed to co-develop and co-market *alpha-2-receptor agonist dexmedetomidine* in Japan. The drug was discovered by **Orion Corp** of Finland and developed by **Abbott Laboratories** of the US. Abbott has global marketing rights for the product except in Scandinavia. (July 11, 2000)

ChiRex of the US has licensed its proprietary technology, *Jacobsen Hydrolytic Kinetic Resolution*, to **Daiso Co Ltd** of Japan for the manufacture and market of *chiral epichlorohydrin* and *chiral chloropropane diol*. Daiso supplies fine chemical building blocks to the life science market in Japan. It is the only supplier of chiral epichlorohydrin in the market. (July 17, 2000)

Monsanto Japan Ltd, the Japanese subsidiary of **Monsanto** of the US, and the Japanese subsidiary of US-based **Pharmacia & Upjohn** have formally entered into a strategic alliance in Japan prior to their full merger in Q1 2001. The subsidiaries had combined 1999 revenues of ¥91.6bn (US\$840m). The two parent companies, Monsanto and Pharmacia & Upjohn, merged in April 2000. (July 4, 2000)

Pfizer Pharmaceutical Inc, the Japanese subsidiary of **Pfizer Inc** of the US and **Warner-Lambert KK** of the US will merge their business operations in Japan in Q4 2000, following the merger of their parent companies in the US. Warner-Lambert's **Parke-Davis division** will be integrated into the **Pfizer Pharmaceuticals Group**. The new combined company is expected to have annual revenues of ¥200bn (US\$1.8bn) in 2000. (July 11, 2000)

Sumitomo Pharmaceuticals of Japan has signed a five-year collaborative agreement with **Karolinska Institute** of Sweden to conduct research on

Alzheimer's disease in Sweden. Sumitomo will set up the US\$7m research unit within the Karolinska Institute's Alzheimer's Disease Research Centre and will be granted the global rights for the development and marketing of new drugs. (July 4, 2000)

Taisho Pharmaceuticals Co Ltd of Japan has entered into an agreement with US-based biotechnology company, **Idec Pharmaceuticals Corp**, to develop and market antibody therapies for the treatment of inflammatory and autoimmune diseases. Under the US\$35m agreement, Idec will receive US\$19m in R&D funding in four years. Taisho is also conducting joint research with **Arena Pharmaceuticals Inc** of the US on G protein-coupled receptors. Arena will receive sales proceeds as royalties. (July 9, 2000)

Takeda Chemical Industries Ltd of Japan will begin marketing *Tylenol*, an analgesic drug developed by US-based **Johnson & Johnson**, in Japan in Q4 2000. Takeda hopes to increase its 1% market share in the ¥46bn (US\$420m) analgesic drug market in Japan, while Johnson & Johnson aims to enter the Japanese drug market. (July 18, 2000)

Toyama Chemical Co of Japan has acquired an equity stake in **Hunter-Fleming Ltd**, a British pharmaceuticals developer, for ¥165m (US\$1.5m). The company has also obtained an option to license any compounds developed by Hunter-Fleming for the development and marketing in Japan. (July 4, 2000)

UCB Group of Belgium has acquired the commercial rights for the pharmaceutical division of **Fujirebio** of Japan. As a result, 16 products and 260 employees will be transferred from Fujirebio to UCB Japan. UCB Japan expects to generate revenues of ¥30bn (US\$270m) by 2003. (July 7, 2000)

To submit stories to future editions of the *Asian Health Newsletter* please contact Cynthia Ngai on (212) 265-5300 or via email at cngai@bdallc.com.

KOREA

LG Chemicals Ltd of Korea hopes to boost sales of its life science products from 4% of total revenues to 9% by 2003. It has refocused its business portfolio on life science products and electric materials. The company has also agreed with **Elitra Pharmaceuticals** of the US to co-research, co-develop and co-market a new antibacterial product. LG will invest US\$30m over a five-year period, while Elitra will provide decoding technology to the project. (July 14, 2000)

Rhein Biotech NV of the Netherlands and Korea-based **Green Cross Vaccine Corporation's** JV pharmaceutical company has set up a vaccine research center in Korea. The center will develop vaccines against rotavirus, meningitis and anthrax, as well as combined vaccines and therapeutic vaccines. (July 22, 2000)

Univera Pharmaceuticals Inc of the US has agreed to grant **Unigen Ltd** of Korea access to its *PhytGenEx* and *PhytoLogix* technologies. The agreement signed by the two companies involves the sharing of future technological developments. It also entitles Univera to a US\$1m licensing fee and royalties on future developments. (July 19, 2000)

SINGAPORE

Eu Yan Sang International, a traditional Chinese herbalist based in Singapore, launched an IPO of 71.5 million new shares at US\$0.35 per share. The company plans to allocate 10% of the proceeds to product development; 17% to business expansion; 15% to upgrade the facilities; 47% to repay bank loans and the rest will be retained as working capital. Eu Yan Sang sells its proprietary products, *Bak Foong* pills and *Bo Ying* compounds, and 150 others, in Hong Kong, Malaysia and Singapore. In Q1 2000 the company

signed an agreement with **Oxford Natural Products** of the UK to facilitate clinical trials of its products. (July 19, 2000)

Schering-Plough of the US will set up a US\$200m primary bulk drug manufacturing facility and a US\$25m R&D center in Singapore. The facilities will become operational in Q4 2002. Schering-Plough currently has a US\$20m manufacturing plant that produces *Asmanex*, an asthma device, in Singapore. (July 12, 2000)

Siemens of Germany has opened a state-of-the-art factory in Singapore to manufacture 1.7 million hearing aids for the world market. The new factory, **Siemens Medical Instruments (SMI)**, will manufacture hearing aids that range from conventional to high-end programmable models. Siemens will invest US\$62m in the factory over the next three years. (July 13, 2000)

TAIWAN

Uni-President Enterprises, the Taiwanese food giant, will form a biotechnology JV, **Asian Celera Genomics**, with US-based **Celera Genomics** to develop gene-related technology, drugs and medical treatments. Uni-President will hold a majority stake in the US\$81m JV, and Celera Genomics will hold a 20% stake. Other investors in the JV include **Ho Tung Chemical** and the **Taiwanese Government's development fund**. (July 14, 2000)

THAILAND

Bayer (Thailand), a wholly owned subsidiary of **Bayer** of Germany, has reported Q1 revenues of Bht76m (US\$1.9m), up 40% from the same period

in 1999. It is projected that revenues will reach Bht300m (US\$7.4m) in fiscal year 2000, a 7% increase from 1999. The projection was influenced by Bayer's decision to close its low-demand pharmaceutical plant in Samut Prakan, Thailand, in Q1 2000. Bayer (Thailand) sold its Prapadaeng plant to Thai pharmaceutical company, **Millimed**, in Q2 2000. (July 27, 2000)

FOCUS

The medical glove industry in Malaysia

Malaysia is the world's leading producer of high quality latex gloves, particularly examination and surgical gloves. However, the industry has suffered from the insufficient supply of raw materials and the high cost of labor, raw materials and energy, which has led foreign investors to shift investments and relocate to more favorable countries like Thailand. Thailand is the world's second largest rubber glove manufacturer, with a 20% share of the market. It is expected to overtake Malaysia in the production of rubber gloves by 2002 as the raw material supply is sufficient and the labor cost is low. Indonesia ranks number three with a 10% market share. Over 90% of the products produced in Malaysia and Thailand are for export. Between January and October 1999 Malaysia exported approximately 20 billion pairs of gloves, while Thailand exported 13 billion pairs.

M&A activity involving foreign parties has been high in both countries in the rubber glove industry. **Alliance Healthcare**, a major US medical equipment provider, has two facilities in Malaysia and one in Thailand that produce rubber gloves. **Ansell International**, the rubber gloves and condom arm of Australia's **Pacific Dunlop Ltd**, acquired Thai examination glove and condom maker **Suretex Group** in 1998 and the US-based **Johnson & Johnson's** global medical glove operation in 1999. In Q1 2000 **Kimberly-Clark**, the top US maker of personal paper products, acquired **Safeskin Corp**, a San Diego-based

disposable latex examination glove maker that has manufacturing facilities in Thailand. **Semperit** of Austria has a JV manufacturing plant with **Sri Trang Agro Industry** in Thailand to produce its medical and protective gloves. We have profiled below five major players in the rubber glove industry in Malaysia.

Asia Pacific Latex Bhd – established in 1988, the company manufactures powdered and powder-free latex gloves under the brand names, *Safety & Comfort*, *Maxpro*, *Multi Comfort*, *Polygel*, *Amerglp* and *Comfort Star T* for overseas market. It is one of the top five latex gloves manufacturers in Malaysia, exporting 88% of its products to the US through its US marketing arms, **Norwell International Inc** and **Asia Pacific Health Care Corporation Inc**. It sells the remaining 12% to Europe via **Latech Elastomer Vertriebs** in Germany. The company has four manufacturing facilities in Malaysia, with total production capacity of 3 billion gloves per year. It recorded 1999 revenues of Rm112m (US\$30m) and is expected to list on the KLSE in Q4 2000.

Latexx Partners Berhad (LPB) - formerly known as **Taiping Super Holding Bhd**, LPB was listed on the KLSE in 1996. It manufactures pre-powdered and powder-free rubber latex gloves, for use in medical examination, diagnostic and therapeutic procedures, as well as in dentistry, high-tech manufacturing and food-processing. The company has an annual production capacity of 900 million pre-powdered gloves, of which it can convert 420 million to powder-free gloves. LPB distributes its own brands of gloves, which are *Medtexx*, *Cleantexx*, *Techtexas* and *Dentexas*. It recorded 1999 revenues of RM66m (US\$17m).

Top Glove Sdn Bhd – established in 1991, Top Glove is the third largest rubber glove manufacturer in Malaysia. It has five factories which have a total production capacity of 2.4 billion gloves per year. The company sells its products in more than 100 countries worldwide.

WRP Asia Pacific Sdn Bhd (WRP) – formerly known as **Wembley Rubber Products**, WRP is one of the three largest manufacturers of rubber gloves in the world. The company has an annual production

capacity of 4 billion gloves and is running at 80% capacity. WRP reported 1999 revenues of RM350m (US\$92m) and is planning to list on the KLSE in 2002.

YTY Industry Sdn Bhd – established in 1989, the company is part of the YTY Group that manufactures disposable latex examination gloves in Malaysia. **3i**, an international venture capital firm, led a RM110m (US\$29m) management buy-out of YTY Group, giving 3i a substantial minority equity stake. YTY Industry operates two facilities in Malaysia with a total production capacity of 1.2 billion gloves. The company sells its products worldwide.

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ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies to expand their businesses in Asia. BDA specializes in the health industry and helps clients to find local business partners and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul and Shanghai. For further information on BDA's services or on any of the articles in this newsletter, please contact Charles Maynard in New York, Euan Rellie in London, Andrew Huntley in Singapore or Frank Zhang in Singapore.

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