

ASIAN HEALTH NEWSLETTER

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CHINA / HK

China Resources Enterprises Ltd will purchase a majority stake in state-owned **Dongbei Pharmaceutical Co**, a local drug maker located in Shenyang, in northeastern China's Liaoning Province. Through this acquisition, China Resources Enterprises will also become the largest shareholder in **Dongbei Pharmaceutical Holding Corp**, the listed arm of Dongbei Pharmaceutical Co of which the drug maker holds a 60% stake. (June 29, 2001)

Degussa AG, one of Germany's largest specialty chemical companies, is said to be in preparation to establish a JV in China, of which it will hold 95% interest. Degussa is proposing an investment of US\$22m to take over production facilities that are owned by the local **Nanning Only Time Pharmaceuticals**. The upgraded facilities will produce a range of amino acids that are used in infusion solutions as well as pure starting materials for pharmaceuticals and agrochemicals. (July 1, 2001)

Tsumura of Japan will establish a JV in Shanghai in September 2001 for the production of kampo traditional medicines, which will be exported to Japan. The company's partners will be **Shanghai Traditional Chinese Medicine Co Ltd** and **Shanghai Zhangjiang Hi-tech Park Development Corp**. The JV, **Shanghai Tsumura Pharmaceuticals Co Ltd**, in which Tsumura will hold a majority stake, will also undertake R&D and marketing of the drugs. This will be the company's ninth Chinese JV. Production is due to commence in 2004. (July 19, 2001)

China's first non-State chain drugstore, **Jialun Glory National Chain Drugstore**, opened by **Jialun**

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 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 erellie@bdallc.com.

Euan Rellie
Managing Director

Medicine Group of Zhuhai, Guangdong Province, is expected to begin business this month. **Sanjiu Group**, China's largest pharmaceutical maker had also announced a plan to set up a chain of 5,000 to 10,000 drugstores across the country. Industry insiders believe that similar moves by other drugstores will trigger a round of price cuts in the industry, as well as mergers and acquisitions. (July 4, 2001)

INDIA

Boehringer Ingelheim AG and **Schering AG** of Germany are to sell their stakes in **German Remedies** to **Zydus Cadila**. Each company holds a 4.62% stake in German Remedies. With this, Zydus Cadila's stake in German Remedies, through its subsidiary, **Recon Healthcare**, would increase to 56.96%. Recon Healthcare has subsequently made an open offer for acquiring an additional 20% at Rs650 per share. The offer closes on August 16, 2001. Recon Healthcare had acquired a 27.72% stake in German Remedies held by the German **Asta Medica AG** and **Heller Vermögensverwaltungs GmbH**, in April, 2001. They each held a 13.86% stake in German Remedies. (July 28, 2001)

Dabur is negotiating with **GD Pharmaceuticals** to acquire the Rs300m (US\$6.3m) skin cream brand *Boroline*. The acquisition is aimed at enhancing Dabur's personal care range, which already includes *Vatika* range of hair oil and shampoo, *Amla* hair oil and *Lal Dantmanjan*. The company is also planning to acquire a cooling hair oil brand and fairness cream to complete its personal care portfolio. (July 13, 2001)

Eli Lilly and Company (Eli Lilly) of the US has acquired the 50% stake held by **Ranbaxy Laboratories Ltd** in their JV, **Eli Lilly Ranbaxy Ltd (ELRL)** at a consideration of US\$17m. The company has applied for a change of name from Eli Lilly Ranbaxy Ltd to Eli Lilly Co. The company's primary areas will be in oncology, diabetes, cardiovascular and infectious diseases. (July 6, 2001) **Nicholas Piramal India Ltd (NPIL)** and **Reckitt Benckiser India Ltd (RBIL)** have dissolved their JV, **Reckitt Piramal Ltd**, due to high costs. A strategic

alliance will remain between the two companies. NPIL will continue to give doctor-based support to Reckitt Benckiser brands such as *Dettol Liquid* and *Disprin* and distribute through the pharma channel some of their brands on a need basis. Two major brands of Reckitt Benckiser Plc, *Gaviscon* and *Fybogel*, will continue to be marketed by NPIL. The JV was formed in Q3 1997 for marketing OTC pharmaceuticals. *Dettol*, *Polycrol*, *Saridon*, *Lactocalamine*, *Aspro*, *Burnol* and *Disprin* are some of the key brands sold through the venture. (July 5, 2001)

Nicholas Piramal India Ltd (NPIL) has decided to shut down **Rhone-Poulenc (India) Ltd's** manufacturing facility at Bhandup in Maharashtra. The closure is part of a rationalization program following NPIL's acquisition of 60% stake in Rhone-Poulenc (India). The unit mainly manufactures phensydryl and cough syrup. (July 5, 2001)

As part of its long-term strategy, **Ranbaxy Laboratories Ltd** has announced intentions to increase its product portfolio in the OTC and nutraceutical segments, both in India and abroad. The current OTC product range of Ranbaxy includes cough and cold products and vitamins. The nutraceutical segment includes *Fenules* (iron capsules), *Revital* (ginseng) and garlic pills. In India, *Revital* has revenues of US\$8.8m, while *Cherrycough* has US\$2.1m. Ranbaxy is now emphasizing on marketing these products in the overseas market. (July 13, 2001)

Ranbaxy Laboratories Ltd is negotiating with the US-based **Specialty Laboratories Inc** to buy out Specialty Laboratories' stake in the 50:50 JV, **Specialty Ranbaxy Ltd**. Specialty Ranbaxy is a research-based clinical reference laboratory, which develops and markets incisive diagnostic, prognostics and monitoring services. Specialty Ranbaxy posted a turnover of Rs300m (US\$6.3m) in 2000-2001. (July 18, 2001)

Sanofi-Synthelabo of France will acquire **Torrent Pharmaceuticals' (Torrent Pharma)** 50% stake in their pharmaceutical JV in India - **Sanofi-Torrent India**, by investing Rs15m (US\$315,000). One of the main reasons for Sanofi-Synthelabo's buyout of the stake seems to be the decision of Torrent Pharma to market the patented cardiovascular drug clopidogrel of Sanofi-Synthelabo on its own at lower prices.

Sanofi-Torrent India was earlier expected to market the product at premium prices. Sanofi-Torrent India presently markets cardiovascular and central nervous system drugs of both Torrent Pharma and Sanofi-Synthelabo. After the acquisition, Sanofi-Synthelabo will market its own products and Torrent Pharma will re-acquire its brands like *Tidomet*. However, Torrent Pharma will continue to be the manufacturing base for Sanofi-Synthelabo's products. (June 20, 2001)

INDONESIA

PT Aetna Life Indonesia and **PT ING Life Indonesia**, both life insurance companies, have merged to form a new company, **PT ING Aetna Life Indonesia**. The merger follows the acquisition of **Aetna International** and **Aetna Financial Services** by **ING Group** at a price of US\$7.7bn in Q4 2000. **ING Aetna Life Indonesia** has a paid up capital of Rp305bn (US\$30.5m), and assets valued at Rp307bn (US\$30.7m). (July 11, 2001)

PT Darya Varia Laboratoria is in talks with three different multi-national companies regarding strategic partnerships. One of the discussions is for a distribution agreement, the second is for co-marketing and the other is a licensing deal exclusively for the Indonesian market. No conclusion has been reached yet. Darya Varia has two ethical business units, one OTC unit and a distribution arm. Its sales breakdown mirrors that of the broader market, with 35% coming from OTC and 65% from ethical sales. (June 22, 2001)

PT Hoechst Marion Roussel Indonesia (HMRI) and **PT Rhone-Pulenc Rorer (RPR)** have merged to form a new company **PT Aventis Pharma Indonesia (API)**. The brand names used by the two companies for their pharmaceutical products will be maintained. The merger of HMRI and RPR followed the merger of their respective parent companies abroad. (June 18, 2001)

The Indonesian government is expected to divest a 39% stake in publicly listed pharmaceutical company **PT Kimia Farma** in the later part of 2001, market sources said. Ito Warsito, an executive of **PT**

Danareksa Sekuritas, which is the underwriter of the state-owned company, said the government has yet to make a decision on the divestment plan. (July 9, 2001)

JAPAN

Aventis Pharma, a unit of **Aventis SA** of Europe, announced a worldwide licensing agreement with **Ajinomoto Co Inc** of Japan to develop, manufacture, and market AVE8062, a compound designed to attack tumor cells by cutting off a tumor's supply of blood. Early clinical studies in humans are expected to begin late 2001 in the US and Europe. Aventis will receive worldwide rights to develop, manufacture and market the product in exchange for milestone payments and royalty payments to Ajinomoto. (July 12, 2001)

BASF and **Takeda Chemical** have received UK regulatory approval for the merger of their respective vitamins business. The deal takes BASF's vitamins global market share from 20% to 30%. (July 25, 2001)

Boots-MC, a 49:51 JV between **Mitsubishi Corp** and **Boots**, is to be dissolved. Four pilot drug stores in Tokyo are to be closed. The two companies have different marketing strategies for beauty care products. In the financial year ended Mar 2001, sales at the four stores amounted to ¥1.7bn (US\$13.6m). (July 27, 2001)

NaPro BioTherapeutics of the US, and **JCR Pharmaceuticals Ltd** of Japan have entered into a mutually exclusive development, supply and distribution agreement for NaPro paclitaxel in Japan. NaPro will be responsible for manufacturing and supplying the finished drug. JCR will fund the clinical and regulatory program necessary for seeking approval to market the drug in Japan, and will be responsible for the sales and distribution of the product in Japan. JCR Pharmaceuticals joins **FH Faulding** in Europe and **Abbott Laboratories** in North America as NaPro's licensees in the three major oncology markets in the world. (June 22, 2001)

Novirio Pharmaceuticals Limited, based in Paris, France and Cambridge, Massachusetts, has entered into an agreement with **Sumitomo Pharmaceuticals Co Ltd** of Japan for the commercialization of Novirio's proprietary product, LdT, a nucleoside for the treatment of hepatitis B infection. Sumitomo will co-develop and market LdT in Japan, South Korea, Taiwan and China. In exchange, Sumitomo will receive front and milestone payments in the aggregate amount of US\$46m, sharing global development costs plus royalties on the sale of the product in the agreed territories. (July 2, 2001)

Merck of Germany is to acquire generic pharmaceuticals producer **Mohan Medicine Research Institute** of Tokyo from **Kyowa Hakko Kogyo**. This acquisition will double the size of Merck's existing company **Merck Hoei** based in Osaka, making it the third largest generics company in Japan with turnover of US\$102m. Japan's generics market accounts for 7% of the country's annual pharmaceutical sales totaling US\$50.2bn. (July 4, 2001)

Sanjiu Honsoubou Medical and Pharmaceutical Co Ltd has been established in Japan as a JV between **Sanjiu Medical and Pharmaceutical** of China and **Honsoubou Commerce Trading and Co Ltd** of Japan. Sanjiu is the largest Chinese producer and developer of traditional kampo medicines. The Chinese company will initially develop health foods to target chronic gastritis and headaches. Future products planned for the Japanese market include OTC drugs and treatments for myocardial infarction and cerebrovascular diseases. In 2005, sales are expected to reach ¥12bn (US\$96.2m). The JV will also be responsible for the introduction of Japanese kampo medicines into China. (July 19, 2001)

Sankyo, Japan's second largest pharmaceuticals company, plans to narrow the range of its R&D to cut costs and counter the slide in sales of *Mevalotin*, its top-selling drug. The company will shut down a research facility in Tokyo and will stop research in six fields, including painkillers and drugs for the central nervous system, because of increased competition. It will strengthen its expertise in treatments for diabetes, obesity, rheumatism and allergy-related conditions. It will also focus on cardiovascular-related

drugs, particularly its mainstay cholesterol-lowering medicine *Mevalotin*, sold as *Pravachol* in the US. Sales of *Mevalotin* are expected to decline because of increased competition, particularly from **AstraZeneca**, an Anglo-Swedish company, which plans to launch its rival *Crestor* drug next year. *Mevalotin*'s patent in Japan expires in Q3 2002. (July 30 2001)

Shionogi & Co Ltd and **GlaxoSmithKline plc** (GSK) plan to form a JV to develop and market several drugs in clinical trials. The JV will initially have exclusive rights to develop and market four compounds contributed by Shionogi and one by GSK. The JV is expected to operate in the US and in major European markets. GSK will have exclusive marketing rights in countries where the JV does not operate. This excludes Japan and Taiwan, where Shionogi will retain exclusive marketing rights to all Shionogi compounds. Initial compounds to be contributed to the JV will include those for HIV infection, Alzheimer's disease and vascular dementia, hemorrhagic and ischemic stroke, and head injury. (July 25, 2001)

Taisho Pharmaceutical Co and **GlaxoSmithKline plc** (GSK) have announced plans to jointly develop and market anti-smoking patches in Japan. The firms will conduct joint clinical tests of nicotine patches that are currently sold by GSK in the US and 12 other countries and try to obtain approval from Japanese authorities to manufacture other products based on the patches. Upon approval, GSK's Japanese subsidiary will import the patches from the US, and Taisho will market them. GSK sold US\$234m worth of the patches globally in 2000. (July 11, 2001)

Increasingly, global pharmaceutical companies are looking to Japan to increase sales. **Pfizer** holds a 3% market share in Japan, **GlaxoSmithKline** 2% and **Eli Lilly** 0.6%. Combined, foreign companies hold 25% of the Japanese market with prospects of increasing to 30% by 2010. **Novartis Pharma** aims to double sales in Japan to US\$2bn by 2005. **Banyu Pharmaceutical**, a subsidiary of **Merck**, is to increase its sales force from 1,260 to 1,800 by 2004 and Eli Lilly has increased its sales force to 600 in advance of new product launches. **Nippon Boehringer** acquired **Daiichi Pharmaceutical** and a 36% stake in the OTC pharmaceuticals company

SSP. Schering of Germany now owns **Mitsui Pharmaceuticals**. (July 4, 2001)

Yamanouchi, one of Japan's leading pharmaceuticals companies, and **Taisho**, the country's leading producer of over-the-counter drugs will conduct joint research to discover and develop new drugs. The alliance will focus on early stages of research in an attempt to speed up drug development. (August 6, 2001)

K O R E A

Choongwae Pharmaceutical Corporation will establish a JV with Malaysia-based **Missda** and **Monomedi** and Vietnam-based **Dapharco** to produce intravenous solutions and infusion sets in Vietnam. Choongwae Pharmaceutical will secure management rights and receive royalties depending on sales of the intravenous solutions and infusion sets. Choongwae Pharmaceutical holds more than a 50% market share in the intravenous solutions and infusion sets sector in Vietnam. (July 10, 2001)

M A L A Y S I A

Direct seller **Cosway Corp Bhd** plans to sell part or all of its interest in personal care products maker **Unza Holdings Bhd** in a move to reduce its debt of RM843m (US\$221.8m) as of January 31, 2001. Cosway owns 56.86% of Unza. Cosway has appointed **AIA Capital Corp (Singapore) Pte Ltd** as financial advisor. There is no definitive agreement on the planned disposal. The news comes two months after an announcement by **Berjaya Group Bhd** of a re-organisation which would involve its 71%-owned subsidiary, Cosway. (July 12, 2001)

Landmarks Bhd, which is proposing to acquire a 34.6% equity stake in **Qualitas Healthcare Corp Sdn Bhd** for RM8.53m (US\$2.2m), aims to double the latter's chain of 42 clinics to more than 80 in the next three years. (June 21, 2001)

Supermax Corporation Bhd, a latex glove manufacturer, has acquired the entire capital of **Aurelia Disposable Products Sdn Bhd**. Aurelia is a manufacturer of natural rubber and synthetic latex examination and surgical gloves, and other related disposable and healthcare products. (July 2, 2001)

P H I L I P P I N E S

Rockwell Medical Technologies of the US, a hemodialysis concentrate manufacturer, has entered into an exclusive distribution agreement with **Optimum Trading Co (OTC)** of the Philippines, for the sale and distribution of its Dri-Sate Dry Acid Concentrate Mixing System as well as its bicarbonate concentrate products. The agreement specifies OTC to be the exclusive sales agent and distributor for Rockwell in the Philippines. OTC will purchase a minimum quantity of the company's products during the next twelve months. The revenue generated from the contract is estimated to be US\$225,000. (June 29, 2001)

S I N G A P O R E

The **British United Provident Association Ltd (BUPA)**, Britain's largest independent health-care group, will purchase Singapore-based **Vista Healthcare Asia** for US\$35.5m. The purchase brings into the BUPA network 31 general-practitioner or pathology clinics in Singapore, as well as a variety of clinical centers in Hong Kong and Sydney, Australia. BUPA will also obtain minority stakes in an eye-surgery center in Hangzhou, China, and a specialist practice center near Kuala Lumpur, Malaysia. BUPA already owns a primary care and diagnostic polyclinic in Bombay, India, and has health-insurance operations in Thailand and Hong Kong, covering more than 270,000 people. (July 17, 2001)

REGIONAL

To raise company sales in the Pacific-Asia region, **Bayer AG** intends to invest US\$6.15bn there by 2010. Part of the plan will provide a US\$1.92bn investment in R&D activities aimed at drugs and agricultural chemicals. Restructuring of some businesses together with merger and acquisition activity will all be considered as means to achieve the company's goals. (July 23, 2001)

Mayne Nickless Ltd, of Australia has indicated acquisition plans in South-East Asia. It is thought to be sitting on A\$2bn (US\$1.04bn) in cash and is attempting a A\$2.5bn (US\$1.3bn) takeover of **FH Faulding & Co**, the country's biggest distributor of drugs to pharmacies and hospitals. It plans to sell Faulding's US-based oral drug unit for US\$660m.

Mayne has yet to make any official announcements. It is speculated that Mayne would buy **CapitaLand Ltd's** 16.6% stake in Singapore-based **Parkway Holdings Ltd**, Asia's largest hospital operator by market value. Mayne has a presence in Malaysia through **Mayne Logistics Asia** of Shah Alam. In Malaysia, listed companies operating hospitals include **KPJ Healthcare Bhd** and **Pantai Holdings Bhd**. **Landmarks Bhd** is a hotel and hospital group that disposed its 24% stake in **Australian Hospital Care Ltd** to Mayne. Landmark Bhd, and has proposed to acquire a 34.6% stake in **Qualitas Healthcare** for RM8.53m (US\$2.2m) in June 2001. It aims to double the Qualitas chain of 42 clinics over three years. Landmark Bhd owns a 51% stake in the uncompleted **Mont Kiara Medical Centre**. (July 17, 2001)

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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 or Euan Rellie in New York, Andrew Huntley in Singapore or Simon Wu in Shanghai.

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