

# ASIAN HEALTH NEWSLETTER

Issue 32, August 2002

A bimonthly newsletter of developments in the healthcare markets

## CONTENTS

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

## AUSTRALIA

**Macquarie Bank Ltd** and **British United Provident Association Ltd (BUPA)** agreed to buy **Axa Asia Pacific Holdings Ltd's** health insurance unit for A\$595m (US\$341m), taking over Australia's No. 3 private health insurer. BUPA, the UK's biggest private health-care insurer, will own half of the acquired business. Macquarie, Australia's only publicly traded investment bank will own the rest, pending a sale of part or all of its holding to investors within 12 months. (June 5, 2002)

## 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](mailto:erellie@bdallc.com).

Euan Rellie  
Managing Director

## CHINA/HK

Hong Kong-listed **Extrawell Pharmaceutical Holdings Ltd** will acquire 55% of investment holding company **Gene Generation Ltd** for HK\$55m (US\$7.1m). Extrawell manufactures, distributes and imports pharmaceutical products in China. It produces mainly immunological, cerebrovascular and anti-thrombotic pharmaceuticals, while products it imports are largely used to treat disorders of the central nervous system. Gene Generation, based in Hong Kong with operations in the mainland, has a 49.5% interest in **Shanghai BioStar**, a manufacturer and distributor of genechips. Extrawell is looking to integrate its existing operations with that of genomic-related operations going forward. The company is still interested in, and will look out for, similar acquisition opportunities in the future. (July 8, 2002)

The merger of **Glaxo China** and **Tianjin Smith Kline & French Laboratories** in June 2002 has made **GlaxoSmithKline** the top foreign drug

manufacturer in China. Britain-based **Glaxo Wellcome** acquired the US firm **SmithKline** in December 2000. Their China operations started to consolidate in April 2001, involving five JVs, 68 offices and approximately RMB3bn (US\$362.4m) in investment, Yangcheng Wanbao (Yangcheng Evening News) reported on June 7, 2002. (June 10, 2002)

**Huayang International Holdings Inc (HIH)** has signed a letter of intent to acquire a controlling interest in **Jiahe Medicine Group**, a pharmaceutical company based in China. Founded in 1958, Jiahe Medicine Group is one of the oldest pharmaceutical companies in northern China, manufacturing various Chinese medicines, western medicines and dietary supplements. Its products are sold nationwide in China and exported to Singapore and Hong Kong. HIH, based in Nevada, USA, is a real estate development company operating in China. It is seeking to invest in biotechnology, tele-medicine and other high-growth sectors in the mainland. (June 28, 2002)

**Kao Corp** has established a wholly owned holding company in Shanghai to expand local operations. **Kao (China) Holding Co** will play a key role in setting strategies and raising funds for local subsidiaries of the consumer chemical firm. Three Kao firms already in China will be placed under the supervision of the holding company. Of these three firms, **Kao Corp Shanghai** produces and markets detergents, shampoos and other household items, while **Kao Chemical Corp Shanghai** and **Zhongshan Kao Chemicals Ltd** manufacture and sell chemicals. The Japanese firm also plans to start selling skin-care products in China to keep up with Japanese rivals already doing business there. Kao aims to aggressively develop the Chinese cosmetics market, where it lags behind **Shiseido Co** and other rivals. It will start by selling its *Sofina* brand of products at department stores in Shanghai, later expanding to Beijing, Guangzhou and other major cities. (July 10, 2002)

**Novartis** has revealed its intention to carry out some of its R&D in China. It has established research institutes in Beijing, Shanghai, and Hong Kong. In 2001, Novartis' sales in China had exceeded US\$60m. (June 24, 2002)

**Novo Nordisk**, a Danish based company engaged in the research and production of diabetes drugs, has established a research center in Beijing Yizhuang Economic Development Zone. This is the first biotechnological research center established by a multinational pharmaceutical company in China. It is also the first ever research center for basic sciences established outside Denmark by Novo Nordisk. (June 24, 2002)

**Orchid Chemicals and Pharmaceuticals Ltd** of India, one of the top five Cephalosporin drug makers in the world, and **North China Pharmaceutical Company**, the largest drug manufacturer in China, have formed a JV to manufacture and market Cephalosporin-based drugs in China. (July 19, 2002)

**Shenzhen Special Economic Zone** is to be at the forefront of opening up the pharmacy retail market to foreign investors. The pilot scheme would also extend to Guangzhou, and the Zhuhai and Shantou Special Economic Zones, according to the Guangdong provincial medicine supervisory bureau director, Lu Huixing.

Over the past few years, the total value of drug store sales in Shenzhen has been the highest in China. Many drug chain stores from Hong Kong, Taiwan and US have shown keen interest in the Shenzhen market as a stepping stone to entering the lucrative mainland market. A Shenzhen drug company, believed to be a subsidiary of the **Neptunus Group** of China, has contracted to open the city's first foreign franchise drug store in late 2002 with US medicine retailer **Medicine Shoppe International**, the world's fifth largest drug chain store. Medicine Shoppe operates more than 1,300 drug stores in ten countries and is understood to have studied the mainland market for almost three years before deciding to make the deal. (June 19, 2002)

---

## INDIA

Sweden-based **Astra Pharmaceuticals AB** has increased its stake in its subsidiary **AstraZeneca Pharma India Ltd** from 56.5% to 87% through an open offer of an approximate Rs570m (US\$11.7m).

The offer, which closed on June 21, was aimed at increasing the AstraZeneca group's holding in the Indian entity to 100% in line with its global practice of fully owning all operating units. The Rs900m (US\$18.5m) Indian subsidiary manufactures and markets a range of cardiovascular, inhalation, cough, anaesthetics and maternal healthcare products. (June 25, 2002)

In a bid to consolidate its position in the OTC segment in the country, **Nicholas Piramal India Ltd (NPIL)** has increased its stake in the JV with **Boots Plc** of the UK, **Boots Piramal Healthcare Pvt Ltd (BPHL)**, by 9% to 49%. The business portfolio of the JV has been restructured and henceforth it will focus only on OTC products. The JV will market NPIL brands such as *Polycrol* and *Lacto Calamine*, and will also be a distributor for *Saridon*, the analgesic drug by **Roche**. These new products, along with *Strepsils* and *Clearasil* shall enable BPHL to become a leading OTC company in India. (June 10, 2002)

**Ranbaxy Laboratories**, the Indian pharmaceutical major, will tie up with **Schwarz Pharma** of Germany for development of a new drug for treatment of benign prostate hyperplasia (BPH), subject to the approval of the Reserve Bank of India. The licensing deal for chemical entity RBx-2258 would allow Schwarz to obtain exclusive rights for marketing, development and distribution of the product in Europe, Japan and US while Ranbaxy would retain the rights for other markets. The agreement would entail payment of US\$42m by Schwarz to Ranbaxy over the next five to six years including an upfront payment of US\$6.3m to be followed by royalty payments upon commercialisation. (June 27, 2002)

---

## INDONESIA

The Indonesian government plans to sell a 39.56% stake in **PT Indofarma** to strategic investors, Bisnis Indonesia reported, citing State-owned Enterprises Ministry deputy for privatisation and logistics, Ferdinand Nainggolan. "The number of shares of Indofarma to be sold is about 49% of the total 80.73% stake held by the government," Nainggolan was quoted as saying. (July 3, 2002)

## JAPAN

**Cmic Co**, a company undertaking clinical testing for drug makers, has made its debut on the JASDAQ OTC stock market on June 17, 2002. Cmic, founded in 1985, is one of the top clinical testing companies in Japan. It also has operations in China and South Korea. Cmic is seeking to acquire local companies in the two countries to expand its businesses in the Asian region, President Kazuo Nakamura said. For the current business year to September 2002, the Cmic group expects to report an after-tax profit of ¥230m (US\$2.0m), on revenue of ¥5.7bn (US\$49m). (June 10, 2002)

**Goodman Co**, the Japanese medical instrument marketer, has acquired US medical venture firm **Avantec Vascular Corp (AV)**, which develops stents and catheters for treatment of coronary artery disease. AV was acquired for a consideration of ¥17.5bn (US\$150.6m). Goodman intends to leverage AV's R&D capabilities to strengthen its vascular medicine business around the world. AV is conducting clinical trials in Brazil for a new drug-eluting stent. (May 27, 2002)

**Mitsubishi Chemical Corp** has acquired a controlling stake in London-based biotechnology venture **IC-Vec Ltd**, banking on the firm's growth potential in the field of gene-based medical treatment. Mitsubishi acquired slightly more than 60% in IC-Vec by accepting new shares issued under a third-party allotment scheme. The venture, established by researchers and University of London's Imperial College in December 2001, has developed a nonvirus vector for gene therapy and is now conducting clinical trials. (July 2, 2002)

**Nikko Cordial Corp** of Japan has, through its European arm **Nikko Principal Investments Ltd (NPIL)**, purchased 20 hospitals in England from **Capio AB**, a listed Swedish healthcare group, for £250m (US\$395m). The acquisition is the first structured sale and leaseback by a major private hospital group in Britain. NPIL will own the hospitals through a limited partnership structure — 80% by NPIL and 20% by Capio. It will lease the properties back to Capio over 30 years, with the rent to rise annually. Capio provides inpatient and outpatient healthcare as well as care for the elderly in Britain, Sweden, Norway, Denmark, Finland, Switzerland

and Poland. It bought the 20 hospitals in 2001 as part of its acquisition of **Community Hospitals Group PLC**, Britain's fourth-largest private hospital operator. (June 24, 2002)

**Japanese venture capital firms** are aggressively diversifying the fields in which they invest, as they reduce their exposure to information technology-related fields following the collapse of the IT bubble, and increase their interest in start-ups in the biotechnology, health and medical fields. For instance, **Japan Asia Investment Co**, **SMBC Capital Co** and other venture capital firms have set up investment funds specializing in biotechnology. Many venture capital firms dedicated to investing in biotechnology start-ups are also doing well.

These trends are revealed by a survey by Nihon Keizai Shimbun Inc and Nikkei Research Institute of Industry and Markets in cooperation with Nikkei Research. The respondents' investments in the biotechnology, health and medical fields grew 6.8% on the year to ¥8.5bn (US\$73.1m). The category enjoyed the third-largest investment amount. The IT and Internet field was No. 1, followed by the service sector. More than 60% of venture capital firms are either considering or have already invested in biotechnology-related start-ups. (July 8, 2002)

---

## KOREA

**Medison** of Korea, a global leader in ultrasonic scanning systems that went bankrupt in January 2002, is reviewing numerous business proposals for its sale to foreign companies. These include **Siemens** and **General Electric**, which were reported to have submitted their bids for the company. Medison had put itself on the global map with a series of innovative electronic medical devices, especially the world's first three-dimensional ultrasonic scanner unveiled in 1997. It now holds 55% of the South Korean ultrasonic scanner market and 5-6% of the global market. Medison revealed that it will name the preferred bidder and complete a memorandum of understanding by the end of July should one of the final proposals prove to be appealing. (June 30, 2002)

The newest trend in the Korean pharmaceutical sector is to spin off companies into independent entities, with firms like **LG Chem Investment**, **Daewoong Pharmaceuticals**, **Chongkundang** and **CKD Bio** considering such a move. According to industry sources, **LG Chem Investment (LGCI)** has announced the decision to spin off its life sciences business during a recent shareholders meeting, thus dividing the firm into LGCI and **LG Life Science**.

Daewoong Pharmaceuticals also made an announcement recently that it has made an internal decision to split the company and that it will reveal the details of the plan at the end of July. It is known to be considering separating its business into three parts - specialist medicine, general medicine and investment consulting.

One of the industry leaders, Chongkundang, already spun off one of its units in September 2001, forming CKD Bio that is responsible for raw material production, exports and research and investment in life science. (July 4, 2002)

---

## MALAYSIA

**Pharmaniaga Berhad** has agreed to form a JV in Malaysia with **Amcare Labs International Inc (ALI)** to provide reference laboratory testing services for the domestic and regional markets. ALI will hold 70% of the JV while Pharmaniaga will own the balance. ALI was incorporated in the US to establish a global network of full-service medical laboratory testing facilities. It will provide its medical services through a combination of experienced personnel in the evolving fields of laboratory medicine through its affiliation with **Johns Hopkins Medical Laboratories**. Pharmaniaga said the JV will enable the company to have access to Johns Hopkins' cutting edge technology in the field of medicine. It will also help jump-start the company's entry into R&D especially in the areas of biotechnology and medical research related to drug discovery and development. (June 28, 2002)

## SINGAPORE

**PPD Inc** of US has acquired **ProPharma Pte Ltd**, an Asian-based clinical research organization with extensive experience in managing pan-Asian clinical trials to international good clinical practice (GCP) standards. In a cash transaction, PPD acquired all of the capital stock of ProPharma, which will operate as part of **PPD Development**, the drug development services subsidiary of PPD. With therapeutic expertise in oncology, infectious disease, central nervous system, cardiovascular and immunology, ProPharma provides clinical study management, drug registration services and drug safety management. In addition to its headquarters in Singapore, ProPharma has offices in Hong Kong, Bangkok, Taipei and Melbourne. (June 27, 2002)

**Shimadzu Corporation** of Japan has invested S\$2.73m (US\$1.57m) in biotechnology start-up **Agenica Research Pte**, giving it a 5.6% stake in the firm. This marks the first time it has made a capital investment in a foreign biotechnology firm. The **National Cancer Center of Singapore (NCCS)** and **Mitsui & Co** each hold 47.2% stake. Agenica, which was founded in April 2001, has been working with the NCCS and Mitsui to construct and market a database of genetic information on cancer. Shimadzu plans to dispatch researchers to Agenica to work on new methods of protein analysis. (June 20, 2002)

**Siemens Medical Instruments** of Germany will be investing a further S\$50m (US\$28.8m) in its Singapore operations over a period of five years from 2004. This will bring the total investment in Siemens' hearing device manufacturing and R&D arm in Singapore to more than S\$110m (US\$63.5m) by 2008. The added investment will make the office in Singapore the organisation's largest R&D facility outside Germany. It is also a major boost for Singapore's biomedical industry. The firm has seen its market share in Asia leap from 25% to 33% in the past two years, and is expecting a further 20%

To submit stories to future editions of this newsletter, please contact Kathleen Ng in Singapore on 65.6533.8500 or kng@bdallc.com.

increase in demand for its products and services in 2002. The Singapore set-up will also undertake the manufacture of the firm's Triano series of hearing aids, including almost-invisible digital hearing aids with computing power comparable to that of powerful personal computers. (June 21, 2002)

Spurred largely by government funds, Singapore is Asia's leading investor in the biotechnology sector, according to a report in the June issue of Asia Private Equity Review. The report says that among the five Asian countries that have moved into the sector - Japan, India, Korea, Singapore and Taiwan - 'Singapore is by far the most aggressive in providing a ready pool of capital for immediate deployment in biotechnology companies.'

The Singapore Government has so far invested more than US\$700 million into biotech funds. Apart from funds channelled towards investments, Singapore's **National Science and Technology Board** has allocated S\$1.5bn (US\$865.3m) for R&D in the biotech sector. A further S\$2bn (US\$1.2bn) has been set aside to attract leading research organisations in Singapore to invest in local and foreign biotech start-ups. (July 2, 2002)

## TAIWAN

The Biomedical Engineering Center of the **Industrial Technology Research Institute** in Taiwan will transfer an anti-cancer drug lead technology to **Synpac-Kingdom Pharmaceutical Taiwan**. A spokesman from the Center said that researchers have successfully developed methods to extract derivatives of constituents of a herb - *echinops grilisii* - which is known to have a good effect upon the immune system and could be used in the treatment of kidney, breast and ovarian cancers. He said that it will take between seven and eight years before the new anti-cancer drug is available in the market and that the pharmaceutical company will carry out clinical experiments on the Chinese herbal medicine during this period. (July 9, 2002)

## VIETNAM

**Daewoo International Corp** and **Shinpoong Pharm**, both of Korea, have established a pharmaceutical production company, **Shinpoong-Daewoo Pharmaceutical Co**, in Vietnam. (July 22, 2002)

**Pan Pharmaceuticals** of Hong Kong is expecting Prime Ministerial approval to construct a drug manufacturing plant in southern Dong Nai province, Vietnam. The US\$6m plant will produce antibiotics, vitamins and herbal medicines, with half of its products aimed at overseas markets. (July 15, 2002)

Malaysia has encouraged its pharmaceutical enterprises to increase investment in Vietnam. Vietnam has so far had 25 foreign-invested pharmaceutical projects capitalized at US\$200m, including one project by Malaysia's **B.Braun Pharmaceutical Industries SB**. These projects turn out annual output value of approximately US\$41m and take 10% of Vietnam's market share. (June 19, 2002)

In Vietnam, more than 200 foreign drug firms have signed deals with domestic partners to import, export and distribute drugs. The government is strongly encouraging the development of pharmaceuticals production in Vietnam, and welcomes wholly-owned foreign firms to enter the market. Some 16 foreign-backed pharmaceutical projects have received licences with total registered investment capital of US\$98.4m. (July 15, 2002)

---

Euan Rellie, Managing Director  
Paul DiGiacomo, Senior Associate

Kathleen Ng, Associate

---

## 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

