

ASIAN HEALTH NEWSLETTER

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INTRODUCTION

We hope you find the *Asian Health Newsletter* informative.

BDA is a corporate finance advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

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. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Paul DiGiacomo
Director

CHINA

According to **Research and Markets**, pharmaceutical sales in China (excluding Hong Kong) were estimated at US\$18bn in 2004, an increase of 8.5% over the previous year. This makes China one of the largest markets in the world, and the largest in Asia (ex Japan).

Akzo Nobel's human healthcare business, Organon, will collaborate with **HD Biosciences**, one of the leading biotech companies in China, on functional assays for a number of identified G-protein coupled receptors and ion channels. The project will start with a total of five molecular targets identified by Organon. Under the terms of the contract, HD Biosciences will develop functional assays for high-throughput screening. All targets have been selected on the basis of their potential as starting points for the discovery of innovative new treatments for disorders of the central nervous system. (November 17, 2005)

Beijing Med-Pharm, a US based pharmaceutical marketing company, has won government approval to acquire 100% of **Beijing Wanwei Pharmaceutical Co Ltd**. This is the first acquisition of a Chinese pharmaceutical distribution firm by a foreign company since China announced the opening of the drug distribution sector. **Med-Pharm** will pay US\$1m for the purchase. The company earlier acquired a pharma consulting firm in order to help it prepare for future growth and development of the Chinese healthcare market. (October 28, 2005)

Beijing Med-Pharm Corp also previously signed an LOI with **Orient International Holding**

Shanghai Rongheng International Trading and Shanghai CAS Shenglongda Biotech (Group) Co Ltd, to purchase a majority interest in **Shanghai Rongheng Pharmaceutical Company Limited**, which is a pharmaceutical distribution enterprise distributing to over 250 hospitals in Shanghai. Orient International and Shanghai CAS currently own approximately 90% of the equity interest in Rongheng. The acquisition would enable Beijing Med-Pharm to further its strategy of offering an end-to-end solution to foreign companies wishing to sell their pharma products into China. (October 8, 2005)

Broad Intelligence International Pharmaceutical, a Fujian-based and Hong Kong-listed drugmaker, plans to build a US\$10m facility in 2006 to process raw materials used in new products. New products will include anti-influenza and anti-diabetes tonics. The company spent US\$13m this year to acquire 39 product formulas and construct six new product lines. Broad Intelligence expects sales of new OTC medicines to account for half its turnover in 2008 as it increases capacity and seeks new acquisitions to diversify from its core prescription-drugs business. Broad Intelligence is reportedly also in talks to acquire another mainland drugmaker as well as a distributor of pharmaceutical products. The company expects total revenues of US\$30m in 2005. (December 5, 2005)

China Chengtong Group, a Chinese logistics leader, will buy a controlling stake in **China Worldbest Group Co ("CWGC")** for US\$620m. CWGC is a pharmaceutical and textile company based in Shanghai with revenues of US\$6bn, and net profits of US\$198m in 2004. By some measures, it ranked first in both the pharma and textile industries in China. Industry analysts agree that the acquisition of CWGC was arranged by the State-owned Assets Supervision and Administration Commission ("SASAC"), which wants to accelerate the restructuring of state-owned companies. (November 13, 2005)

DSM will take a 49% controlling stake in two JVs producing nutritional products and antinfectives, in partnership with **North China Pharmaceutical Group**. The JVs will cover production vitamin C,

vitamin B12 and beta-lactam antibiotics. The JVs will be based in Shijiazhuang, Hebei province. DSM will invest US\$164m in the ventures, and will also supply technology and management expertise. The JVs are expected to have aggregate annual revenues of US\$275m. (November 7, 2005)

Hikal Ltd, an Indian company mainly engaged in the production of intermediate chemicals for dyes, pharmaceuticals and agrochemicals, has entered into a JV by acquiring a minority stake in one of **Sinochem's** subsidiary companies. This acquisition will enable Hikal to backward integrate into the sourcing intermediates. The JV will help Hikal improve its cost base in raw materials and intermediates for APIs. (November 29, 2005)

Kanebo Ltd, Japan's second-largest cosmetics maker, and two subsidiaries of **China National Pharmaceutical Group - China National Group of Traditional & Herbal Medicine** and **China National Pharmaceutical Foreign Trade Corp** - have established a new Sino-Japanese pharmaceutical JV. The Beijing-based venture will engage in the wholesale, import and export of natural medicine, pharmaceuticals, and healthcare products. (December 1, 2005)

Matrix Laboratories Ltd, an Indian pharmaceutical company, intends to acquire a 60% stake in **Mchem Group** of China. Matrix has entered into a share purchase agreement with the Mchem shareholders. The acquisition will help Matrix achieve backward integration in China for the manufacture of pharma intermediates. Mchem manufactures basic chemicals, intermediates, active pharma ingredients and finished dosage forms. Matrix intends to strengthen its supply chain and establish itself as a cost-effective manufacturer. (September 27, 2005)

Pfizer officially opened the Pfizer China Research and Development Center in Shanghai this October, to offer drug development support capabilities and biometric expertise to China and the surrounding Asian region. In addition to drug development, the Center specializes in the design, data management and statistical analysis of global Phase I-IV clinical trials. The company, which has invested US\$500m

in China over the past two decades, plans to introduce 20 new medications to China by 2010. (November 21, 2005)

Pharmaniaga, the Malaysian drug maker, has established a JV with **Shanghai Worldbest Treeful Pharmaceutical Group**, a member of the Chinese government-linked firm **China Worldbest**, currently one of the country's largest pharmaceutical producers. The JV will be named **Wuxi Worldbest Pharmaniaga Pharmaceutical** and will manufacture intravenous medicines at the Wuxi Huishan Life Science and Technology Park in Jiangsu, China. The plant will have an initial annual production capacity of 20-30 million units of intravenous doses. This is expected to reach 100 million units a year by 2008. (November 28, 2005)

Sankyu Pharmaceutical, the Japanese distribution arm of Chinese drug firm **Sanjiu Enterprise Group**, has announced that it will commence operations in China in February 2006. The company is aiming to achieve US\$42m in sales during its first year, and will commence operations by selling three hospital drugs made by Japanese firms. Sankyu represents the first major instance of collaboration between Japanese and Chinese firms in the wholesale sector, and investment firm **Itochu Corp** and distributor **Alfresa Holdings** (both Japan) have each bought a stake in Sankyu. (December 9, 2005)

Steris Corp plans to establish a JV to make medical equipment with **Shandong Xinhua Medical Instrument Co Ltd**. The JV will have registered capital of US\$6m, with total investment of US\$16m. Steris will invest US\$3m for a 51% stake and Xinhua Medical Instrument will contribute US\$3m for the remaining 49% interest. The venture, to be named **Xinhua Steris Medical System Co Ltd**, will produce disinfectants and other contamination control products. (September 21, 2005)

Shanghai Pharmaceutical (Group) Co has decided to produce *Tamiflu* through a transfer of technology from **Roche**. *Tamiflu*, originally a remedy for ordinary influenza, is one of the few medications that is effective in treating bird flu in humans. (November 21, 2005)

Sinovac Biotech, a drugmaker backed by the Chinese government, says that the design of clinical evaluations of *Panflu*, its pandemic influenza H5N1 vaccine, have been approved by the **China State Food and Drug Administration ("SFDA")**. Given the severe nature of the disease, the SFDA fast-tracked Sinovac's October 2005 application. The move is part of China's effort to acquire a stockpile of avian flu vaccine. The firm will be able to produce mass quantities of the product, once it is approved by regulators. (November 28, 2005)

Super-Pharm, an Israeli pharmacy chain, has agreed to acquire a local Chinese drugstore chain (name not yet disclosed) with 37 branches. Super-Pharm plans to convert the chain's branches to its own retailing format. The acquired stores will also be rebranded as Super-Pharm stores, and the stores' offerings will be expanded to include toiletries, cosmetics, infant items, and life-style products. (December 2, 2005)

INDIA

Akorn Inc, a US drug company, has signed a LOI with Indian pharmaceutical firm **Cipla Ltd** to develop and supply an oral anti-infective drug in the US. The oral anti-infective drug will be distributed primarily in the US hospitals by Akorn and has a current addressable market size of approximately US\$100m. (November 8, 2005)

Biocon Ltd has signed a product licensing agreement with **Bentley Pharmaceuticals Inc**, a technology-based specialty pharmaceutical and drug delivery company, for Bentley's intranasal spray formulation for administering insulin. The agreement covers 85 countries granting Biocon exclusive and co-exclusive rights to develop and market the insulin delivery mechanism throughout Asia, Africa, and the Middle East. Biocon has also entered into a long term supply agreement which will provide Bentley and its licensees with a stable supply of insulin for worldwide markets. (November 16, 2005)

Dr. Reddy's Laboratories announced that it has entered into a definitive agreement to acquire **Roche's** API business in Cuernavaca, Mexico. The acquisition includes all employees and business supply contracts. The total investment by Reddy's is approximately US\$60m including working capital. The acquisition is expected to close by end of December 2005. (November 8, 2005)

DSM will expand its Toansa, India manufacturing base for anti-infectives, raising the production of penicillin-related intermediate 6-APA and APIs. The new investment would double the company's 6-APA and Amoxicillin capacity in India. Work on the expansion, part of the global restructuring of the DSM Anti-Infectives business group, is scheduled for completion in phases between January and August 2006. (November 7, 2005)

Hetero Drugs of Hyderabad has plans to manufacture the generic version of *Tamiflu* in India. The company has applied for a license to manufacture the drug in India from **Roche**. Once the licenses are obtained the company will manufacture the drug at its two US FDA approved plants in Hyderabad and will commence supply of the drug by Jan 2006. (November 11, 2005)

Indoco, an Indian drug maker, is seeking acquisitions of active pharmaceutical ingredients ("API") manufacturing facilities in Eastern Europe. The company is reported to be considering four or five different API facilities, although negotiations are still at an early stage. (November 24, 2005)

Matrix Laboratories will acquire a controlling stake in Ahmedabad-based biotech company **Concord Biotech Ltd** for an undisclosed sum. The acquisition of a 55% controlling stake will help Matrix add to its technology and manufacturing strengths and access the fermentation technology based products of Concord. The stake will be acquired through a combination of existing equity shares from the shareholders and through the issue of new shares in Concord. (December 6, 2005)

Ranbaxy Laboratories, Wockhardt and **Nicholas Piramal** are reported to be considering an acquisition of **Betapharm Arzneimittel**,

Germany's fourth-largest generics drug maker. UK-based **3i Group**, which owns a major stake in the German firm, is planning to sell the company. 3i bought the firm last year from **Hexel** for US\$354m, before Hexel itself was taken over by **Novartis**. Other potential buyers include **Teva, Sandoz** and private equity funds. The highest offer for the group has been reported to be at 12x EBIT. (November 21, 2005)

Ranbaxy Laboratories said it was ready to provide oseltamivir phosphate capsules (the generic name for *Tamiflu*), a treatment for influenza, to the US healthcare system if asked by Washington or **Roche**, the drug innovator. **Cipla** also has plans to begin supplies of *Tamiflu* to some Asian and European countries from January 2006. **Roche** is believed to still be in talks with several major Indian generic firms, including Ranbaxy and Cipla, regarding licenses for the generic production of *Tamiflu*. (December 3, 2005)

Sun Pharmaceutical Industries Ltd ("SPIL") is likely to acquire the assets of **Able Laboratories Ltd** of the US for US\$23m. Able Lab was developing and manufacturing generic pharmaceutical products when it filed for bankruptcy in July 2005. SPIL previously acquired the manufacturing operations of US-based **Valeant Pharma** in September 2005. Valeant is a mid-sized US specialty pharma company with revenues in 2004 of US\$683m. (November 30, 2005)

Wockhardt announced the launch of a new generation Hepatitis A vaccine under the brand name of *Biovac A* in collaboration with **Zhejiang Pukang Biotechnology Company Ltd** of China, the originator of the vaccine and among China's foremost vaccines manufacturer. The company, which hopes to sell 30,000-40,000 vials of the vaccine per month in the Indian market, also has distribution responsibility for Bangladesh, Pakistan and Vietnam. The company hopes to garner 25% of the Indian market for Hepatitis A vaccines. (December 11, 2005)

INDONESIA

Indonesia has obtained a license from **Roche International** to produce *Tamiflu*. The Health Ministry has yet to appoint a local pharmaceutical company to produce the medicine, but it is likely to be **Kimia Farma** or **Indofarma**. The Government has also held talks with countries supplying raw materials for *Tamiflu*, including China, India and South Korea, and was waiting for confirmation from these countries on their ability to meet Indonesia's needs. (November 26, 2005)

Quintiles Transnational, the largest contract research organization, hopes to boost revenues from Asia by opening a new office in Indonesia and by making acquisitions. Quintiles reportedly has US\$2.6bn worth of clinical trial work that has not yet been serviced. Quintiles, which takes on laboratory and clinical development work outsourced from pharmaceutical or biotech companies, is seeking to boost revenue in Asia to 15% of total revenues within five years from 8% - 9% currently. (October 17, 2005)

PT Kalbe Farma, a pharmaceutical firm in Indonesia, expects to complete its merger with **PT Dankos Laboratories** and controlling shareholder **PT Enseval** by the end of this year. Kalbe Farma's shareholders approved the proposed merger with Dankos and Enseval in which Kalbe Farma will be the surviving entity with a total market cap of more than US\$1bn. Following the merger, Kalbe Farma plans to expand its operations throughout ASEAN. (November 29, 2005)

JAPAN

Astellas Pharma Inc, the third largest pharmaceutical company in Japan, announced that it has entered into a licensing agreement with the US biopharma company **XenoPort Inc** that gives it exclusive rights to develop and market the pain

therapy medication *XP13512* in Japan and other Asian markets. *XP13512* is a modified version of an anti-epileptic drug that is being developed by XenoPort as a pain medication for treatment for restless legs syndrome and post-herpetic neuralgia. (November 30, 2005)

BioWa Inc, a wholly owned subsidiary of **Kyowa Hakko Kogyo Co Ltd**, a leading Japanese pharmaceutical and biotech company, announced that **MedImmune Inc** has licensed BioWa's *POTELLIGENT* technology for use in researching and developing MedImmune antibodies for potential therapeutic applications that require enhancement of antibody-dependent cellular cytotoxicity. Under the terms of the agreement, BioWa will provide MedImmune with non-exclusive commercial rights to use the technology. In return, BioWa will receive technology access fees and may receive milestone payments and royalties on products developed by MedImmune. (December 2, 2005)

Eisai Co Ltd has acquired exclusive rights from **Dainippon Pharmaceutical Co Ltd** to develop, produce and sell an experimental diabetic neuropathy drug. This is expected to help widen Eisai's product portfolio in the neurology area, a priority for its business. Eisai obtains exclusive rights to the drug worldwide outside Japan while Dainippon Pharma will retain the rights to Japan and to co-promote the compound in major countries. (September 29, 2005)

Falco Biosystems Ltd announced that it has partnered with US clinical research organization **PPD Inc** to discover and validate biomarkers that could lead to development of a diagnostic test for renal cell carcinoma. Under the agreement, Falco will cover a portion of the cost of research conducted by PPD. The US firm will own any patents derived from the work, and Falco will receive an exclusive license to use this intellectual property in Japan. (December 9, 2005)

Kowa Co and its subsidiary **Nikken Chemicals Co Ltd** announced plans to merge their ethical drugs operations on April 1, 2006. Together Kowa and Nikken employ 1,000 medical representatives. The firms have already worked together on

promoting *Livalo* (pitastatin) and *Olmetec* (olmesartan). (November 21, 2005)

Nipro Corp announced that it had signed a commercial partnership agreement with **Yuki Gosei Kogyo Co Ltd**. Nipro will also acquire about 3.5% of Yuki Gosei. The two companies will collaborate on the development and production of bulk pharmas and intermediates. (October 17, 2005)

Novartis has signed a development and commercialization agreement with **Senju Pharmaceutical Co** for its candidate glaucoma drug Y39983, in all markets excluding Japan. The agent is a rho-kinase inhibitor for topical treatment of glaucoma and is originally derived from a sub-license granted by **Mitsubishi Pharmaceutical** to Senju. The compound has entered Phase I development. Under terms of the deal, Senju will receive an initial payment and additional milestones based on the achievement of clinical, regulatory and commercialization targets, with royalties to be paid on the marketed product. (November 21, 2005)

Pfizer said it has sued **Dainippon Sumitomo Pharma Co** and parent **Sumitomo Chemical** over licenses to make and sell in Japan its hypertension and heart disease drug, *Amlodin*. In the lawsuit filed with Tokyo District Court, Pfizer has urged the Japanese companies to halt the manufacture and sale of the drug, while seeking damages for alleged infringement of its patents. Pfizer argues that the licenses became invalid when Sumitomo Pharmaceutical merged with Dainippon Pharmaceutical Co on Oct. 1 to create Dainippon Sumitomo. The Japanese companies have contended that the licenses have been assumed by the merged entity through legitimate procedures. (November 17, 2005)

Sanofi-Aventis said its Sanofi Pasteur vaccines unit will obtain a license from **Eisai Co Ltd** to use Eisai's *E6020* adjuvant, a drug enhancing agent, in developing what may become a broad range of new vaccines. The license will give Sanofi Pasteur worldwide rights to use the adjuvant in vaccines. Sanofi Pasteur will market them, and Eisai will receive up-front payments, milestone payments and

royalty payments on product sales. (October 31, 2005)

KOREA

BioSyntech Inc has announced the signing of a LOI with **Kuhnil Pharma Co Ltd**, one of Korea's leading pharmaceutical companies. Kuhnil will invest US\$1.2m into BioSyntech and in turn will acquire exclusive rights for marketing, sales and distribution of BioSyntech's *BST-CarGel* and *BST-InPod* in Korea. BioSyntech Inc is a biotech company specializing in the discovery, development and manufacturing of innovative cost-effective and physician-friendly therapeutic thermogels for regenerative medicine and therapeutic delivery. (October 18, 2005)

MALAYSIA

KPJ Healthcare Bhd, the Malaysian healthcare group, is reportedly finalizing terms for the acquisition of another hospital, with a target closing date of early 2006. KPJ operates a network of 14 hospitals in Malaysia and two in Indonesia. (December 8, 2005)

SINGAPORE

Bioton SA will acquire a further 18.2% of the Singapore-based, Australian-listed **Scigen Ltd**, increasing its shareholding to 44%. Bioton will then be required to make an offer to acquire all the remaining shares in Scigen. Scigen co-develops and markets biopharma products for human healthcare and focuses on gastroenterology, endocrinology and immunology. Its product portfolio

includes vaccines and therapeutics. (November 28, 2005)

CIMYM Inc, majority-owned subsidiary of **YM BioSciences Inc**, has agreed with **Innogene Kalbiotech Ltd ("IGK")** of Singapore to expand the development program for its humanized, EGF receptor-targeting monoclonal antibody, nimotuzumab. The terms of the license – which covers Singapore, Taiwan, Thailand, Indonesia, Malaysia, the Philippines, and other emerging markets - includes an up-front payment of US\$1m, undisclosed milestones and a royalty on sales. IGK will be responsible for development costs in its

territories and also to undertake the registration in its territories. (November 17, 2005)

THAILAND

SciGen Ltd of Singapore has received a license to market its insulin product *SciLin* in Thailand. *SciLin* is recombinant human insulin developed with R&D partner **Biotechnology General IL Ltd** and with the exclusive licence to manufacture and market in the Asia Pacific Region. (November 14, 2005)

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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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