

# ASIAN HEALTH NEWSLETTER

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## INTRODUCTION

Indian pharmaceutical companies have been aggressively seeking to raise capital to fund overseas M&A, a trend which has accelerated recently. We also continue to see restructuring in the pharma sectors in China and Japan, which we believe will yield opportunities for strategic investors.

BDA is a corporate finance advisory firm, which assists MNCs and Asian companies to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring.

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 [pdigiacom@bdallc.com](mailto:pdigiacom@bdallc.com). We look forward to speaking with you.

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## CHINA

**Baxter (China) Investment Co** has signed an agreement with **Guangzhou Baiyunshan Pharmaceutical Co** to establish a 50-50 JV to produce and sell parenteral nutrition products. Baiyunshan Pharmaceutical will inject its parenteral nutrition preparation business and from its affiliated unit, **Guangzhou Qiaoguang Pharmaceutical Factory**. Baxter will contribute cash. Total investment in the joint venture is expected to be US\$65m to US\$70m. (November 21, 2006)

**Bayer HealthCare Co Ltd**, one of the world's largest suppliers of medicines and diagnostic equipment, is finalising the acquisition of a controlling stake in **Qidong Gaitianli Medicines Co Ltd**, in a bid to boost its Chinese OTC business. Bayer HealthCare will reportedly pay Xi'an-based **Topsun Science and Technology Co Ltd** US\$150m for a 54.5% stake. In addition to the equity purchase, Bayer HealthCare will also acquire Qidong Gaitianli's retail medicine divisions, providing access to the well-known local brands, *Gaitianli* and *Baijiahei*. Qidong Gaitianli, based in Jiangsu Province, eastern China, principally produces calcium tonics, cold medicine, bacteriophage series, antiphlogistic and antalgic medicines as well as traditional Chinese medicines. (November 20, 2006)

**Beijing Med-Pharm Corporation**, a pharmaceutical marketing and distribution company, has approached **Shanghai Rongheng Pharmaceutical Co Ltd** regarding an acquisition of a controlling stake in Rongheng's pharmaceutical distribution enterprise. If the parties can come to terms on definitive documents for the acquisition of Rongheng, the transaction will require final approval

by the Ministry of Commerce of the People's Republic of China. (November 30, 2006)

**Biosensors International Group Ltd** of Singapore intends to acquire a 10% stake in **JW Medical Systems Ltd**, a privately-owned producer of drug-eluting stents. The equity partnership is part of a recently signed business collaboration between Biosensors and **Shandong Weigao Group Medical Polymer Co Ltd**, which owns 50% of JW Medical. The investment will provide Biosensors entry into the burgeoning Chinese interventional cardiology market - estimated to be in excess of US\$100m – and will give access to Weigao's extensive in-country sales and distribution network for Biosensors existing products. (November 1, 2006)

**China Health Holding**, a developer, manufacturer, marketer and distributor of pharmaceutical products and dietary supplements, has acquired a 51% stake in **Xi'an Chunhui Pharmaceuticals Co Ltd** in Shaanxi Province. Through acquisitions, China Health Holding is in the process of building a network of established China SFDA certified pharmaceutical drug manufacturing facilities, to complement its extensive local hospital and drugstore distribution channels. (December 4, 2006)

**China Resources Group**, a major government-owned conglomerate, will likely control eight listed units of **Worldbest Group**, a leading state-owned pharmaceutical and textile conglomerate, following regulatory approval of the acquisition of Worldbest. The eight units are **Shanghai Worldbest Co Ltd**, **Shanghai Worldbest Industry Development Co Ltd**, **Shanghai Worldbest Pharmaceutical**, **Shanghai Zhongxi Pharmaceutical Co Ltd**, **Shanghai Pharmaceutical Co Ltd**, **Beijing Wandong Medical Equipment Co Ltd**, **Beijing Double-Crane Pharmaceutical Co Ltd** and **Kama Co Ltd**, respectively. Earlier, Worldbest's third largest shareholder, Hong Kong-based **Jinxia Investment Group Co Ltd**, signed an agreement with 20 other shareholders of Worldbest to purchase a total of 91.7% of the group. (November 30, 2006)

**Dragon International Group Corp**, a leading Chinese manufacturer and distributor of specialty paper products and packaging materials, has signed a letter of intent to acquire **Hainan Jinguang Pharmaceutical Co Ltd**, a distributor and manufacturer of Chinese herbal medicines. Jinguang is an innovative, technologically oriented enterprise, focused on Traditional Chinese Medicine. Jinguang is expected to generate US\$15m in annual sales in 2007, growing to US\$29m in 2008. Terms of the agreement were not disclosed. Dragon International is expected to begin formal due diligence on Jinguang by the end of 2006. (November 20, 2006)

**Key Capital Corporation** of the US has announced plans to acquire **Healthstar Group**, subject to final regulatory approvals. Healthstar has current revenues of approximately US\$26m and the company has recently gained SFDA approval to market three new drugs in China. Healthstar products are marketed in China in partnership with **Sinopharm**, a leading local pharmaceutical distributor. (December 1, 2006)

**Honeywell Specialty Materials** is to invest US\$3.2m to triple its laboratory space at its research and development centre in Shanghai. The 1,600m<sup>2</sup> site has six analytical laboratories, three applications laboratories and four chemical synthesis workshops. The extension will create ten laboratories, a white room and a polyvinyl chloride extrusion workshop. Work is expected to be completed by July 2007. (November 20, 2006)

**MIV Therapeutics ("MIVT")**, the Vancouver, Canada-based developer of biocompatible coatings and drug delivery systems for cardiovascular stents and other implantable medical devices, has entered into a formal agreement to acquire **Vascore Medical (Suzhou) Co Ltd**, a manufacturer of cardiovascular stents and other medical devices. The proposed acquisition of the China-based Vascore is designed to accelerate the company's commercialization of products for the vascular stent market. The acquisition is expected to provide MIVT

with design, manufacturing and marketing capabilities. (October 22, 2006)

**Novartis AG**, the Swiss pharmaceutical giant, plans to invest US\$100m to build a research and development centre in Shanghai, which will be the largest investment Novartis has made in China. The R&D centre is to start operation by May 2007 and employ 400 researchers. (November 22, 2006)

**SSL International**, the producer of *Durex* condoms and *Dr Scholl's* sandals, is planning new acquisitions in Europe and Asia. SSL aims to increase the proportion of earnings coming from Asia from 15% to 25% in the next few years. SSL expects surging sales of condoms in emerging markets. Early this year, SSL bought out the partner in its **Qingdao London Durex** joint venture in China for US\$37.5m as part of its overall strategy. (November 22, 2006)

**Tessengerlo**, the Belgian chemicals and plastics group, will set up a gelatine joint venture in south-eastern China. Tessenderlo will own 80% of the venture, with the remainder controlled by **PB Gelatins (Pingyang) Co**, and **Zhejiang Feipeng Gelatin Industry**. This JV represents a major step for Tessenderlo into the Chinese market, which promises interesting growth prospects for the production of high-quality gelatine. (October 27, 2006)

**Uni-Bio Science Group Ltd** of Hong Kong has entered into an agreement to purchase **Nan Hoo Properties Ltd** for US\$58m. Nan Hoo is the parent company of **Beijing Genetech Pharmaceutical Co**, which manufactures and sells pharmaceutical products in tablet, capsule and granule form. Beijing Genetech also develops generic drugs for the China market. The acquisition of Beijing Genetech will accelerate Uni-Bio Science's growth plans in China and reduce the need to develop a greenfield manufacturing facility. (November 29, 2006)

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## INDIA

The **Chinese pharmaceutical industry** is beginning to recognize the potential for cooperation with Indian firms in formulation capabilities, service outsourcing and market exploration. Major Chinese pharmaceutical and allied industry players considering Indian partnerships and investments include: **AHA International, Anhui Biochem Pharm, Asahi-Penn Chemical, Chengdu Nanxang Biochemical Products, CNSC Fortune Way Company, Dongying Tiandong Biochemical Industry Co, Chemwerth Inc and Gansu Xuejing**. Leading pharma players in the Chinese market such as **Hebei Changshan Biochemical Pharmaceutical, Jiangsu Guotai Intl Group, Kaifeng Pharmaceutical (Group), North China Pharmaceutical Victor, Shandong Baayuan Chemical, Shanghai Jinhe Bio-Technology** have reportedly initiated strategic talks with Indian companies. (December 1, 2006)

**Alliance Merieux** of France intends to make **Shantha Biotechnics** its global hub for vaccine development by acquiring a 60% stake in the firm. Alliance Merieux plans to invest US\$10m in a new facility to increase its manufacturing capacity for the hepatitis B vaccine. The manufacturing hub at Hyderabad will have eight manufacturing units. (November 30, 2006)

**Aptuit**, the US-based pharmaceutical services company, is planning to aggressively ramp up its India operations. Aptuit, funded by **Temasek Holdings** and **Welsh, Carson, Anderson & Stowe** is considering acquisitions of Indian research companies engaged in clinical trials. It is also in talks with several research outfits for JVs and plans to establish a research facility and a packaging unit in India. The investments would bolster Aptuit's

Asian presence, which includes a research centre in Bangalore and operations in Singapore. (November 21, 2006)

**Dr. Reddy's Laboratories** announced plans to invest US\$100m over the next 18 months to increase manufacturing capacity in formulations and APIs. Dr. Reddy's also recently set H2 2007 as the target launch date for *Polypill*, a combination of four drugs used to treat cardiovascular diseases. *Polypill* was developed jointly by Dr Reddy's and Auckland University, and is currently in clinical trials in India. The drug is intended to both reduce cholesterol levels and treat hypertension. (December 8, 2006)

**Groupe Danone** is in advanced talks with **Avesthagen**, a bio-nutritional company, regarding a strategic investment. Danone could invest up to US\$34m into Avesthagen for a minority stake in the firm. This would be Danone's largest solo investment in India to date. Avesthagen, which has business lines in foods, pharmaceuticals and nutraceuticals, would provide the French food giant access to the portfolio of health foods such as biscuits and breakfast cereals acquired from Waheeda Rehman's **Good Earth Foods** earlier this year. Some observers believe that this deal may add to conflicts of interest between Danone and its local JV interest, Britannia. (November 2, 2006)

**JB Chemicals & Pharmaceuticals** has agreed to acquire a minority stake in **Biotech Laboratories** of South African for a consideration of US\$5m. JB has also obtained a call option to increase its shareholding in Biotech Laboratories in the future. The transaction is expected to close in Q1 2007. (December 14, 2006)

**Opto Circuits (India) Limited ("OCIL")**, a leading manufacturer of healthcare equipment, has signed a letter of intent to acquire a medical devices company in Western Europe for an estimated US\$15m. The unnamed target is engaged in the design and manufacturing of a wide range of balloon catheter assemblies and related products for coronary, renal and other applications. It has projected revenues of around US\$20m. (December 4, 2006)

**Ranbaxy Laboratories**, a leading pharmaceutical company in India, continues its overseas acquisition spree overseas, has acquired South Africa's fifth largest generic drug maker, **Be-Tabs Pharmaceuticals (Pty) Ltd**, for US\$70m. Be-Tabs, with current revenue of US\$30m, has a strong over-the-counter (OTC) drug portfolio with significant brand recognition that can be leveraged by Ranbaxy. The transaction will be funded through the issuance of foreign currency convertible bonds and was valued at 2.2x revenue and 7.7x EBITDA. (December 1, 2006)

**Sigma-Aldrich's** subsidiary **SAFC Pharma** is planning a US\$12m investment in its recently opened medicinal chemistry unit in Bangalore, India. This site houses synthesis process research and development laboratories as well as production units and has an overall reaction capacity of 50 litres. SAFC has won a contract with **BTG** which is carrying out Phase I clinical trials on BCG20-1259, a treatment for Alzheimer's disease. SAFC will develop technology for synthesizing the compound and eventually expects to be asked to produce clinical batches of the drug. (October 23, 2006)

**Wockhardt Ltd**, a major pharmaceutical and biotechnology company in India, has acquired **Pinewood Laboratories Ltd**, the largest and fastest growing branded generic pharmaceutical company in Ireland. The acquisition was valued at an enterprise value of US\$150m. This investment provides Wockhardt a larger footprint in Europe, including the UK, Ireland and Germany. The acquisition will also increase Wockhardt's European revenues to over US\$200m, accounting for nearly half of the company's total revenues. (October 3, 2006)

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## JAPAN

**Daiichi Sankyo Co Ltd**, Japan's second-largest drug maker, has decided to integrate two of its health

care units and plans a sale of its small medical publishing unit. Daiichi Sankyo, created through Sankyo's acquisition of **Daiichi Pharmaceutical** in September 2005, has been realigning its businesses and selling non-core units as it heads towards full integration of the two companies. (November 30, 2006)

**Kirindo Co Ltd** will acquire 77% of **Nipro Corp's** retail drug outlet subsidiary, **Nissho Drug Co Ltd**, for US\$48m. With this acquisition, Kirindo aims to dominate the market and strengthen its business in the Kansai region, while Nipro will focus on its core medical device and drug business. (November 17, 2006)

**MediciNova**, the San Diego, CA-based biopharmaceutical firm, has acquired two small molecule cardiovascular agents from Japanese company **Meiji Seika Kaisha**. *MN-447* and *MN-462* are anti-clotting agents that represent novel approaches to blood clot formation and are expected to be used for treatment in a variety of thrombotic disorders. Both agents have demonstrated new mechanisms of action against blood clot formation in preclinical studies. (November 2, 2006)

**Novartis AG**, the Swiss pharmaceutical company, has agreed to acquire the animal health business of **Sankyo Lifetech Co Ltd**, expanding the presence of its Novartis Animal Health business in Japan. The transaction includes the transfer of some staff and all marketing authorizations and intellectual property related to the commercialized brands plus Sankyo Lifetech's animal health business R&D portfolio, which generated US\$48m in revenues in the fiscal year ending March 2006. (October 19, 2006)

**Sucampo Pharmaceuticals**, a listed Maryland biopharmaceutical company, plans to expand via targeted M&A after experiencing success in Japan. Sucampo has a cooperation with **Takeda Pharmaceutical** for *AMITIZA*, a treatment for chronic idiopathic constipation in adults. *AMITIZA* received FDA approval in January 2006. Sucampo is more than 40% owned by wife-and-husband team of Sachiko Kuno, President and CEO; and Ryuji Ueno, Executive Chairman. (November 15, 2006)

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## KOREA

**RBC Life Sciences Inc** has completed a restructuring of its South Korean operations effective October 31, 2006. RBC's wholly owned subsidiary, **RBC Life Sciences Korea Co Ltd**, was acquired in an MBO led by the company's top executive. As part of the sale agreement, RBC also entered into a five-year exclusive license agreement with the purchaser under which RBC products will continue to be sold in South Korea. (November 7, 2006)

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## SINGAPORE

**3M** has completed the sale of its Asia Pacific pharmaceutical business to private equity firms **Ironbridge Capital** and **Archer Capital** for US\$349m. 3M's pharmaceutical products include both OTC and ethical medicines and the business has operations across Asia Pacific, plus Australia and South Africa. (December 5, 2006)

**Genentech Inc**, one of the world's largest biotech companies, holds the option to buy a planned pharmaceutical plant in Singapore from **Lonza Group AG** for US\$290m, plus an additional US\$70m if the facility meets certain requirements. Lonza will build the facility, which is expected to receive FDA approval to produce cancer drug *Avastin* by 2010. Genentech has the exclusive right to acquire the facility between 2007 and 2012, and in the meantime plans to source *Avastin* and other drugs produced at the plant from Lonza. (November 8, 2006)

**Sankyo** will undertake an expansion project for its chemical logistics division and biomedical unit in Singapore. The project will include the construction of a US\$10m logistics annex to house clean rooms and cold storage facilities for life science products.

The annex will boost the size of the existing facility to twice its current size. (November 27, 2006)

**VWR International Inc**, a supplier to the research laboratory industry, announced the acquisition of **Sino Chemical Co (Pte) Ltd** of Singapore, an independent Singaporean scientific laboratory distributor. Sino Chemical has 37 employees and distributes laboratory chemicals, equipment and consumables in Singapore. Sino Chemical is one of Singapore's leading independent suppliers of laboratory chemicals, equipment, and consumables, representing many equipment and consumables manufacturers. (October 30, 2006)

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## THAILAND

**DKSH Group** will invest US\$31m in Thailand in 2007, principally to fund a new distribution centre for pharmaceutical and health-care products. DKSH expects its revenues in Thailand to increase 16% in 2007, to US\$2.5bn. (December 13, 2006)

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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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