

ASIAN HEALTH NEWSLETTER

Issue 51, June 2007

A quarterly newsletter of developments in the Asian healthcare markets

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INTRODUCTION

We hope that you find the Asian Health Newsletter informative. Cross border M&A activity in the Asian health sector has increased significantly since we began publishing the newsletter in 1997. Our MNC clients are finding attractive M&A opportunities increasingly easier to access, while Asian firms continue to gain confidence in undertaking acquisitions outside of their home markets.

BDA is an investment banking firm that advises on acquisition, divestitures, capital raising and joint ventures in Asia, the US, Europe and the Middle East. If you would like to learn more about how BDA is positioned to help your business grow through acquisitions, or to achieve maximum value in a divestment or fund raising exercise, please contact us at any one of our offices or email me at pdgiacomo@bdallc.com.

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China

Alliance Boots Plc and **Guangzhou Pharmaceutical Corp** (“**GP Corp**”), the third largest pharmaceutical wholesaler in China, will set up a 50/50 JV. GP Corp’s parent is **Guangzhou Pharmaceutical Company**, a majority state-owned pharma enterprise listed on the Hong Kong and Shanghai stock exchanges. Alliance Boots’ investment in GP Corp will be made through a UK subsidiary in which **Beijing Med-Pharm Corporation** (“**BMP**”), a US-listed pharma marketing and distribution company with existing operations in China, holds a 20% stake. The subsidiary will acquire a 50% interest in GP Corp for US\$25m. Alliance Boots and BMP will fund the subsidiary pro-rata to their shareholdings. (April 4, 2007)

Alpharma, a US-based drug developer, has acquired **Shenzhou Tongde Pharmaceutical Co** which makes zinc bacitracin, an antibiotic for livestock. Financial terms of the transaction were not disclosed. The company said it will continue to support Tongde’s customer base and also export the product to other markets. (April 19, 2007)

Beijing Med-Pharm Corp, a listed US-based pharma company, has agreed to acquire a 70% stake in **Shanghai Rongheng Pharmaceutical Co Ltd** (“**Rongheng**”), a Chinese pharma distribution firm. Rongheng reported 2006 revenues of US\$12m and distributes 400 pharmaceutical products to 250 hospitals in Shanghai. The acquisition is expected to close in Q2 2007. (March 19, 2007)

Beijing Med-Pharm Corporation has signed an LOI to acquire a minority stake of **Sunstone Pharmaceutical Co Ltd**, a manufacturer of OTC medicines, with operations in China. After the transaction, Beijing Med-Pharm will own nearly 49% of Sunstone China Ltd. (May 12, 2007)

Benda Pharmaceutical, a China-based company, has acquired majority ownership of **Shenzhen SiBiono GeneTech** for US\$7.7m. SiBiono makes *Gendicine*, the world's first cancer gene therapy to be approved and commercialized. (April 11, 2007)

Charles River Laboratories International signed a JV with **Shanghai BioExplorer Co Ltd**, a China-based provider of preclinical services, to establish **Charles River Laboratories Preclinical Services** in China. The JV will be majority owned and controlled by Charles River. The transaction, which is expected to close in Q2 2007, is subject to Chinese regulatory approval. (March 23, 2007)

China Aoxing Pharmaceutical, one of the first non-governmental enterprises to enter the analgesic industry in China, has signed an LOI to acquire **Shijiazhuang Le Ren Tang Pharmaceutical**, which specializes in the manufacture of modern versions of traditional Chinese medicines ("TCM"), including a strong portfolio of pain management products. China Aoxing expects to complete the acquisition in Q3 2007 at a purchase price of US\$10m. (April 25, 2007)

Lijun International Pharmaceutical (Holding) Co, one of the leading pharma manufacturers in China, will acquire **Shijiazhuang No. 4 Pharmaceutical Co**, a manufacturer and distributor of transfusional medicine and other drugs including western medicine and traditional Chinese herbs, at a price of not less than HK\$510m (US\$65m). (April 5, 2007)

Nutra Pharma, a biopharmaceutical company specializing in medicines for neurological disorders, cancer, autoimmune and infectious diseases, announced that its drug discovery division, **ReceptoPharm**, will establish a JV to

develop RPI-MN for the Chinese market with **Zhong Xin Dong Tai Co Ltd ("Nanogene Biotechnology")**. RPI-MN is ReceptoPharm's lead drug candidate being researched for the treatment of HIV/AIDS and other viral disorders. Nanogene will provide the drug raw materials while ReceptoPharm will modify the products and provide the proper study protocol. (April 17, 2007)

Oculus Innovative Science, a US-based biopharmaceutical company, entered into an exclusive distribution agreement with **China Bao Tai Investment Company, Sinopharm**, one of the major Chinese pharmaceutical groups, and **Lianhua Supermarkets**, a retail chain operator with retail outlets covering all of China, to distribute Microcyn-based *Wound Care Solution* in China. The five year agreement provides for minimum purchases of US\$12m. (April 26, 2007)

Parkway Holdings, the Singapore-based healthcare services provider, has acquired a majority stake in the **World Link Medical and Dental Centres** by buying 100% of another entity, **Medical Resources International ("MRI")**, for US\$42m. MRI owns 60% of the World Link Group. The World Link Group provides both primary care and inpatient specialist medical care, including pediatrics, obstetrics and gynecology, cardiology and dermatology. (May 4, 2007)

PharmEng International, a Toronto based company, established a JV with **Beijing BRD Lixin PharmaTech** to provide consulting and pharma development services in China. PharmEng will own 51% of the JV and will operate under the name **Beijing PharmEng BRD Lixin PharmaTech**. PharmEng will provide Lixin with consulting services in US cGMP standards, European GMP and other advice on North American regulatory and compliance requirements. Lixin, with its client base, will provide PharmEng's contract manufacturing division Keata Pharma with a resource base of manufacturers and distributors for the supply of APIs. (May 21, 2007)

Raffles Medical Group, which owns a chain of clinics in Singapore, plans to enter the Chinese market with the launch of two walk-in medical

centers in Beijing and Shanghai within a year. The two clinics will offer a range of specialist services and may each cost between S\$3m-S\$5m (US\$2m-US\$3.3m) to establish. The firm also plans to open a hospital in either Beijing or Shanghai. Raffles is also looking at expansion opportunities in Malaysia, India and the Middle East. (April 5, 2007)

Sihuan Pharmaceutical Holdings, a Chinese drug manufacturer of cardiovascular medications, said it plans to make at least three acquisitions this year, and expects stronger demand for its products thanks to China's graying population. Sihuan Pharmaceutical, which was listed on the Singapore stock exchange in March, is in talks with three private Chinese pharma companies to acquire them or enter into JVs. (May 14, 2007)

Sundia MediTech and **United PharmaTech** have signed a letter of intent agreeing to merge the two companies, becoming subsidiaries of **Sundia Investment Group**, a BVI-holding firm which owns Sundia. This is China's first CRO merger. Sundia's services include preparation of intermediates and novel templates, synthesis of novel building blocks, specially designed focused libraries, lead optimization and analytic chemistry, while United Pharmatech specializes in chemical synthesis of building blocks, pharma intermediates and APIs as well as pharmaceutical development of off-patent drugs. (June 6, 2007)

India

Albany Molecular Research Inc, a New York-based chemistry services company, has agreed to buy India-based companies **Ariane Orgachem Pvt Ltd** and **Ferico Laboratories Ltd** for US\$11m in cash from the **Runwal Group**. Albany will acquire pharmaceutical manufacturing sites in Aurangabad and Navi Mumbai. Ariane Orgachem and Ferico Laboratories manufacture APIs and bulk active ingredients for cardiovascular and asthma treatments. The acquired assets together generated revenues of US\$5m in 2006. (May 21, 2007)

Alembic, a pharma firm based in Vadodara, India, has acquired **Dabur Pharma's** non-core operations for US\$37m. Dabur divested its non-oncology formulation operations, mainly high growth life style segments like cardiovascular, diabetic and gastrointestinal, gynecology, with brands including *Cycloset* for the treatment of menorrhagia, *Revas* and *Atecard* for cardiovascular disorders, *Glisen* for diabetes and *Ulgel* antacid. The transaction provides Alembic full rights to market 24 of Dabur brands. (April 25, 2007)

Cadila Healthcare, an affiliate of the **Zydus Group** of India, has agreed to acquire the remaining 50% stake in its JV with **Ambalal Sarabhai Enterprises**. The JV, **Sarabhai Zydus Animal Health**, is one of the leading animal healthcare companies in India with 2006 revenues of Rup889m (US\$22m). (May 15, 2007)

Fortis Healthcare, a **Ranbaxy** group company, has entered into a JV with real estate giant **DLF** to set up hospitals across the country through an investment of Rup6.2bn (US\$1.5bn). Fortis will have a majority holding with a 74% stake and the rest will be held by DLF. The JV plans to set up a chain of 200-450 bed hospitals in 31 cities in India within three to five years. (June 1, 2007)

Nicholas Piramal is planning to invest US\$50m in the next two years to add additional capacity for its contract manufacturing business. It plans to upgrade its Indian and UK custom manufacturing facilities for formulations, and to create higher-end capabilities, notably for sterile clinical manufacturing. (March 14, 2007)

Opto Circuits Ltd, a Bangalore-based producer of drug-eluting stents for coronary applications, probes and patient monitoring systems, has agreed to acquire two medical equipment firms, **Devon Innovations Pvt Ltd** and **Ormed Medical Technology Ltd**. Both are Indian manufacturers of catheters and dilator sets used in urology. (April 26, 2007)

Ranbaxy Laboratories has acquired a 14.9% stake in its Indian counterpart, **Jupiter**

Biosciences. The Indian pharma major has also signed up a 10-year purchase agreement enabling Ranbaxy to market Jupiter's products in regulated markets. The marketing agreement will incorporate both exclusive and non-exclusive pacts, enabling Ranbaxy to exclusively sell generic formulations closer to patent expiry. The agreement gives Jupiter Biosciences opportunities that will fast-track its products in key markets. (April 12, 2007)

Ranbaxy Laboratories has completed the acquisition of **Be-Tabs Pharmaceuticals** of South Africa for Rand500m (US\$70m). Ranbaxy intends to upgrade the facilities of Be-Tabs to international standards. Be-Tabs is the largest manufacturer of penicillin formulations in South Africa. (May 9, 2007)

Ranbaxy Laboratories has acquired the US rights to a group of 13 dermatology products from **Bristol-Myers Squibb**, all of them at least 10 years old. The products are utilized in the treatment of acne, dermatitis, psoriasis, fungal infections and scabies. Terms were not disclosed. Ranbaxy says it plans to use the brands as a platform for building a bigger U.S. dermatology business. (May 30, 2007)

Strides Arcolab, an Indian pharmaceutical company, has acquired Chennai-based **Grandix Pharmaceuticals** for Rup1bn (US\$24m). Grandix had revenues of Rup500m (US\$12m) in FY2006 and a product portfolio covering cardiovascular, nutraceutical, vitamins and diabetes therapeutic areas. In December 2006, Grandix's manufacturing facility was acquired by Iceland's **Actavis**, prompting Indian generic firms to seek a buyout of Grandix's product portfolio. (May 10, 2007)

Strides Arcolab agreed with **Diaspa**, an Italian-based drug firm, to acquire 100% of Diaspa's fermentation assets near Milan for more than US\$5m. The acquisition will provide Strides with immediate access to a USFDA and EU approved facility in the fermentation API business. Strides also expects synergy from current customer base, product capability, and management quality of Diaspa. (May 29, 2007)

Sun Pharmaceutical Industries, an Indian generics company, will acquire **Taro Pharmaceutical Industries**, an Israeli generics manufacturer with subsidiaries in the US, Israel, and Canada for US\$454m. The all-cash deal is subject to Taro shareholder approval and requisite regulatory clearances. The deal values Taro's equity at US\$230m, or \$7.75 per share, which represents a 27% premium above Taro's May 18, 2007 closing price of \$6.10. Taro has a strong franchise in dermatology and topical products, in addition to products in cardiovascular, neuropsychiatric and anti-inflammatory therapeutic categories. (May 22, 2007)

Wockhardt, an Indian pharma company, has acquired **Negma Laboratories**, a French pharma company, from **Ifrac Finance** of France for a sum of €195m (US\$263m) at an EBITDA multiple of 9.7x. Negma is Wockhardt's fifth European purchase. Negma, with sales of €110m (US\$161m) in 2006, specialises in the development of products to treat high blood pressure, arthritis and vein problems and has a portfolio of 172 patents. (May 3, 2007)

Japan

Amgen, a listed California-based biopharmaceutical firm with 2006 sales of US\$14.3bn, is in search for strategic partners in Japan. The firm could consider capital investment and is keen to access sales capability from a potential partner to sell products in Japan. No specific target has been disclosed. (May 7, 2007)

Daiichi Sankyo Co will sell two unlisted drug making subsidiaries, **Saitama Daiichi Pharmaceutical** and **Daiichi Fine Chemical**, for up to ¥8bn (US\$66m) to focus its resources on developing and marketing new medicines. Saitama Daiichi Pharmaceutical, a producer of OTC and prescription drugs, will be sold to **Nipro Corp**, a producer of injection solutions and oral drugs. **Kyowa Hakko Kogyo Co**, a Japanese

biochemical company, will buy Daiichi Fine Chemical, a producer of vitamin supplements and chemical compounds. (April 23, 2007)

Dr Reddy's Laboratories, an Indian drug-maker, announced it will increase the supply of its APIs to players in the generics space in Japan. **Dr Reddy's** is targeting sales of US\$15m for its API business by 2010, and is also holding talks with three Japanese drug-makers, **Sawai Pharmaceutical**, **Towa Pharmaceutical** and **Nichi-Iko Pharmaceutical**, over a potential alliance. Dr. Reddy's API sales currently make up 35% of total revenues. (April 26, 2007)

Eisai, a Japanese pharma company, acquired **Morphotek**, a US-based therapeutic monoclonal antibody developer. The transaction value was US\$325m. Morphotek currently has several products under pre-clinical and clinical trials. (April 30, 2007)

Kobayashi Kako plans to expand its generics business in five Asian markets, including Korea and Vietnam. Kobayashi, which already distributes its products in Taiwan through a local partner, will set up similar arrangements in other Asian markets. The company's plans were drawn up in order to meet Asia's enormous need for generics, and injectibles in particular, and to offset the increasingly competitive domestic market. Kobayashi Kako forecasts that its sales in Asia will reach ¥500m (US\$4m), and expansion into further Asian countries is a possibility if its initial push proves successful. (April 11, 2007)

Mitsubishi Kagaku Iatron Inc ("Iatron"), a diagnostic reagents unit of **Mitsubishi Chemical Holdings Corp**, plans to acquire the in vitro diagnostics manufacturing business of **Aska Pharmaceutical Co**. From April, Iatron will produce in vitro diagnostics for the *LPIA*, a fully automated blood specimen processing device that Iatron sells. The acquisition will give Iatron a start-to-finish structure for this field, covering production through sales. Until now, the products have been made by Aska and sold by Iatron. Aska is exiting the in vitro diagnostics business to allow Aska to

focus resources on its core pharma business. (March 15, 2007)

Sanofi-Aventis, the world's third-largest drugmaker, is looking for acquisition opportunities in Japan. During a conference call with investors after the French company reported first-quarter earnings, **Sanofi-Aventis** announced its interest in acquiring a mid-sized Japanese target. (May 3, 2007)

Wyeth announced the purchase of the remaining 20% equity stake in **Wyeth KK**, a JV with Japanese pharma firm, **Takeda**. Wyeth called the development a part of the overall transformation of their operations in Japan. The company has already lined up six products to be introduced to the Japanese market. The acquisition of the last 20% of Wyeth KK does not undermine the existing alliance with Takeda, which co-promotes Wyeth's anti-rheumatoid arthritis drug in Japan. (April 4, 2007)

Zydus Group of India has announced that it will acquire **Nippon Universal Pharmaceutical Co**, a Japanese generic manufacturer. The Zydus Group plans to use Nippon Universal's sales network to promote and sell its products in Japan. The Zydus Group is the fifth largest pharma company in India with sales of US\$414m and 6,000 employees in 40 countries. Nippon Universal had sales of ¥154m (US\$1.3m) in 2006. (April 30, 2007)

Korea

BioCore, a Korean clinical research organization ("CRO"), announced that it is interested in divesting a stake to a strategic investor. BioCore provides specialized lab services from pre-clinical up to Phase II trials and has strong sales networks with a 40% market share in the Korean CRO market. **Convance**, **MDS Pharma** and **PRA International** were mentioned as potential buyers. (May 15, 2007)

Dong-A Pharmaceutical, Korea's leading drug maker, is the target of a takeover attempt by its former chief, Kang Moon-seok, who was ousted by his father in 2004. Kang owns 14.7% of the US\$840m company together with allies and claims support from about one third of the shareholder base. Separately, foreign drug makers are also joining forces with private equity funds to prepare a hostile bid for Dong-A, attracted by its fragmented ownership structure and growth potential in Korea's US\$10bn drug market. Dong-A also faces a potential takeover threat from smaller domestic rival **Hanmi Pharm Co Ltd**, which bought a 6% stake in January 2007. (March 15, 2007)

Grunenthal, a German pharmaceutical company, has acquired pain relief technology from **Digital Biotech**, a Korean new drugs developer, for US\$12m. The new technology is a morphine substitute that is non-addictive. Grunenthal, which specializes in pain relief, will pay Digital Biotech additional royalties if the latest technology transfer leads to a marketable drug. (April 13, 2007)

Mi Gwang Contact Lens, a Korea-based and KOSDAQ listed contact lens maker has acquired 100% of **Clearlab International**, a Singaporean contact lens maker, from **1-800contacts** of the US. The total consideration consisted of US\$9m in cash and US\$6.5m in newly issued shares of Mi Gwang. Mi Gwang expects synergy from broadening its regional presence and product lineups. (May 9, 2007)

Schnell Korea, a Korean antibiotic manufacturer, announced the acquisition of a 52% stake in **Biz Biotech**, a biomedical venture company. **Schnell** is planning to focus on the development of anticancer drugs from the newly acquired company. The transaction is valued at US\$2.2m. (March 26, 2007)

Malaysia

KPJ Healthcare Bhd is selling five of its hospitals to the **Al-'Aqar Real Estate Investment Trust**

(REIT) for RM170m (US\$50m) to reduce its debt. The purchase price will be satisfied through a combination of RM86m (US\$25m) in cash and the issuance of 88.7 million new units in Al-'Aqar REIT at an issue price of RM0.95 (US\$0.28) per unit. KPJ Group said it will realize a capital gain of RM10.5m (US\$3m) from the sale of the properties. The group intends to hold the units in the Al-'Aqar REIT as a long-term investment. (May 21, 2007)

Singapore

Bumrungrad International Limited ("BIL"), a subsidiary of **Bumrungrad Hospital Public Company Limited**, the listed Thai provider of hospital and other healthcare services, has agreed to acquire **Asian Renal Care Ltd**, the Singapore-based provider of medical equipments and services. BIL will gain an entry into the dialysis clinic market in Asia and enhanced access to the Middle East healthcare market by providing various healthcare outsourcing services including renal dialysis services. The transaction is expected to close by H2 2007 with a cash consideration of US\$70m. (April 5, 2007)

Essilor International SA, the listed French manufacturer of ophthalmic optical products, has agreed to acquire a 51% stake in **Integrated Lens Technology ("ILT")**, a Singapore-based manufacturer and supplier of ophthalmic solutions and services, for an undisclosed consideration. The acquisition will broaden Essilor's network of wholesale distributors. ILT had annual revenues of €13m (US\$17m) with 110 employees in 2006. (May 3, 2007)

West Pharmaceutical Services Inc, a US-based company that makes parts for syringes, is investing US\$30m in the expansion of its plant in Singapore to meet the growing demand in Asia. The expansion which will be completed in 2010 will raise its production in Singapore by 30%. The plant currently supplies drug firms such as India's **Ranbaxy Laboratories** and US hospital products firm **Hospira Inc**. (May 22, 2007)

Taiwan

ScinoPharm, the largest Taiwanese API manufacturer, is considering exit options including a sale or an IPO. Currently, **Watson**, a US-based generics company, has an option to purchase a

44% stake in ScinoPharm by October 2007, but has not confirmed their interest in a potential acquisition. ScinoPharm had US\$45m of revenue in 2006 and is targeting US\$62m in 2007. In addition to APIs, the company also provides contract research and manufacturing which generates 25% of total revenue. (May 1, 2007)

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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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