

# ASIAN HEALTH NEWSLETTER

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A bimonthly newsletter of developments in the healthcare markets

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## AUSTRALIA

**Uni-Ject Australia Pty Ltd**, a cash-strapped developer of a retractable disposable syringe, could cease operations unless a buyer for the company is found, according to its voluntary administrator, Michael Humphris. Uni-Ject invented the retractable disposable syringe which prevents needle stick injuries and reduces the need for dangerous and expensive sharp containers. More than five million syringes are manufactured each year and exported to ten countries including the US, the Netherlands, Japan and China. Humphris revealed that the company needed to be producing 20 times that number to be able to guarantee supply of the necessary volumes for large overseas customers. (September 12, 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

**Bausch & Lomb (B&L)**, a global eye-care specialist, is rapidly consolidating its Asian information technology (IT) resources under one platform based in Hong Kong. The move is part of a wider initiative by the company to trim overall IT expenses worldwide and generate annual cost savings of approximately US\$30m by 2005. Asia has emerged recently as B&L's fastest-growing regional operation, with increasing sales in the PRC and India for its eye care products. (August 27, 2002)

**Boehringer Ingelheim (BI)** of Germany has built a US\$41m production facility in Shanghai Pudong Zhangjiang High-tech Park, together with **Shanghai**

**Sine Pharmaceutical.** The facility, which is 98% owned by BI, is expected to produce 150 million tablets, 6.2 million bottles of sprays, 10 million units of oral solutions, and 11.7 million vials of single dose injection fluids. BI is one of the top 20 global pharmaceutical companies strong in the fields of cardiovascular, respiratory, central nervous system, and gastrointestinal drugs. Since entering the China market, BI has marketed its respiratory, anti-arthritis, anti-hypertension drugs and health supplements for children, achieving rapid growth in its business. (August 8, 2002)

**Boots Company PLC**, the chemist's chain based in the UK, is planning to expand in Asia through a partnership with **AS Watson**, the Hong Kong-based pharmacy and retail chain owned by **Hutchison Whampoa**, despite growing competition between the pair in the UK. AS Watson revealed that the two companies are in discussions to extend an existing agreement under which a range of Boots' products are sold in AS Watson stores in Taiwan, to include Hong Kong and Thailand. The move comes only days after Hutchison agreed to pay US\$1.3bn for Netherlands-based health and beauty chain group **Kruidvat**, owner of the **Superdrug** pharmacy chain in the UK, one of Boots' largest rivals. That deal will make Hutchison the second-largest pharmacy chain in the UK after Boots, with 1,000 outlets including its own **Savers** chain. It will also become the world's third-largest pharmacy chain by outlets. (August 26, 2002)

**China WorldBest Group Co Ltd**, one of China's largest state-owned conglomerates, has paid RMB1.1bn (US\$132.9m) for a controlling 40% stake in **Shanghai Pharmaceutical Group Corp (SPG)** in the largest restructuring exercise in the domestic pharmaceuticals industry to date. Under the deal, **Shanghai Huayi (Group) Co** and the **Shanghai Industrial Investment Group**, which were previously the 50:50 shareholders of SPG, will sell 20% of their stakes each to China WorldBest. The three shareholders will also inject another RMB160m (US\$19.3m) into SPG. SPG is one of China's largest pharmaceuticals group with revenues of RMB13.6bn (US\$1.6bn) in 2001, which represents approximately 8% of the nation's total sales. The China Daily newspaper reported that the acquisition comes several months after China WorldBest failed in its bid to buy a major stake in another major local drug manufacturer, **Harbin Pharmaceutical Group Corp.** (August 23, 2002)

**CIGNA Corporation** of the US has been given permission by the **China Insurance Regulatory Commission** to establish a JV life insurance company in China. CIGNA Corporation is the first foreign insurance company that has been allowed to do this since China's entry into the World Trade Organization. It has chosen a company affiliated with the **China Merchants Group** as its partner. The JV will be located in Shenzhen. (September 30, 2002)

**Ciphergen Biosys Co** of the US has opened a branch in Beijing to market and sell its ProteinChip systems to some large Chinese hospitals, universities, and government institutions. According to an agreement signed between Ciphergen Biosys and the **University Combined Proteomics Institute (UCPI)** of China, Ciphergen Biosys will be a preferred technical support provider to UCPI. (August 8, 2002)

**ehealthcareasia Ltd (EHA)**, a 53.75%-owned unit of **Quality HealthCare Asia Ltd (QHA)**, will sell five billion new EHA shares to **Wealth Generator Ltd** for an estimated HK\$59m (US\$7.6m). Upon completion, Wealth Generator will hold 91.9% of the enlarged share capital of EHA. The interest of QHA in EHA will be diluted to 4.4% from 53.8%, and EHA will cease to be a unit of QHA. Wealth Generator has also proposed to make an unconditional cash offer of HK\$19m (US\$2.4m) to acquire all the shares of EHA. (September 25, 2002)

US-based conglomerate **General Electric (GE)** and Wuhan-based **Central China University of Science and Technology** will set up an imaging application and research center for positron emission computed tomography and to assemble medical cyclotrons. Under the agreement, both parties will co-produce medical cyclotrons called MINitrace. The university will provide the assembly site, workers and technicians for the project, while GE will provide special tools, testing equipment and parts, as well as US\$3 million in funding. Until now, all the positron emission computed tomography systems operating in China are foreign products. (September 23, 2002)

**Lvye Medicines Chain Co** and **Honghua Chain Co**, the two largest drug retail chain companies in Gansu Province, northwest China, have merged into one company, **Lvye Medicines Chain Co.** The

new Lyve company controls 25 drug outlets and deals with a total of 3,000 drug categories. Established in 1997, the former Lyve Medicines Chain Co was the only company in Gansu Province permitted to manage cross-provincial chains. (August 22, 2002)

**OPSM Group**, an Australian-based optical retailer, will acquire Hong Kong's leading chain of optical retail stores, **The Optical Centre**. The Optical Centre's 50 retail stores, which generated revenues of approximately US\$38.1m in the year to 30 June 2002, will be added to OPSM Group's existing 31 stores to make OPSM Group the largest optical retailer in Hong Kong. In a separate transaction, it will also acquire the business and assets of **Ian Elcock Optometry and Precision Eyewear**, the second largest optical retail chain in Queensland, Australia. OPSM Group's chief executive, Jonathan Pinshaw, said the company was delivering on its strategy of selectively acquiring complementary businesses in Asia while continuing to strengthen and grow its operations in Australia. (September 19, 2002)

**Shanghai Natural Beauty Cosmetics Co Ltd (SNBC)** and **Chong Ming Sanlian Investment Development Co** will buy shares in 18 of SNBC's 25 cosmetic subsidiaries in the mainland from their minority shareholders. At present, SNBC owns between 51% to 75% stake in these subsidiaries. After the transaction, SNBC and Chong Ming will each hold 90% and 10% respectively in all of these subsidiaries. **Natural Beauty Bio-Technology Ltd**, listed in Hong Kong, owns 90% of SNBC, and Chong Ming owns the remaining. SNBC is negotiating with the remaining seven subsidiaries to acquire stakes from their minority shareholders under similar terms. (September 19, 2002)

The development of biotechnology industry in China will accelerate from 2002 to 2005. Sales of biotech products totalled US\$2.4bn in 2000. This figure is expected to reach US\$30bn by 2005. In 1999, the Chinese government decided to develop biotechnology and biopharmaceutical industry as a key industry. Since then, the biopharmaceutical industry has grown at an average rate of 12% each year, and is expected to grow at 20% in the coming

years. About half of the 150 listed pharmaceutical companies are biotech pharmaceutical companies or involved in biotech drug production. China will first concentrate on the development of safety evaluation of gene-engineering drugs, gene sequencing, functional gene research, bioinformatics, and the industrialization of biotech products. (September 6, 2002)

Construction of Hualida Biotech Park, a biotechnology pharmaceutical park, has commenced in the Tianjin Development Zone in north China. The park will develop and manufacture interferon, with investments from **Sicor Incorporated** of the US and a local pharmaceutical company. The project will cost RMB250m (US\$30m) and is expected to begin operation in October 2003. (September 16, 2002)

The **drug distribution** sector in Guangzhou, as well as the three special economic zones in the Guangdong province - Shenzhen, Zhuhai and Shantou, will be partly opened to foreign investors on a trial basis. Drug wholesaling companies with strong capital base and management are encouraged to build regional drug distribution centers in these cities. (September 6, 2002)

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## INDIA

**B Braun Medical (India) Pvt Ltd**, a subsidiary of the German healthcare company, has formed an alliance with **USV Ltd** of India to market B Braun's blood glucose monitoring system in the country. Some of the other companies in this sector in India include **Johnson & Johnson** and **Nicholas Piramal**. (September 19, 2002)

**Bayer India**, a subsidiary of **Bayer AG**, has turned its focus to the OTC pharmaceutical segment and is aggressively looking at acquisitions in India. It is open to the acquisition of both brands and manufacturing facilities in the OTC segment, revealed D. Kambeck, chairman and managing director of the Bayer Group. (September 17, 2002)

**Jubilant Organsys Ltd (JOL)**, India's largest specialty chemicals company, will acquire **Max India's** active pharmaceutical ingredients (API) business for Rs690m (US\$14.2m). The acquisition is subject to due diligence and requisite approvals, which are expected to complete by November 2002. Max India's API business mainly produces bulk drugs that go into the manufacture of formulations for the central nervous system. (September 6, 2002)

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## INDONESIA

The Indonesian Government hopes to divest the majority stake of state-owned pharmaceutical company **PT Indo Farma** through strategic sales before the end of 2002. Ferdinand Nainggolan, a deputy of the state minister for state enterprises, said that the Government is offering up to 70% of the shares of the company to attract buyers. Nainggolan said most investors are interested only in acquiring a majority stake to ensure control of the company they buy. He added that a number of prospective buyers have indicated interest in acquiring Indo Farma but the names could not be made public yet. (August 26, 2002)

The **Unilab Group** of the Philippines wants to acquire the majority shares of the dispensary division of the state-owned pharmaceutical company **PT Kimia Farma**. A company source told the newspaper *Bisnis Indonesia* that Unilab will bid for the shares after the division is separated from Kimia Farma and becomes an independent company. The source said two other foreign investors have shown strong interest in this dispensary division. Kimia Farma has the largest number of dispensaries in Indonesia but plans to spin off its dispensary and wholesale divisions to concentrate only on its manufacturing operations. The divestiture is expected to take place end 2002 or early 2003 after securing an approval from its shareholders. (September 9, 2002)

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## JAPAN

**Chugai Pharmaceutical Co** will issue new shares worth up to ¥144.5bn (US\$1.2bn) for allotment to **Nippon Roche KK**, a Japanese unit of Swiss healthcare group **Roche Holding Ltd**. The exact amount of the new share issuance will be decided after **Roche Pharmholding BV**, Roche Holding's wholly owned subsidiary in the Netherlands, completes its tender offer for 30 million Chugai shares totalling an estimated ¥84bn (US\$682.0m) on September 19, 2002. The move is part of the preparations for the planned merger between Chugai and Nippon Roche KK. Roche Holding plans to eventually acquire a 50.1% ownership in Chugai. (September 11, 2002)

**Daiichi Pharmaceutical Co** and beverage maker **Suntory Ltd**, both of Japan, will form a joint pharmaceutical company at the end of December 2002. Suntory will spin off its drug business, which will thereafter be held 66% by Daiichi and 34% by Suntory. Daiichi will expand the product lineup and reinforce the R&D capacity of the new company, and may make it a wholly owned subsidiary in the future, sources close to the deal said. Suntory will acquire a 1% stake in Daiichi to strengthen their relationship on the occasion of the latest agreement. (August 5, 2002)

**Fresenius Medical Care AG** of Germany has begun a management support service targeting dialysis clinics in Japan. Fresenius is one of several companies from a wide range of sectors in Japan that are launching or expanding services to help manage hospitals and clinics, aiming to grab a slice of the ¥1.5tn (US\$12.2bn) hospital-related service market. The moves came in response to a growing need at hospitals to cut costs and improve services, primarily through outsourcing. (September 9, 2002)

**Fujisawa** of Japan will split up its pharmaceuticals, chemicals and drugs businesses by forming wholly-owned subsidiaries and implementing a company-wide voluntary retirement plan involving 200 employees. This move is part of the company's new business plan through to fiscal 2005. Fujisawa plans to focus on ethical pharmaceuticals, improve R&D productivity and expand its operations into overseas markets. The company said the new

measures would be put in place after shareholders and the labor union have given their approval. (September 4, 2002)

**Getz Bros & Co Inc** of the US will sell its Japanese subsidiary, **Getz Bros Co Ltd**, to Minnesota-based **St Jude Medical Inc**. This will take place after Getz Bros & Co acquires the outstanding shares of the Japanese unit to facilitate its delisting from the JASDAQ market before the end of 2002. Getz Bros Co Ltd is a marketing, distribution and services company providing a wide range of medical supplies and equipment in Japan. (September 18, 2002)

**Kao Corp** of Japan will acquire US-based **John Frieda Professional Hair Care Inc** through its subsidiary, **Andrew Jergens Co**, for US\$450m. John Frieda salons are not part of the acquisition. The acquisition of John Frieda's brands of hair products marks Kao's entry into the mass hair care market in North America. (August 19, 2002)

**Kao Corp** of Japan has reorganized its production and development systems in Asia. In April 2002, the company closed its factory near Kuala Lumpur for finished products such as shampoos and rinses. The production lines from the closed factory were moved to Indonesia. It began developing Thailand and Indonesia as the production bases for its household goods to serve the entire Southeast Asia region. Kao has also made Malaysia the center of its global export base for plant alcohol, where its subsidiary has a 165,000tpa capacity. Kao has also recently ended the manufacture of surfactants for pigments, shampoos and rinses at its Taiwan base because its Taiwanese customers are moving their operations to China. In addition, Kao will locate a research facility near Shanghai to develop products for the Chinese market. (September 17, 2002)

**Kurabo Industries Ltd** of Japan has established a partnership with **Agilent Technologies Inc** of the US in the area of gene function analysis. Using DNA microarrays developed by Agilent, Kurabo will analyze genes and record the results in standard spreadsheet software. The glass DNA microarrays

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will be supplied to Kurabo from Agilent's affiliate, **Yokogawa Analytical Systems Inc** in Tokyo. In 1999, Kurabo tied up with **Incyte Genomics Inc** to start a similar service in Japan, but Incyte has since exited the gene analysis business, prompting the service to be shut down in March 2002. (September 10, 2002)

**Otsuka Pharmaceutical Co** of Japan has sold its entire stake in a wholly owned clinical testing unit, **Otsuka Tokyo Assay Laboratories**, to **BML Inc** for ¥5.1bn (US\$41.5m). BML is a listed clinical testing service company in Japan. Under the agreement, Otsuka has also agreed to acquire one million new shares to be issued by BML. (September 2, 2002)

**Snow Brand Products Co** has ended a tie-up with **Nestle Japan Holding Ltd** for its child-care products and will instead seek an alliance with **Otsuka Pharmaceutical Co**, sources familiar with the plan revealed. Under the agreement, Snow Brand will set up a wholly-owned subsidiary and divest its child-care products division to this subsidiary by October 1, 2002. Snow Brand would then sell 20% of the new company to Otsuka. (August 12, 2002)

**Taisho Pharmaceutical Co**, a leading manufacturer of OTC drugs, will acquire a controlling stake of 21.8% in **Toyama Chemical Co**, a midsize pharmaceutical maker. They have also agreed to establish a joint sales company, **Taisho Toyama Pharmaceutical Co**, which will be 55% owned by Taisho and 45% by Toyama. The alliance is aimed at reinforcing the two companies' marketing capacity and maximizing the efficiency of R&D investment. (September 9, 2002)

**Vascutek Ltd**, a subsidiary of **Centerpulse** of the US, has taken the number one position for the supply of polyester woven and knitted vascular grafts in the Japanese market, which totals in excess of 23,000 units per annum according to market data published by Japan's Yano Research Institute. Unit sales of Vascutek are 26% ahead of **Boston Scientific/Meadox**, which has been relegated to second place, and 30% ahead of the third place provider, **InterVascular**. **Japan Lifeline** is the exclusive distributor for Vascutek in Japan, which is Vascutek's largest single market worldwide.

Centerpulse develops, produces and distributes medical technology implants and biological materials for orthopedic and cardiovascular markets worldwide. (September 19, 2002)

**Yamanouchi Pharmaceutical** of Japan will open a drug research laboratory at its plant in Oklahoma, US to accelerate the development of drug-making technology. The new centre, scheduled to commence operations by 2003, is expected to strengthen the firm's patent strategy and hasten acquisition of patents on drug development technologies. Among the technologies Yamanouchi aims to develop are pills that readily dissolve in the mouth without water, technology for the digestive tract, and technology for time-release drug ingredients. (September 13, 2002)

**Japanese pharmaceutical makers** are poised to spin off their manufacturing operations to take advantage of the revised pharmaceutical affairs law that allows the outsourcing of production. These firms aim to reduce production costs through outsourcing in order to increase investments in R&D. The revised law, which passed Japan's parliament in July 2002, will free drug makers from the current obligation to own in-house manufacturing facilities as early as fiscal 2005. With an eye toward the forthcoming deregulation, **Mitsubishi Pharmaceutical Corp** will spin off its three domestic plants into separate units. Likewise, **Tanabe Seiyaku Co** and **Shionogi & Co** will consolidate their manufacturing operations for possible spin-offs, according to officials of the companies. Industry leader **Takeda Chemical Industries Ltd** will lift its outsourcing rate from the current 30% to 70% by fiscal 2005 and close its plant in Fujisawa, Kanagawa Prefecture. (August 14, 2002)

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## KOREA

**Medison Co**, a leading Korean manufacturer of ultrasound diagnostic scanners which filed for court receivership in March 2002, announced that it will halt its search for strategic investors and pursue an independent "stand-alone" strategy instead. **Siemens** and other foreign companies had earlier

said they were interested in acquiring Medison. Medison has completed reviewing the merger proposals and concluded that conditions of the proposals turned out to be less favorable than previously expected. However, the company has not ruled out a merger altogether, and is willing to open new talks if the offers create the best possible value to its investors. (August 9, 2002)

**Sankyo Co** of Japan has licensed exclusive marketing rights in South Korea for its CS-866 antihypertension drug to **Daewoong Pharmaceutical Co**. To date, Sankyo has sold drugs in South Korea through pharmaceutical wholesalers. This is the first time that it has formed a sales partnership with a leading local drug company. (September 17, 2002)

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## MALAYSIA

**Pharmaniaga** of Malaysia targets to complete its 1-for-1 bonus issue and transfer to the main board of the Kuala Lumpur Stock Exchange by November 2002. It also hopes to complete the acquisition of **Safire Pharmaceuticals (M) Sdn Bhd** for RM20m (US\$5.3m) by 1Q 2003. In addition, the company plans to expand in ASEAN by setting up marketing offices in Vietnam, Myanmar, the Philippines and Hong Kong. In the longer term, the company plans to set up plants to produce pharmaceutical and medical products in those countries. Pharmaniaga holds 35% share in the general pharmaceutical and medical market in Malaysia. (September 6, 2002)

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## TAIWAN

The total value of investments in **Taiwan's biotechnology sector** for 2002 is expected to reach NT\$20bn (US\$575.2m), a Ministry of Economic Affairs (MOEA) official said. According to MOEA statistics, domestic and foreign companies had invested a total of NT\$15.1bn (US\$435.1m) in medical-related biotechnology R&D projects as of

the end of August 2002. Major investment projects in August included state-run **Taiwan Sugar Corporation's** NT\$1bn (US\$28.8m) program to set up a biotechnology facility. (September 17, 2002)

submission is approved, ACE will become the fourth foreign insurer in the country, following **Prudential, AIA** and **Manulife**. ACE plans to expand upon the range of life insurance products currently available in the Vietnamese market and also seeks to serve Vietnam's rural population by developing and marketing products tailored to their particular needs and demographics. (September 2, 2002)

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## VIETNAM

**ACE INA International Holdings Ltd**, one of the world's largest providers of insurance, reinsurance and financial services based in the US, has applied for an insurance business license in Vietnam after more than six years' presence in the country. If the

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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. 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.

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