

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

American Pharmaceutical Partners ("APP") announced the establishment of its China holding company based in Beijing to take control over all of its operations in China. The US company also declared at the same time that an investment of US\$50m would be made in the coming few years to promote over 4,000 types of household and personal care products in the Chinese market. (August 23, 2005)

AstraZeneca Pharmaceutical Co Ltd announced that it would invest an additional US\$35m to expand the production capacity at its Wuxi facility. AstraZeneca has invested US\$134m in Wuxi, Jiangsu province. In the first half of 2005, AstraZeneca increased its sales by 12% to US\$11.9bn. In the same period, AstraZeneca saw its Chinese revenues increase 38% to RMB1.1bn (US\$136m). (September 2, 2005)

Bausch & Lomb, the global eye care company, has entered into a definitive agreement to acquire a 55% controlling interest in the **Shandong Chia Tai Freda Pharmaceutical Group**, the leading ophthalmic pharmaceutical company in China, from **Sino Biopharmaceutical Ltd**. The purchase price of US\$200m in cash represents the equivalent of 18.6 times 2004 net earnings. The acquisition will accelerate Bausch & Lomb's expansion into the rapidly growing ophthalmic pharmaceuticals market in China. (July 5, 2005)

Beijing Med-Pharm Corp has signed a non-binding letter of intent to acquire a majority interest in **Shanghai Rongheng Pharmaceutical Co**.

The latter company is a drug distributor with operations in Shanghai. (September 12, 2005)

China National Biotech Corp ("CNBC"), the nation's largest bioengineering corporation, is planning to merge with **China National Medical Equipment & Supplies I & E Corporation ("CNMC")**. The merger of the two state-owned companies is expected to be completed by 2008. CNMC will put all of its assets and business into CNBC. CNBC had RMB2.6 billion (US\$321m) in revenues and over RMB200m (US\$24.7m) in net profit in 2004, despite the increasing competition from global rivals in the Chinese market. (August 26, 2005)

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HGB") is in talks with target pharmaceutical enterprises about possible acquisitions. HGB hopes to acquire two or three small-sized pharmaceutical companies within this year, with an estimated total investment of RMB100m (US\$12m). Acquisitions will target mainly those companies engaged in granule, tablet medicines, and marine-derived pharmaceutical production. It is estimated that the acquisitions could increase HGB's production by 30%. (July 5, 2005)

Itochu Corp and **Alfresa Holdings Corp** will begin pharmaceutical wholesale operations in China with **Sanjiu Enterprise Group**, becoming the first foreign companies to enter this business in China. Itochu, a major trading house, and Alfresa, a Japanese drug wholesaler, will each buy a 15% stake in the Guangdong-based wholesale unit of **Sankyu Pharmaceutical Co**, the Japanese arm of Sanjiu Enterprise Group, China's largest drug maker. Itochu Group has a 23% stake in Sankyu. Sankyu set up the wholesale unit in Guangdong in May after receiving the Chinese government's approval to import, export and market pharmaceutical products. Alfresa will purchase prescription and consumer drugs in Japan, while Itochu will be responsible for shipments to China and local delivery. Sankyu's subsidiary will sell the products to hospitals and drug stores through Sanjiu's sales network. (July 28, 2005)

Solvay, the Belgian chemicals and pharmaceuticals group, announced that it is setting up a new technical centre in Shanghai. The new entity, **Solvay High Performance Materials R&D (Shanghai) Co Ltd**, is scheduled to be operational from Q1 2006. In 2004 Solvay consolidated revenues reached US\$9.7bn generated by its three segments: chemicals, plastics and pharmaceuticals. (September 14, 2005)

INDIA

ASSAM Company Ltd, which is divesting its tea, oil and natural gas business, is planning to enter the pharmaceuticals and biotech sector. The company is planning to enter into bulk drug supply agreements with pharmaceutical companies. The expansion could cost the company as much as Rup9bn (US\$205m), which would be funded through a mixture of internal cash and new fundraising. (August 12, 2005)

Bilcare Ltd, the Pune-based pharmaceutical packaging research company, has acquired US-based research and clinical service provider **ProClinical Inc** for an undisclosed sum. (July 18, 2005)

Biocon, India's leading biotechnology firm, has entered into an agreement with **Nobex Corporation** of the US. The two firms will collaborate on the development of an oral treatment for cardiovascular disease. Biocon and Nobex are reportedly hoping to submit an Investigational New Drug Application with the US FDA in 2007. (September 12, 2005)

Cadila Healthcare Ltd told the stock exchange that its board had approved investing up to US\$10m in a European biotech firm. A spokesman for Cadila said the company was still conducting due diligence on the European company and could not reveal its name yet. (August 29, 2005)

Dade Behring Holdings Inc, the world's largest company solely dedicated to clinical diagnostics, announced that it has reached an agreement in principle to acquire certain medical diagnostic assets from **Ranbaxy Laboratories**, India's largest pharmaceutical company, for an undisclosed amount. Dade Behring's and Ranbaxy's current partnership allows Ranbaxy's India-based customers to purchase Dade Behring's portfolio of products and services. (September 2, 2005)

Dishman Pharmaceuticals Ltd announced that its board has approved a plan to acquire a contract research company in Switzerland. Dishman also said the board approved a proposal to set up a joint venture in Saudi Arabia to produce glucosamine salts. (August 9, 2005)

Eisai Co Ltd of Japan has announced the launch of its India operations. The company has invested US\$2.2m through its wholly-owned subsidiary **Eisai Pharmaceuticals India Pvt Ltd** to date and is evaluating the feasibility of carrying out activities in synthetic chemistry, manufacturing and clinical trials in India. The Indian unit has set up a distribution network in the country for **ARICEP**, a drug used in the treatment of dementia, and said it plans to launch other drugs such as **Myonal**, **Zonegran** and **Clevudine** in future. **Wockhardt** will manufacture **ARICEP** India for Eisai. Eisai has also signed a co-promotion agreement with **GlaxoSmithKline Pharmaceuticals India** to market **PARIT** (rabeprazole sodium), Eisai's medicine for gastric disorders. Eisai estimates that **PARIT** has a Rup6.88bn (US\$160m) addressable market in India, and that **Aricep** has an addressable market size of Rup210m (US\$4.8m). (September 13, 2005)

Esai Pharma, Hyoshipara, Takeda, Mitsubishi Pharmaceuticals, Sumitomo and Shinogi, are exploring opportunities in India. The firms are considering tying up with Indian pharmaceutical firms for joint research, business processes outsourcing, product outsourcing and marketing alliances. The total investment from Japanese

pharmaceutical companies in India over the next two years is estimated to top US\$1bn. (August 11, 2005)

Elder Pharmaceuticals has signed an agreement with Japan-based **Tanabe Seiyaku** to launch Tanabe's antihypertensive drug **Tanatril** in India. The US\$300m antihypertensives drug market in India is growing at 10% a year. **Tanatril**, internationally known as **Imidapril**, is an ACE inhibitor. Elder Pharma envisages 10% market share of the ACE inhibitor market with **Tanatril** in 3 years. (July 31, 2005)

Emami Ltd has said it is seeking to acquire or license-in foreign brands in the personal and healthcare sectors. (August 29, 2005)

Grandix Pharmaceuticals Ltd ("GPL"), an Indian company manufacturing a wide range of formulations, said it has partnered with **Chromogenix**, a leading Italian company dealing in diagnostics, to market chromogenic substrates in India. (August 29, 2005)

IBA Health, one of Australia's largest providers of hospital management solutions, has acquired Bangalore-based **Medicom Solutions** for US\$24m in a 50:50 cash and stock deal. **Medicom** has over 150 hospital management installations across the globe with revenues of US\$10m. **IBA Health** is a listed firm in Australia with revenues of US\$30m. (September 14, 2005)

The **Indian Government** is wooing Malaysian investors to establish joint ventures in India to produce cheaper medicines for the developing world. The pharmaceutical sector is one area which has been identified for investment and joint ventures between the two countries. India has a special advantage in the pharmaceutical sector because its manufacturing and R&D costs are typically five to 10 times lower than in the West. (September 11, 2005)

Integreo (formerly known as **STI Knowledge**), based in the US with an offshore centre in

Hyderabad, has acquired the revenue cycle managed services (RCMS) of **Siemens Medical Solutions**. Integreo is a business process outsourcing ("BPO") company that provides technology-enabled BPO services and solutions in the healthcare, insurance and corporate sectors as well as to and government and public health agencies. With this acquisition, Integreo is expected to transfer the bulk of its operational work to India. (September 1, 2005)

Lupin Ltd has entered into an agreement with **Kyowa Pharmaceutical Industry Company** for the marketing of finished formulations in Japan. The arrangements involve Lupin undertaking product development and manufacture while Kyowa will conduct bio-studies, obtain regulatory approvals and market the products in Japan. (August 8, 2005)

Matrix Laboratories has completed the purchase of a stake in Belgian generic drug distributor **Docpharma**, in what is the largest overseas acquisition yet in India's pharmaceuticals industry. Matrix acquired 22% of Docpharma's issued shares from previous owners and company founders, the Van Rompay family, with the expectation of an open offer to shareholders for the remaining 78% stake in the business. The total cost of the acquisition of the company was expected to be US\$263m. The acquisition will nearly triple Matrix's revenue in Europe. (July 8, 2005)

Napo Pharmaceuticals Inc announced a collaboration with **Glenmark Pharmaceuticals Ltd** of India, to develop and commercialize *Crofelemer*, Napo's novel anti-diarrhea compound, for India and 140 countries mainly in the developing world. Glenmark will pay Napo royalties based on its net sales of Crofelemer products. Glenmark has also agreed to participate in Napo's latest round of financing, with an equity participation of US\$1.0m in preferred stock. (July 7, 2005)

The **National Center for Biological Sciences ("NCBS")**, Bangalore, has become the first Indian research institution to receive funding for joint research programs from the **Japan Science and Technology Agency ("JST")**. The five-year

research project will receive US\$4m from JST to enhance the infrastructure, equipment and other facilities needed to conduct research work. JST is also planning to fund more projects with India's **Department of Science and Technology**. (August 16, 2005)

Nicholas Piramal India ("NPIL") has acquired a 17.1% stake in a Canada-based biotech research company **BioSyntech** for US\$6m. As part of the transaction, NPIL will acquire exclusive rights for marketing, sales and distribution of current and future products of BioSyntech in India and neighboring Asian markets. In addition, the companies have agreed to explore opportunities to collaborate for R&D activities with respect to future products, using BioSyntech's technological platforms. (September 7, 2005)

Ranbaxy Laboratories Limited announced its entry into the Italian pharmaceutical market with the launch of **Ranbaxy Italia SpA**, a wholly owned subsidiary of Ranbaxy. The company will be introducing high quality generic medicines from its extensive international product portfolio by early 2006. Ranbaxy's move helps it to consolidate its presence in the top 5 European pharmaceutical markets and marks its presence in 21 of the 25 EU countries. Italy is ranked as the fourth largest pharmaceuticals market in Europe after Germany, UK and France, with a market size of US\$16.5bn in 2003. (September 13, 2005)

Ranbaxy Laboratories Limited has also announced that it will sell its allied health businesses to **ICICI Venture Funds**. The businesses to be divested comprise Ranbaxy's fine chemicals, animal health care businesses and part of its diagnostics unit. Financial details of the sale were not available. (September 2, 2005)

Strides Arcolab Limited, an Indian specialty pharmaceuticals company with a presence in generics, OTC and nutraceuticals, has announced plans to acquire a sterile manufacturing facility in Poland for US\$8m and also the acquisition of a 70% stake in **Beltapharm SpA**, a semi-solids and liquids formulations manufacturing facility located

in Milan, Italy, for US\$2m. The two investments, totaling US\$10m, will give Strides its first manufacturing footprint in Europe. With its Italian venture, Strides will also be expanding into cream and ointment formulations. (July 29, 2005)

Sun Pharmaceutical Industries announced that it has acquired US drug maker **Valeant Pharmaceutical International's** Hungarian unit, **ICN Hungary**, for an undisclosed sum. Valeant said it was divesting itself of non-core operations with the sale. Valeant acquired Hungarian drug maker **Alkaloida** when it was privatized in 1996. ICN Hungary accounts for 30% of Europe's morphine production, according to the company's website. (August 10, 2005)

Torrent Pharmaceuticals has agreed to acquire **Heumann Pharma Generics**, a German-based subsidiary of **Pfizer** engaged in the marketing of generic medicines. Heumann Pharma Generics had sales of E50m for the fiscal year which ended on November 30, 2004 and is ranked 11th in the German generic market. Following the acquisition, Torrent Pharma's consolidated global sales are expected to reach US\$228m. The company's international business, currently at 24% of total sales, is also expected to grow to 50% of its total sales as a result of this acquisition. (June 27, 2005)

Warburg Pincus has decided to invest US\$26.2m in **Max Healthcare Institute Ltd**. While the fund will directly hold 23% in the healthcare company, its 28.7% stake in parent company Max India will take its total effective shareholding to 43%. With this second round of funding, the private equity fund's total investment in Max Healthcare stands at Rup1.4bn (US\$32m). Max Healthcare expects to see healthy revenue growth with revenues for the current fiscal year reaching an estimated Rup1.47bn (US\$33.5m). (June 6, 2005)

West Bengal has launched a five-year reform and investment program for the healthcare sector in the State with a committed grant of approximately Rup7.5bn (US\$180m) from the **Department for International Development ("DFID")** of the UK. Christened the **Health Systems Development Initiative ("HSDI")**, the program will focus on

improving service delivery at all levels, particularly the primary healthcare sector. (August 18, 2005)

JAPAN

Daiichi Pharmaceutical Co Ltd announced that it has agreed to take full control of **Daiichi Suntory Pharma**, its joint venture with **Suntory Co**, by acquiring the latter's stake in the JV. Under the agreement, Daiichi Pharma will pay Y10bn (US\$89.7m) to buy the remaining 34% stake that Suntory holds in the venture. In addition to the acquisition from Suntory, Daiichi Pharma said it will inject a further Y20bn (US\$179m) through a private placement of shares to be issued by Daiichi Suntory Pharma. Daiichi Suntory, had revenues of Y12bn (US\$107m) in the year to March 2005. Daiichi Suntory will be renamed Daiichi Asubio on October 1. (September 14, 2005)

Nikken Chemicals Co will invest Y3.0bn (US\$27m) to merge its Omiya plant in Saitama, eastern Japan, into the Mooka plant in the neighboring Tochigi prefecture. The consolidation, to come into force around April 2006, is aimed at cutting costs. The move will include the transfer of production of Isobide, a diuretic for use in cases of kidney stone development, the company added. (July 8, 2005)

Rohto Pharmaceutical has acquired a laboratory in Kizu, Kyoto Prefecture, from a Japanese unit of German drug maker **Bayer AG**. The value of the transaction was not disclosed. Rohto will begin research and development for drug-making at the laboratory in April 2006. The facility is the third R&D base for Rohto following ones in Osaka and Mie Prefectures. Bayer shut down all its laboratories in Japan in April 2004, including the Kizu facility, as part of its move to streamline its research activities. (August 9, 2005)

Sankyo Pharma's and **Daiichi Pharmaceutical's** shareholders have approved a merger worth Y813bn (US\$7.3bn), clearing the way

for them to create the nation's second-largest drug maker. The merged entity, **Daiichi Sankyo**, will be formed on September 28 and will have estimated annual sales of US\$8.1bn, surpassing **Astellas Pharma**, with projected revenues of Y885bn (US\$7.9bn) in this year. Daiichi Sankyo, which will have strong development resources in circulatory diseases, aims to double operating profit to Y255bn (US\$2bn) in 2009/10, against combined profits of Y127bn (US\$1.2bn) in 2004/05 from the firms' drug business. (June 29, 2005)

Santhera Pharmaceuticals AG of Switzerland and Japan's **Takeda Pharmaceutical** have entered into a development and commercialization agreement on *Idebenone* (SNT-MC17), a small-molecule drug for the treatment of Friedreich's ataxia. Under the terms of the deal, Santhera will conduct all clinical development for regulatory approval in Europe and the US, where the agent has orphan drug status, while Takeda will offer support and obtain an exclusive license to market the agent in Europe and Switzerland. Santhera will in return receive an upfront payment of US\$6m, plus development milestones and royalties. Full financial terms were not disclosed. (August 8, 2005)

Sumitomo Pharmaceuticals Co Ltd of Japan and **Merck & Co Inc** announced that they have signed an agreement to collaborate on *SM13496* (lurasidone), an atypical antipsychotic compound currently in Phase II development for the treatment of schizophrenia. Under the agreement, Sumitomo has granted Merck, through an affiliate, an exclusive license for *SM13496* in all parts of the world except for Japan, China, Korea and Taiwan. (July 5, 2005)

Taisho Pharmaceutical Co Ltd, Japan's largest OTC drug manufacturer, said it has agreed to take a 6.6% stake in **Yomeishu Seizo Co Ltd**, the maker of liquor and medicines for an undisclosed amount. Yomeishu Seizo makes the herb-based liquor Yomeishu. Taisho and Yomeishu will also jointly develop new products and tap the Chinese market. (July 11, 2005)

KOREA

Nutrition 21 Inc, a nutritional bioscience company and a leading developer and marketer of chromium-based nutritional supplements announced that it has entered into an exclusive distribution agreement with **Dong Sung Pharmaceuticals Co Ltd**, a leading Seoul-based pharmaceutical company, for the sale of *Chromax*® and *Diachrome*® in South Korea. Dong Sung develops, manufactures and sells pharmaceutical, cosmetic, nutrition and health products. (September 8, 2005)

TAP Pharmaceutical Products Inc of the US announced that it has signed a license agreement with **ILYANG Pharmaceutical Company** of Korea for the development and distribution of *Ilaprazole*, a new investigational proton pump inhibitor ("PPI"), which will enter Phase II studies next year. TAP Pharmaceutical Products is a US-based joint venture between **Abbott Labs** of the US and **Takeda Pharmaceutical Company** of Japan. (September 8, 2005)

SINGAPORE

Parkway Holdings Ltd, one of Asia's biggest health-care companies, has acquired a 31% stake in Malaysia's largest owner of private hospitals, **Pantai Holdings Bhd**, for US\$82.6m. US private equity firm **Newbridge Capital** owns 26% of Parkway. Parkway reported a net profit of S\$29.4m (US\$17.5m) for the first half of 2005, up 16% from a year earlier. For 2004, it had a net profit of S\$50.5m (US\$30m) profit, 50% higher than the previous year. Pantai announced a net profit of RM43.6m (US\$11.6m) for the year ended June 30, compared with a loss of RM112.7m (US\$30m) the year earlier. (September 14, 2005)

THAILAND

Taisho Pharmaceutical Co Ltd, Japan's largest OCT producer, announced it would invest US\$12m to establish a regional hub in Thailand. The investment in manufacturing, marketing and distribution is aimed at boosting sales in Thailand and other countries in Southeast Asia. Taisho will focus on gastrointestinal, cough and cold and eye medicines. Taisho is working with its marketing and distribution partners **PharmaLink** and **Zuellig Pharma** in Thailand. The Thai OTC medicine market is worth about US\$300m according to estimates. Taisho has a 20% share of Japan's OTC market. (August 25, 2005)

VIETNAM

Vietnam is seeking an investment of VND500bn (US\$31.6m) for the development of an international class hospital, to become one of the major healthcare centers in the country. Of the figure, approximately VND230bn (US\$14.6m) is expected to come from foreign investors, another VND100bn (US\$6.3m) from domestic sources and the remainder of VND170bn (US\$10.7m) from loans. A joint stock company and the **IDG Vietnam's** Investment Fund will carry out the project development. (August 18, 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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