

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

ASIAN HEALTH NEWSLETTER

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A bimonthly newsletter of developments in the pharmaceutical, hospital and medical device markets

CONTENTS

INTRODUCTION	1
CHINA / HONG KONG	1
INDIA	2
INDONESIA	3
JAPAN	3
MALAYSIA	4
SINGAPORE	4
THAILAND	5
VIETNAM	5
FOCUS: Korea's pharmaceutical companies ...	5

CHINA/HK

China Pharmaceutical (CP) has raised US\$21m to finance a Chinese medicine research center in Hong Kong. CP will take a 51% stake while **China National Pharmaceutical Trade Company** and **Unify Power Enterprises** of Canada will take 10% and 39% respectively. The center is being developed for the production of raw materials and Chinese medicines. The products will be developed for the treatment of strokes, as well as liver and pancreas illnesses. (June 17, 1999)

Chiron Corp, the California-based biotechnology company, has signed two agreements to supply bulk and finished vaccines products to China. The first agreement is with **Lanzhou Institute**, a government affiliated institute, for the production of 300,000 doses of flu vaccine. The deal makes Chiron the second largest supplier of such vaccines in China. The second agreement is with **Sino Pharma**, a holding company owned by the **University of Beijing** and private investors. Chiron will supply several vaccines including those for Rabies, Rubella and Hepatitis. (July 13, 1999)

Dragon Pharmaceuticals Inc of Canada has announced that its subsidiary **Sanhe Kailong Biopharmaceutical Co, Ltd** will acquire a 75% interest in **Nanjing Huaxin Biopharmaceutical (NHB)** of China. The acquisition provides the Canadian company with a license and a permit to manufacture and market Erythropoietin (EPO) in China. It also provides NHB with new technology to produce the drug at lower costs more efficiently. NHB is the largest domestic producer of EPO, with sales

INTRODUCTION

The pharmaceuticals industry and the entire healthcare industry are restructuring in Asia. Unprecedented investment opportunities exist for multinational companies.

We hope that you find the *Asian Health Newsletter* informative. BDA is a corporate finance advisory firm that helps multinational clients to identify and execute acquisitions and JVs in Asia. If you think that BDA's services may be useful to you, please contact us in New York on (212) 265-5300 or in Singapore on (65) 533-8500.

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General Manager

offices in 16 major cities in China. As part of the JV agreement, NHB has formed an alliance with **Nanjing Medical Group Ltd (NMC)**, a Shanghai listed company, to market the drug. (July 9, 1999)

Leading Pharmaceutical Players in China

	1998 revenues (US\$m)
Glaxo Group	27
Sino-American Squibb	25
Dalian Pfizer Pharmaceutical	21
Shanghai Roche Pharmaceutical	19
Hebei Huabei Pharmaceutical	17
Xian Janssen Pharmaceutical	15
Sandoz	15
Bayer	14
Jiangsu Sino-SWED	12

Quality HealthCare Asia, Hong Kong's only listed healthcare group, is acquiring **Allied Medical Practices Guild (AMPG)** and its 14 associated medical centers for US\$176m. AMPG will hold a 4.9% interest in Quality. The group will be the largest private medical-clinic company in Hong Kong, with more than 200 medical centers, 100 specialists and 300 general practitioners. Quality will adopt AMPG's large interactive medical network for the private sector, greatly expanding its network capabilities. (July 16, 1999)

INDIA

Dr. Reddy's Laboratories (DRL), a leading Indian pharmaceuticals company, will join forces with Japa-

nese MNC, **Omron Corporation**. DRL will distribute and market Omron's products in Southern India, including digital blood pressure monitors, digital thermometers and nebulisers for the treatment of asthma and other respiratory ailments. The partnership enables DRL to provide a total healthcare solution to consumers, and allows Omron to consolidate its position in the south by utilizing DRL's marketing power there. (July 17, 1999)

Morepen Laboratories has announced the expansion of its OTC drugs portfolio. The company will begin by launching new cough and cold formulations and artificial sweeteners. Morepen will invest up to US\$2.3m this year in its Customer Care Division to develop its OTC capabilities. The company recently entered the OTC market with its antacid drink *Dab* and is targeting a 25% market share in the sector by the end of Q4 1999. (June 29, 1999)

SmithKline Beecham Consumer Healthcare of India has reported a turnover of US\$78m for Q1 1999, an increase of 8% from the same period last year. Net profit for Q1 1999 reached US\$9.2m, an increase of 21%. The company attributes its success to the reintroduction of flagship products *Horlicks* and *Boost*. (July 21, 1999)

Unichem Laboratories Ltd has invested US\$14m since 1997 on restructuring. This includes setting up two new manufacturing facilities at Bardez in Goa and at Baddi in Chandigarh. The US\$4.6m Bardez plant manufactures non-antibiotic oral dosage forms and the US\$5.8m Baddi plant produces the betalactam range of antibiotic formulations in oral solids, parenterals and dry syrup forms. The Baddi plant should contribute US\$11.6m, to Unichem's turnover for 1999 to 2000. The company has also incorporated a US\$2.3m multipurpose bulk drug facility at Roha and has invested US\$1.9m to update its Ghaziabad facility. Unichem is seeking UK approval to market its products in Europe. (July 14, 1999)

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INDONESIA

PT Darya Varya Laboratoria (DVL) has reported a 113% increase in profit for Q1 1999 from the same period last year, with a net profit of Rp7.94bn (US\$1.2m). Sales volume dropped 4.9%, but increased 40% in value to Rp112.3bn (US\$16.6m). Gross profit increased 32% to Rp52.4bn (US\$7.76m) and operating profit rose 48% to Rp25.1bn (US\$3.80m). (June 10, 1999)

JAPAN

Bausch & Lomb Inc expects sales in Japan to grow 15% per annum over the next five years, compared to 10 - 15% compounded annual growth over the past five years. Upon approval from the Japanese government, the company plans to market special disposable lenses for patients with astigmatism and *PureVision* disposable lenses that can be worn for up to thirty days. Bausch & Lomb is the number two ranked company in Japan's US\$1.2bn contact lens and lens-care products market. Japanese **Menicon Co** holds the number one position. (July 7, 1999)

Eli Lilly of the US has joined forces with **Chugai Pharmaceutical**, a leading Japanese pharmaceutical company specializing in the production of ethical drugs, to develop *Raloxifene* or Evista, its generic name. *Raloxifene*, sold by Eli Lilly in the US as a treatment for Osteoporosis, is proven to reduce the risk of breast cancer in post-menopausal women. The two companies will continue to develop the drug, which could potentially be marketed as a breast cancer preventative. (July 21, 1999)

Fujisawa Pharmaceutical, a Japanese company specializing in antibiotics, has signed a joint research agreement with **Protein Design Lab**, a US company

based in California. The two companies will research immune-system related drugs. Fujisawa patented and produces its own immunosuppressant drug, *Prograf*. The patent for *Prograf* expires in early 2000, making the search for new drugs essential for Fujisawa's continued success. (July 14, 1999)

Merck & Co Inc of the US has signed a MOU to divest its entire interest in **Chugai MSD Co Ltd**, a JV with **Chugai Pharmaceutical Co Ltd**, to Chugai. Merck is to withdraw no later than March 31, 2000. The JV was formed to develop and market OTC pharmaceuticals in Japan. (July 15, 1999)

Takeda Chemical Industries Ltd has received approval from the US FDA to sell its diabetes treatment, *Actos*, in the US. **Takeda Pharmaceuticals America Inc**, US subsidiary of Takeda Chemical, and **Eli Lilly and Co** will begin marketing the drug in August 1999. Sales are expected to reach US\$100m by year end 1999. *Actos* will be introduced in Japan and Europe by Q2 2000. (July 19, 1999)

Tanabe Seiyaku, a leading Japanese pharmaceutical manufacturer specializing in drugs for circulatory organs and nerves, has closed its Tateishi plant. The plant was the company's manufacturing center for raw materials used in its own drug production, specifically *Herbesser*, a treatment for hypertension. Closing the plant was a move to streamline Tanabe's production lines and to achieve greater production efficiency. The company has seen three years of decreasing sales, greatly reducing its profit margins. (July 14, 1999)

Yamanouchi Pharmaceutical has started the sale of 11 new generic pharmaceutical products. The drugs include treatments for the central nervous system, circulatory system and digestive system. Seven of the drugs are being sold in dissolvable tablet form. The move to sell new generics was in response to Japan's increased demand for generic drugs coinciding with the ongoing Japanese medical reform to decrease medical expenses. (July 20, 1999)

MALAYSIA

Herbal Revival Sdn Bhd, a leading Malaysian manufacturer of herbal extracts and nutritional supplements, is expanding its operations. The company plans to move to a larger, 40,000 sq-ft facility in the next two years and has allocated RM15m (US\$4m) for high-end equipment to facilitate the manufacturing process and quality control. Herbal Revival markets its products under the *Thomson* brand and is sold in local pharmacies and Chinese medical halls. The group's clients include international manufacturing companies in Europe and Japan. As part of its expansion, the company hopes to secure new markets in other regions. (July 7, 1999)

The **National Land Finance Cooperative Society Limited (NLFCS)** will invest US\$13m to finance the building of a new medical center. The new 110 bed center is part of the company's goal to diversify its business. Construction will start next year and should be completed in three years time. (June 28, 1999)

Sarawak MediChem Pharmaceuticals Inc, a JV between **MediChem Research Inc** of the US, and the State of Sarawak, Malaysia began the Phase 1B clinical trial of a plant-based anti-HIV/AIDS agent in Malaysia and Singapore. The agent, calanolide A, is derived from the bitangor tree, a rare plant source. MediChem has since synthesized the compound. (July 15, 1999)

Viva Life Sdn Bhd, a subsidiary of **Viva America Inc**, is expanding its nutritional supplements products into Asian markets. The company is investing RM5m (US\$1.3m) to build a regional headquarters in Malaysia. Internationally, Viva has operations in Canada, Taiwan, Hong Kong, Singapore and Indonesia. It plans to expand into Thailand and South Korea. The Malaysian subsidiary reported revenues of RM10m (US\$2.6m) in 1998 and expects a 25% increase for 1999. (June 8, 1999)

United Engineers (M) Bhd (UEM) announced that it will sell its 70% interest in subsidiary company **Remedi Pharmaceuticals (M) Sdn** to **Pharmaniaga Bhd** for US\$7m. Remedi has the

exclusive rights to manufacture, purchase, store and distribute pharmaceutical and medical products to all government hospitals and medical institutions. Pharmaniaga will also acquire two other pharmaceutical companies, **Raza Manufacturing Bhd** and **Strand Pharmaceuticals Sdn Bhd**. Upon completion of the deal, UEM will hold a 41.5% equity interest in Pharmaniaga. (July 20, 1999)

SINGAPORE

Johns Hopkins Singapore Clinical Services has announced plans to open a specialist outpatient clinic in Singapore by Q4 1999. The clinic will be located on Orchard Road, which is well known to foreigners, an important factor for the clinic, since many of its patients are from overseas. The new clinic, specializing in cancer treatment, will offer consultation, follow-up visits and non-acute treatment. Shareholders in Johns Hopkins Singapore are **Johns Hopkins International** (10%), **Economic Development Board Investment** (36%), **Arcasia Land** (25%) and **Vista Healthcare** (29%), a local healthcare center. (July 1, 1999)

Rhone-Poulenc Rorer (RPR), a subsidiary **Rhone-Poulenc SA**, has opened a US\$50m manufacturing plant in Singapore. The facility will produce enoxaparin sodium, the active ingredient in *Clexane* and *Lovenex*, the world's best selling drugs in the treatment of heart disease. Sales of Clexane and Lovenex reached US\$614m in 1998. Sales of enoxaparin last year reached US\$614m and are expected to increase by more than 25% this year. The company invested an additional US\$15m to create a dual purpose plant on the Singapore facility for the production of nedocromil sodium and sodium cromoglycate, active ingredients in the treatment of asthma and eye and nose allergies. Completion of the plant is forecasted for Q1 2000. RPR plans to make Singapore its base for the production of active ingredients. (July 16, 1999)

Wyeth-Ayerst Pharmaceuticals, a wholly owned subsidiary of **American Home Products Corpora-**

tion, is investing US\$300m to build a pharmaceutical and a nutritional manufacturing facility in Singapore. The two plants will be operational in 2001 and will employ 600 workers to produce prescription medications and infant nutritional products for the Asia Pacific region. *Premelle*, a hormone treatment for menopause, and also a variety of infant formula products under brand names such as S-26 and *Promil* will be produced there.

built up from the current **Van Hanh Clinic** located in District 10, will have a 60 bed capacity and investment capital of VND9bn (US\$640,000). The third hospital, VND17.5bn (US\$1.2m) **Phu Tho Hospital**, will be located in Tan Binh District and will have a 100 bed capacity. (July 16, 1999)

THAILAND

Aetna Inc, the largest US provider of health and retirement services, has announced a plan to grow its line of services in Thailand. Through **Aetna Osotspa Life Assurance**, Aetna will focus on establishing a life insurance business, developing a sales force and achieving corporate recognition. Aetna holds 25% in the JV and the **Osotspa Group** holds the remaining 75%. (June 17, 1999)

Eisai (Thailand) Marketing Co, a subsidiary of the Japanese company, has announced plans to increase the sales of its Alzheimer treatment drugs, such as *Aricept*. Introduced in the second half of 1998, Aricept is prescribed for patients with moderate to mild cases of Alzheimer's. Eisai expects sales of the drug to double in 2000 to Bht20m (US\$530,500). The company has recently begun to educate the public about possible treatment for the disease and plans to distribute the Aricept to Vietnam, Burma, Malaysia and Singapore. (June 14, 1999)

VIETNAM

The **Ministry of Health** has agreed to the development of three private hospitals to be built in the next three to six months. **Hoan My Hospital**, valued at about VND15bn (US\$1m) will be located on Tran Quoc Thao Street in District 3 and will have a thirty to forty bed capacity. **Van Hanh Hospital**, to be

FOCUS:

Korean pharmaceutical players

In the December 1998 edition of this newsletter we looked at several Korean pharmaceutical firms. This month we profile in more detail four other Korean pharmaceutical firms. BDA has met with most of the major players in the Korean pharmaceutical market, which is rapidly restructuring, and would be well placed to introduce Western firms as potential partners.

Chong Kun Dang Corporation

Business summary: Manufactures, distributes, exports and imports pharmaceutical preparations (bulk and finished forms). Diversified with 150 drugs under patent. Specializes in producing raw material antibiotics and other finished drugs. Chong Kun Dang is active in R&D for antibiotics and insulin. The company has also developed *Iovastadin*, a hyperlipidemia treatment. Chong Kun Dang has three subsidiaries: **Parekh Chemical** (67% owned), **Lajoa** (62.7%) and **C.C.B. India** (49%).

Senior management: Mr. Cheung Wan Kim, President; Mr. Y.M. Lee, General Manager.

Ownership structure: Major shareholders are Lee Jan-Han, 17.4%; Kim Ok-Lan, 2.9%; Lee Jung-Hwan, 2.1%; and foreign ownership, 5.3%.

MNC relationships: Ciba, Rhone-Poulenc.

Key financials: Public company. US\$3.35m profit before taxes on revenues of US\$115m.

Points to consider: The company has benefited from Won depreciation with exports of its generic drugs to its subsidiary in India. It realized 10% growth under these favorable export conditions. Financing costs, however, have increased since the completion of the new Chonan production plant and facilities.

Dong Wha Pharmaceutical Industry Co Ltd

Business summary: Established in 1897 and is the oldest pharmaceutical company in South Korea. Dong Wha produces drugs, peptic drinks, hepatitis cures, nutrients and antiseptics, including burn therapeutics and disinfectants (account for 77% of fiscal 1998 revenues). Key product sectors include: Stomach & Digestives; Common Colds; Topical Antibiotic; Antidiarrheal; Tonic drink; Hepatoprotectives; Antipsoriasis. 1998 sales by distribution channel: pharmacy (33%); wholesaler (34%); hospital (28%) and export (5%).

Senior management: Mr. Kyu On Hwang, President & Representative Director; Mr. Kil Jun Yoon, Vice-President; Mr. M.S. Choi, Vice-President for Business Development and Licensing.

Ownership structure: The Yoon family is still active in ownership and management of Dong Wha.

MNC relationships: Ciba, Leo, Sankyo, Teijinn, Maruishi and Sato, Vanguard Biomedical, Lacteol, Dexo, Transphyto Jouveinal and Sidas, Menariri, Crinos and Italfamaco.

Key financials: Public company. 1998 revenues were W141.2bn (US\$118m). Its market capitalization is W63.7bn (US\$53m).

Points to consider: Has extensive experience and credibility with the number of foreign tie-ups under its belt. Share price is 100% above its 52-week low.

Hanmi Pharmaceutical

Business summary: Established in 1973. Produces OTC drugs, ethical drugs, health food and beverage products, pharmaceutical bulks and bioproducts. Pio-

neered soft gelatine capsule manufacturing in Korea for drug and food supplements. Developed *Cephalexin*, a generic antibiotic, using its own proprietary synthetic technology. OTC drugs include: digestives; antihistamines; pediatric digestives and vitamins; multi-vitamins and vitamin complexes; antitussive and expectorant; antipyretic and analgesics; antioxidant; hair growth stimulant; contraceptives; hypoglycemic agents; keratolytics and topical anti-inflammatory drugs. Ethical drugs include: cephalosporins; antiulcer; quinolones; tetracyclines; and various antibiotics. Hanmi is ranked as the #15 player in the Korean pharmaceuticals industry.

Senior management: Mr. Eung Joon Jo, Vice-President, Head of Executive Staff.

MNC relationships: JV with Beijing Third Pharmaceutical Company.

Key financials: Public company. 1997 revenues were US\$46m.

Points to consider: Half of Hanmi's revenues come from sales to pharmacies, the remainder comes from hospitals and clinics.

Young Jin Pharma Co, Ltd

Business summary: Established in 1962. Produces pharmaceutical preparations including nutrients, digestives, antibiotics, accounting for 82% of 1997 revenues; soft and ginseng drinks, cosmetics and health foods accounted for 3%; and antibacterials, eyedrops and lip balms accounted for the remainder of revenues. Some of the antibiotics are licensed from Japanese firms including **Meiji**, **Kyowa Hakka** and **Fujisawa** in addition to some of Young Jin's own generics. Relatively limited in the OTC sector. Key OTC product is taurine drink with honey and jelly (#3 player behind Dong A's Bacchus), main products are chemotherapeutics, penicillins and cephalosporins. #9 local player in S Korea. Has 3 factories for finished doses, bulk synthesis and tonic drinks.

Senior management: Mr. Hong Woo Kim, Vice-President; Mr. I. Kim, Managing Director, International Business Division.

Ownership structure: The major shareholder is Mr. S. H. Kim, no relation to Mr. I. Kim.

MNC relationships: Limited relationships with Eli Lilly and RPR.

Key financials: Public company. 1998 revenues were W100bn (US\$90m) and the company had a net loss of W61bn (US\$51m). Its market capitalization is W9.5bn (US\$7.9m).

Points to consider: The company went into bankruptcy in 1997. Young Jin has a court mediation that allows them to reschedule debt with a two year grace repayment on principle repayments, and a seven year pay back after that. Meanwhile the interest rate is 9 1/2%, which will eat into profits by approximately Won17bn (US\$14m). Young Jin is not allowed to take out any more loans and is looking for companies to inject capital. The owners are keen to secure a foreign partner and investor. Glaxo apparently looked at acquiring Young Jin in 1998, but walked away after due diligence.

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ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies to expand their businesses in Asia. BDA specializes in the health industry and helps clients to find local business partners and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul and Shanghai. For further information on BDA's services or on any of the articles in this newsletter, please contact Euan Rellie or Charles Maynard through our New York office, or Andrew Huntley in Singapore.

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