

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

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## 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 and JVs in Asia. We focus on the healthcare sector and are well placed to help Western companies structure mutually beneficial transactions with local partners.

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

**China's medical treatment service sector** is becoming an attractive investment opportunity for Chinese and overseas investors. Statistics show that revenue in China's medical treatment service sector reached RMB351bn (US\$42.5m) in 2000, and is expected to continue rapid growth. (September 27, 2001)

**Peregrine Pharmaceuticals Inc** of the US signed a development agreement with **Medipharm Biotech Co Ltd** of China (formerly known as **Shanghai Brilliance Pharmaceuticals**) to develop Tumor Necrosis Therapy (TNT) in China. Peregrine will provide product development services to prepare TNT for commercial scale production, and contract manufacturing services to Medipharm. Marketing approval of TNT and authorization of Peregrine as a contract manufacturer is still pending from the Chinese State Drug Administration. (September 7, 2001)

Major shareholders and associates of **Sanjiu Medical**, a listed subsidiary of one of China's largest drug firms, **Sanjiu Enterprise Group**, have been found to be misappropriating funds in the listed firm. Investigators from China Securities Regulatory Commission (CSRC) found that up to RMB2.5bn (US\$301.2m) had been misappropriated. This accounts for 96% of the company's net assets. (September 6, 2001)

**Shanghai Pharmaceutical Co**, China's leading drug distributor, will set up a JV with Australia's **Kangaroo Group** with A\$1.79m (US\$930,800). Shanghai Pharmaceutical will hold a 46% stake in the JV, **New Kangaroo Group**. New Kangaroo aims to capitalize

on Australia's natural resources to manufacture and market health-care products. (September 7, 2001)

**Tianjin SmithKline & French Laboratories**, the Chinese unit of **GlaxoSmithKline Plc (GSK)**, introduced a new version of its cold-treatment drug *Contac* in an attempt to regain its lost market. *Contac* was banned in China amid a global scare about the side effects of medicines containing phenylpropanolamin, or PPA, in November 2000. The new *Contac* does not contain the ingredients and has been cleared for sale by government regulators. (August 31, 2001)

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## INDIA

**Cipla Ltd** is in talks with two to three foreign firms regarding partnerships. Cipla would like to enter research areas such as genetic engineering, biotechnology and new drug discovery with its partners. The company is seeking to enter biotechnological segments such as Interferon, human growth hormone, Erythropoietin and hepatitis-B vaccine. (September 5, 2001)

The merger of **Glaxo India** and **SmithKlineBeecham Pharmaceuticals India Ltd** has received approvals from the Karnataka High Court and Bombay High Court. (September 28, 2001)

**Lupin Laboratories** of India divested the remaining 20% of its equity in **Ceph International** to **Mova Pharmaceuticals Corp** of Puerto Rico for US\$2m. Lupin had disposed of 30% of its equity in Ceph to Mova in 2000. Ceph is a 50:50 JV between Lupin and Mova. Lupin decided to exit the JV due to differences in the core businesses of the two companies. Ceph decided to manufacture finished dosage forms in its Rs120m (US\$2.5m) new facility at Mandideep. The company had planned to import bulk drugs from Lupin's unit in India, manufacture finished dosage forms and distribute them in the US. (August 15, 2001)

**Nicholas Piramal**, which recently acquired Aventis' 60% stake in **Rhone-Poulenc India** for Rs2.36bn (US\$49.6m), plans to merge with Aventis. The merger will help Nicholas increase its product portfolio from 160 to over 200, with about 16 products coming in the ORG Marg list of Top 300 pharma brands. Its market share is expected to rise, and will likely be just 5% behind GSK in India. (August 15, 2001)

**Orchid Chemicals and Pharmaceuticals**, a cephalosporin drug maker based in Chennai, will acquire Secunderabad-based **Medicorp Technologies**. Orchid has announced aggressive plans to become a significant player in both bulk drugs and formulations market. Orchid also acquired the Aurangabad facility of **Ajantha Pharma**. (September 11, 2001)

**Pfizer India** is negotiating with the Hyderabad-based **Shantha Biotech** to expand its existing marketing alliance in both international and local markets. Pfizer has a Rs60m (US\$1.26m) co-marketing agreement with Shantha Biotech for its hepatitis-B vaccine, which Pfizer markets under the *HepaShield* brand. This agreement allows Pfizer to agree or refuse to co-market Shantha Biotech's new products, for which Pfizer is assessing the commercial viability. Shantha Biotech is conducting the final stages of clinical trials for its oncology vaccine interferon and human insulin, and is planning to introduce them by Q4 2002. (August 31, 2001)

**Pharmacia Corporation** of the US, and **USV Ltd** of India are competing to acquire **ICI India's** Rs400m (US\$8.4m) pharmaceutical business. ICI India manufactures cardiovasculars, anaesthetics and antiseptics at its Ennore facility near Chennai and derives about 6-7% of its total sales from the pharma division. Major brands include *Tenormin* (atenolol), *Tenoclor* (atenolol plus chlorthalidene), *Tetmosol* (monosulfiram), *Nolvadex* (tamoxifen) and *Aerrane* (isoflurine). (August 31, 2001)

**Wockhardt Ltd** of India has bought the entire equity stake of **Rhein Biotech GmbH** in their JV for an undisclosed sum. Wockhardt, however, intends to continue its technical partnership with the German

company. Rhein Biotech will provide upgraded technology to Wockhardt for its hepatitis-B vaccine +Biovac-B+ and Rhein retains the option to source the same from Wockhardt for their marketing efforts. This would provide an opportunity to Wockhardt to access the global market for its Hepatitis-B vaccine, which was developed through a collaborative effort with Rein Biotech. (September 6, 2001)

**Zydus Byk Healthcare**, a 50:50 JV between **Byk Gulden** of Germany and **Zydus Cadila Healthcare** of Ahmedabad, has commenced trial production of intermediates for the anti-ulcerant drug pantoprazole. The company plans to start commercial production of the drug at its Navi Mumbai facility from October 2001. The entire output of Zydus Byk will be shipped to the Byk Gulden plant in Germany to be used in production of the pantoprazole. (September 25, 2001)

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## INDONESIA

**PT Indofarma** issued a statement to the Jakarta Stock Exchange that it is not planning to merge with or acquire any other state companies, including **PT Kimia Farma**. The statement was issued after a media report quoted unnamed sources as saying the government is considering merging Indofarma and Kimia Farma in an effort to make them more attractive for privatisation. The report also stated another option being studied is to allow Kimia Farma to acquire Indofarma. (October 4, 2001)

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## JAPAN

**Boots** of the UK, the first foreign drugstore chain operator to enter the Japanese market, decided to close all of its four existing stores in Japan. It has been expanding its business in Asia with 70 stores in Thailand and eight in Taiwan. The group hoped for sales of ¥4 - 5bn (US\$33.1m - 41.4m) in H1 2001,

but only achieved ¥1.7bn (US\$14.1m) through the four stores. Boots' stores could not compete with nearby stores operated by major local chain operators, which offer products at low prices on the strength of their strong bargaining power. There was also a difference between strategies proposed by Boots and **Mitsubishi Corp**, with whom Boots collaborated to enter the Japanese market. While Boots wanted to carry only its private brand products, Mitsubishi insisted on handling other brands as well. Both parties agreed to close the four existing stores, but whether Boots will withdraw entirely from the Japanese market is uncertain. (August 21, 2001)

**Dendreon Corporation** of the US has expanded its collaboration with the pharmaceutical division of **Kirin Brewery Co Ltd** of Japan. Under the terms of the agreement, Dendreon will provide Kirin with extensive clinical development and regulatory support aimed at seeking approval in Asia of Dendreon's leading cancer vaccine candidates, *Provenge* and *Mylovenge*. Kirin secured a supply of key components of these products from Dendreon and has obtained an option to license Dendreon's proprietary manufacturing technology for *Provenge*. (August 13, 2001)

**Fukujin**, a multi-regional drug wholesaler based in Tokyo, and **Kobayashi Daiyakubo**, a Nagoya-based regional wholesaler active in Aichi and Shizuoka prefectures, have signed a letter of intent to form an alliance in order to jointly upgrade their logistic and distribution infrastructure necessary for maximizing customer service and increasing operational efficiency. Kobayashi Daiyakubo reported sales of US\$237m in the fiscal year ending Jan 2001, including US\$54m for ethical drugs and US\$183m for OTC drugs. (September 3, 2001)

**Merck Japan** will acquire generic drugs producer **Mohan Medicine Research Institute** from **Kyowa Hakko Kogyo**. Coupled with Merck's existing Japanese generics unit, **Merck Hoei**, the combined unit is expected to generate sales of ¥120m (US\$994,000) in FY 2001. Merck Japan's main businesses are liquid crystal mixtures and pigments, but the company also has interests in specialty reagents and pharmaceuticals. (August 30, 2001)

**NeoGenesis Drug Discovery** of the US and

**Mitsubishi-Tokyo Pharmaceuticals** have agreed to collaborate on research for small-molecule drug candidates for high value therapeutics. This alliance will draw on Mitsubishi-Tokyo Pharmaceutical's experience as a global pharmaceutical company with the chemical genomics-based drug discovery technologies of NeoGenesis. Under the terms of agreement, Mitsubishi-Tokyo Pharmaceuticals will pay NeoGenesis for discovery, traditional milestones and royalties on products resulting from the collaboration. (August 16, 2001)

**Qiagen**, a biotechnology company in the Netherlands, acquired **Sawady Technology Co** of Japan in a deal valued at US\$18m. Sawady, a biotechnology startup which makes reagents designed for genome analysis, will give Qiagen its first production site in Japan. (August 9, 2001)

**Sankyo** of Japan and **FibroGen** of the US have signed a three year collaborative discovery and development agreement for fibrotic conditions. An upfront payment will be made to **FibroGen**, which will also receive milestone payments and research funding. The work will concentrate on inhibitors of the pathways through which cytokine from FibroGen is activated by transforming growth factor beta. (September 17, 2001)

**Shire Pharmaceuticals**, the specialty drugs company of the UK, raised £350m (US\$518m) in funding from an issue of convertible bonds to support its acquisition plans. The placing of the bond leaves Shire with £486m (US\$719m) in cash. The offering, placed with institutional investors largely in the US, was more than three times subscribed. The money raised from the bond offering will be used to acquire and license speciality pharmaceutical products, and support the company's further expansion into Japan and Europe. (August 17, 2001)

**Sun Drug** and **Kawachi Yakuhin**, both of Japan, have agreed to establish a partnership for their retail drug stores. Their marketing territories do not overlap and both companies are thought to have complementary characteristics. The Tokai-Tokyo Research Center expects the partnership will increase

profitability and streamline the operation of mega-drugstores. (August 21, 2001)

**Taisho Pharmaceutical**, Japan's largest maker of OTC drugs, and **Tanabe Seiyaku**, another leading pharmaceuticals company, will merge their operations under one holding company. This will create Japan's third-largest pharmaceutical company, **Taisho Tanabe Pharma Group**. The deal brings together the complementary strengths of Taisho's OTC drugs and Tanabe's cardiovascular drugs. The merged group plans to offer newly developed drugs and accelerate business expansion in Japan, the US and Europe. (September 17, 2001)

**Tanabe Seiyaku Co Ltd** of Japan and **GlaxoSmithKline** have signed a letter of intent to enter into a broad-ranging global collaboration on the R&D and commercialization of a series of compounds from Tanabe. The range of potential therapeutic areas include psychiatry, neurology, urology and diabetes. Under the letter of intent, GSK will gain access to pre-clinical compounds, with the possibility of bringing additional new Tanabe compounds within the scope of the collaboration at a later date. This world-wide collaboration will allow Tanabe and GSK to share commercialization rights in specific territories. (September 11, 2001)

**Teijin** of Japan and **Cambridge Drug Discovery (CDD)** of the UK agreed to expand their research collaboration on drug discovery candidates for metabolic diseases to include inflammatory diseases. The partnership is aimed at increasing the efficiency of new drug R&D activities. (September 13, 2001)

**Terumo Corp** of Japan will acquire **Sumitomo Bakelite Co Ltd's** home medical care business, aiming to boost its presence in the rapidly growing health-care market. The firm will secure ownership of Sumitomo Bakelite's home oxygen-therapy business in late October 2001, along with the seven oxygen-refilling service centers across the country, at an estimated cost of several hundred million yen. Terumo aims to increase its share in the home oxygen-therapy market from 1% to 10% by 2005. (September 10, 2001)

**Toho Pharmaceutical**, a Tokyo-based drug wholesaler, announced a business alliance with **Yakushin**, a Fukuoka-based drug wholesaler. Yakushin had sales of ¥30.2bn (US\$249.7m) in FY 2000. (September 10, 2001)

**Welfide Corp** (formerly called **Yoshitomo Pharmaceutical Corp**) and **Mitsubishi-Tokyo Pharmaceuticals Inc**, a wholly owned subsidiary of **Mitsubishi Chemical Corp**, are to merge in Oct 2001 to form **Mitsubishi Pharma Corp**. (October 1, 2001)

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## KOREA

**Dongsung Pharmaceutical** agreed to a 10-year technology transfer contract for hair dyes with a Chinese cosmetics company. Dongsung will allow the Chinese counterpart to use its brand with the transfer of manufacturing technology. The transfer includes plant facility, raw material and supply of semi-finished products. In return, the Chinese company will pay 2.5% of its sales to Dongsung as royalties. The Chinese company is expected to produce hair-dye worth about US\$880,000 in 2002 and US\$3.2m in 2003. (September 19, 2001)

**Keun Wha Pharmaceutical Co Ltd** announced that it will acquire financially distressed **Sang-A Pharmaceutical Co Ltd** for W63.9bn (US\$48.6m). (October 4, 2001)

**Takara Shuzo Co Ltd** of Japan will turn its South Korean DNA chip unit into a JV by allowing three South Korean companies, including **Samsung Corp**, to invest in its Seoul-based biotech subsidiary. The three Korean firms will take a combined stake of 8.5% in the firm. Takara Shuzo will also provide Samsung with Korean sales rights to Takara's products. (September 12, 2001)

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## MALAYSIA

**Nu Skin Enterprises Inc** of the US announced receipt of a government license to conduct business in Malaysia and expects to commence operations by Q4 2001. Regulations require domestic direct selling entities to have local business partners for conducting business in Malaysia. Included among Nu Skin Enterprises' partners for its Malaysian operations is a prominent businessman, Dato' Mohd. Nadzmi bin Mohd Salleh. (September 29, 2001)

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## PHILIPPINES

**Aventis Pharma Inc** is marketing a new and non-sedating antihistamine, fexofenadine *Telfast*, in the Philippines. The sedative effects of antihistamines has resulted in the need for third-generation drugs such as *Telfast* for the treatment of allergic conditions. (September 15, 2001)

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## SINGAPORE

**Blue Dot Capital**, a **Singapore Technologies** subsidiary, has purchased the research rights and other assets of debt-laden **Scotia Holdings**, a British biopharmaceutical research and development company. The acquisition includes Scotia's buildings and research programs, and Blue Dot has taken on 60 of its employees. Scotia's core research program is developing *Foscan*, a therapy for head and neck cancer. Although it has not yet been approved for sale, Blue Dot Capital expects to get formal approval for the European market within the next several months. The acquisition is believed to be worth up to US\$100m. (August 15, 2001)

**Merck & Co** of the US opened a US\$400m bulk chemical manufacturing plant in Singapore. The plant will produce active ingredients for medicines used to treat asthma and arthritis. Singapore's government has been promoting the country as a hub for "life sciences," including pharmaceuticals, medical services and biotechnology research. The government hopes that developing the biomedical industry will lessen Singapore's economic dependence on manufacturing and exporting electronic products, a field in which it faces rising competition from other Asian countries. (September 12, 2001)

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## TAIWAN

**Microbio Co Ltd** of Taiwan completed its new plant in Lungtan, northern Taiwan. The new plant will begin mass production with an initial annual production capacity of about 200,000 bottles of chemical treatment agents. Microbio is a biotech JV between Taiwan's **Kingbird Co Ltd**, **Barits Inc**, **Nien Hsing Textile Co Ltd**, and the **Global Strategy Fund** managed by former minister without portfolio Yang Shih-chien. The company uses its microbial fermentation technology platform to develop and manufacture agents for cancer chemical treatments. (August 10, 2001)

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## THAILAND

The **Commonwealth Bank Group (CBA)** sold its stake in its Thai insurance JV, **Ayudhya CMG**, to **Allianz AG**. CBA acquired Ayudhya CMG, Thailand's fifth largest insurance company, when it took over financial services group **Colonial Ltd** in June 2000. The sale followed its strategic decision to concentrate its Asian interests in North Asia. CBA was also

negotiating the sale of other life assurance businesses in Malaysia and Indonesia, also acquired in the Colonial deal. (September 18, 2001)

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## VIETNAM

**Korea United Pharma** started construction of a pharmaceutical plant in the Vietnam-Singapore Industrial Park, Binh Duong Province. The US\$5m project is the fourth pharmaceutical plant in the Industrial Park. It will produce mainly antibiotics. (September 27, 2001)

**Meyer-BPC** is licensed to produce pharmaceuticals in Ben Tre Province in Vietnam for local sale and export. The US\$1.5m JV involves **Ben Tre Province Pharmaceutical Company** and **Meyer Pharmaceuticals (Hong Kong)**. (September 27, 2001)

The Vietnamese subsidiary of Switzerland's **Zuellig Pharma**, the first foreign company to obtain a license to engage in direct pharmaceutical imports, has lost its right to do so under a new Government decision. The decision, issued by the Government Office, states that it is only allowed to import medicines in cases for which it is vested with the power to do so by domestic trading companies for distribution. Zuellig is also forbidden from retail sales or establishing sales agents. The company will only be entitled to sell drugs to domestic companies with legal pharmaceutical trading status. Only a few domestic state-owned enterprises managed by the Ministry of Health are permitted to engage in pharmaceuticals trading. (August 1, 2001)

To submit stories to future editions of the *Asian Health Newsletter* please contact Kathleen Ng on (65) 533-8500 or via email at [kng@bdallc.com](mailto:kng@bdallc.com).

## REGIONAL

**Mayne Nickless** of Australia, the healthcare and logistics group, successfully acquired 97.43% of Adelaide-based pharmaceutical company, **F H Faulding & Co**, after the official bidding period closed on October 2, 2001. Under takeover rules, Mayne Nickless can now move ahead and purchase any remaining share in Faulding. Mayne will also

move ahead with the sale of Faulding's international operation, which includes the sale of the US-based oral drugs division to **Alpharma** for US\$660m. Mayne has also struck a deal to sell Faulding's Israel-based injectables business to Israel-based **Teva Pharmaceuticals** for US\$365m. After the payment of debt, these sales will leave Mayne Nickless with about US\$1bn in cash to launch further acquisitions, possibly within Southeast Asia. (October 4, 2001)

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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 the relevant office.

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