

ASIAN HEALTH NEWSLETTER

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INTRODUCTION

We hope you find the *Asian Health Newsletter* informative.

BDA is a corporate finance and strategic advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have office and professional staff throughout Asia, and in the US and Europe.

BDA has focused on the Healthcare sector since our founding in 1996 and is well placed to assist clients from our offices in New York, London, Tokyo, Seoul, Shanghai and Hong Kong.

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Paul DiGiacomo
Director

CHINA/HK

American Oriental Bioengineering Inc (AOBO), a Chinese company that produces and distributes pharmaceutical and nutraceutical products, signed a letter of intent to acquire **Heilongjiang Qitai Pharmaceutical Limited ("HQPL")**, a Chinese distributor of pharmaceuticals. AOBO will invest RMB4m (US\$0.45m) to acquire RMB4.5m (US\$0.5m) worth of HQPL's net assets, including a pharmaceutical wholesale and a retail network that covers the entire country of China, an HQPL pharmaceutical retail distribution license and a Chinese herbal and GSP certified medicinal material wholesaler. (May 7, 2005)

BioVeda Capital, a Singapore based venture capital firm, will cooperate with **Temasek Holdings** and several other institutional investors to launch a US\$40m investment fund focused on the biotech and healthcare sector in China. The fund will invest a minimum of US\$5m into 3-5 companies to provide expansion capital and management expertise. Other investors participating in the fund include **HBM BioVentures (Cayman) Ltd** and **International Finance Corp ("IFC")**, the World Bank's private sector arm. A group of Chinese institutional investors, including the **Pudong New Area Government**, will also contribute US\$5- US\$10m to the fund. (June 1, 2005)

The Centre for Clinical and Basic Research ("CCBR"), a Denmark-based company, announced that it will invest US\$10m to establish a clinical research centre and international central laboratory

pharmaceutical firms according to internationally accepted standards. (May 23, 2005)

Country Heights Holdings Bhd (“CHHB”), one of the leading property developers in Malaysia, plans to establish a JV company in China. CHHB managing director, Tan Sri Lee Kim Yew, identified agriculture and pharmaceuticals as target sectors for the company’s investment in the country. CHHB had invested in China many years ago but elected to exit early due to problems with its local partner. CHHB has already initiated negotiations with several companies in China for possible partnerships. (May 25, 2005)

Guangzhou Pharmaceutical Holdings Ltd, the largest domestic pharmaceutical firm in Southern China, reported RMB4.8bn (US\$580m) of revenue for the first 4 months of 2005, an increase of 21.6% over the same period last year. Net profits increased 43% to RMB193m (US\$23m). The company became the industry leader, ranked by sales, in the beginning of this year, outpacing several large pharmaceutical enterprises. (May 13, 2005)

Haw Par Pharmaceutical Holdings (“Haw Par”), a subsidiary of **Haw Par Corporation**, will buy a 20% stake in **Hua Han Bio-Pharmaceutical Holdings (“Hua Han”)**, a Hong Kong listed company, for HK\$161.9m (US\$20.7m) in cash. Hua Han is engaged in R&D, manufacturing and sales of both Chinese and Western pharmaceutical products such as naturally-sourced anti-tumor medicines. (June 5, 2005)

Hutchison Whampoa Ltd announced an investment of RMB345m (US\$41.7m) to establish a 50:50 JV with **Guangzhou Baiyunshan Pharmaceutical Stock Co Ltd**. The new JV, named **Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co Ltd**, will contribute to the development and commercialization of traditional Chinese herbal medicine. Hutchison already has a US\$26m partnership with China’s oldest medicine firm, **Beijing Tong Ren Tang Technologies**, and has also set up a manufacturing and distribution venture in **Shanghai Traditional Chinese Medicine**. (May 17, 2005)

MOSS Institute, a Japanese pharmaceutical company, formed a JV in China with **Beijing Union**

Medical & Pharmaceutical General Co for clinical trials and related activities. The new JV company, **Union Clinical Research Services Co**, is capitalized at Y100m (US\$1m) with 90% ownership held by MOSS and the remainder held by Beijing Union Medical & Pharmaceutical General. The JV will conduct and coordinate clinical trials and post-marketing research mainly for Peking Union Medical College Hospital and its affiliated hospitals. (June 01, 2005)

Parkway Holdings, the Singapore-based healthcare group operating the Mount Elizabeth and Gleneagles Hospitals, will contribute US\$5m to form a JV with **Shanghai Huashan Health Development**. The new JV will be named **Shanghai Gleneagles Huashan International** and will provide hospital management and consulting services, as well as sell pharmaceutical and medical products in China. (May 30, 2005)

Pfizer, the world’s largest research-based pharmaceutical company, has expanded the scale of its R&D investment in China. The company has invested more than US\$500m in China since the 1980s, introducing at least 40 types of drug to the Chinese consumers. During next 5 years, it will launch 20 more new drugs in China. R&D investment accounted for 14% of revenues last year. (May 18, 2005)

Quintiles Laboratories Asia (“QLAB Asia”), a subsidiary of **Quintiles Transnational Corp**, will introduce improved central laboratory services in China in cooperation with **Peking Union Medical College Hospital (“PUMCH”)**. QLAB Asia is one of the leading pharmaceutical development central lab service providers in Southeast Asia and has completed over 150 Phase II and III studies. Through the plan, specimen management and analytical testing service in China can be improved by instituting Quintiles’ processes. (June 02, 2005)

Sanjiu Medical and Pharmaceutical Co Ltd (“SM&P”), a leading medical and pharmaceutical company in China, announced the sale of a 38.11% stake in **Sanjiu Yigong Biopharmaceutical and Chemical Inc (“SYB&C”)** for RMB200m (US\$24m) to a Shanxi-based private enterprise **Zhenxing Group** and an individual named **Ren Yantang**. SM&P has completed the transfer of

the 38.11% stake to Zhenxing Group and to Ren, and no longer holds shares in SYB&C. (May 15, 2005)

Stada, a German generic pharmaceuticals group with net profit of E60m (US\$74m), acquired a 58% stake in **Beijing Center-Lab Pharmaceutical Company**. According to Stada, the Chinese company, which was founded in 2002, distributes a portfolio of 10 products for the OTC market and generated revenue of E2.5m (US\$3m) in 2004. (May 12, 2005)

Wuhan Institute of Virology will invest RMB120m (US\$14.5m) to construct China's first P4 laboratory in Jiangxia District in Wuhan City. This project is endorsed by the Development and Reform Commission ("SDRC"). A P4 laboratory is a 4-grade biological safety laboratory dedicated to the research of acute infectious diseases. (May 19, 2005)

INDIA

Actavis Pharma of Iceland is acquiring **Emcure Pharmaceuticals**, based in Pune, as part of its Indian expansion plan. The company is also considering three other firms in India as acquisition targets. Actavis already has a strategic alliance with Emcure for sourcing products and plans to add two more products to the existing contract. Actavis also acquired **Lotus Lab** of Bangalore, a contract research organization, for E20m (US\$24.5m) in early 2005. (May 21, 2005)

Dishman Pharmaceuticals and Chemicals Ltd ("DPCL"), based in Ahmedabad, will set up a US\$100m JV with **Arab Company for Drug Industries and Medical Appliances** ("ACDIMA") to manufacture, market and export 20 APIs to Arab countries. ACDIMA will hold a 51% stake in the JV and DPCL the remaining 49% stake. DPCL will provide the technology and engineering support to manufacture various APIs. The project will be financed 50% by the Saudi Arabia based Capital Advisory Group and another 25% through bank loans. (May 3, 2005)

Hinduja Group, a leading Indian business conglomerate, will open a 100-bed hospital in Mumbai and also acquire a bulk drug company in Hyderabad. Sanjay Hinduja, Co-Chairman of Hinduja Group, indicated that the group is working to expand its business in India, Middle-East, Africa and South-East Asia and is seeking additional acquisition opportunities within the country and abroad. (May 30, 2005)

India's Matrix Laboratories and South Africa's **Aspen Pharmacare** formed a JV, which allows both companies to hold cross ownership in two pharmaceutical manufacturing units. The deal offers Matrix access to the South African market, while Aspen gains supplies of APIs. Matrix purchased a 50% stake in **Fine Chemicals Corp**, a wholly-owned subsidiary of Aspen, with annual sales of US\$23m and an API manufacturing plant in Cape Town that is US FDA approved. Fine Chemicals has customers in the US, Europe and Africa. Matrix also acquired a 60% stake in China-based **MCHEM Pharma Group** and its four associated companies. The main objective of the Chinese investment is to create a fully-integrated and cost-effective pharmaceutical manufacturer and strengthen Matrix's presence in China. (April 27, 2005)

Malladi Drugs and Pharmaceuticals, a large Chennai-based manufacturer of ephedrine and pseudo-ephedrine salts, has acquired US-based **Novus Fine Chemicals** for Rup1bn (US\$23m). The acquisition enabled Malladi to consolidate its position in the bulk drug segment. Pseudo-ephedrine is a controlled substance in India which is not able to be freely exported to the US. The acquisition will give Malladi a front-end presence in the controlled market so it can export drug intermediates in the uncontrolled version which can then be converted in a bulk drug plant in the US into a finished product. (May 10, 2005)

Pharm-a-Care Laboratories Pty Ltd, an Australian pharmaceutical company, entered into a development and supply agreement with **JB Chemicals & Pharmaceuticals Ltd**, an Indian pharmaceutical company. The companies will jointly develop and manufacture products including tablets and lozenges in various OTC therapeutic

segments, particularly the cough, cold and flu area, which will be exclusively marketed by Pharm-a-Care in Australia. (May 4, 2005)

The **Ras Al Khaimah Investment Authority**, a new Government led organization in Ras Al Khaimah, UAE, signed a memorandum of understanding with the **Sajar Medical Group of India** to establish a College of Medicine in RAK with a total investment of US\$27.5m. The college will begin operations in September 2005. (May 31, 2005)

Zydus Cadila, a major Indian pharmaceutical producer, established a 50:50 JV with the **Mayne Group** of Australia to manufacture generic injectable cytotoxic (anti-cancer) medicines and active pharmaceutical ingredients for global markets. Under the agreement, the two companies will equally share the investment and validation costs for a manufacturing facility to be set up in Gujarat. (May 23, 2005)

will be to focus resources on four major products: *Amlodin* (amlodipine), *Gasmotin* (Mosapride citrate), *Propenal* (limaprost alfadex) and *Meropen* (meropenem). In the medium-to-long term, Dainippon Sumitomo Pharma will seek to develop treatments in the central nervous system diseases and diabetes therapeutic segments. (May 19, 2005)

Glenmark Pharmaceuticals, the Switzerland-based subsidiary of **Glenmark Pharmaceuticals Ltd**, entered into US\$53m deal with **Teijin Pharma** of Japan to license its asthma and chronic obstructive pulmonary disorder drug. The drug GRC 3886 is a novel PDE4 inhibitor, orally available, discovered by Glenmark. (April 28, 2005)

Omron Corporation, Japan's largest medical control components and systems manufacturer, will acquire 100% of **Colin Medical Technology Corporation** from the US-based private equity firm **Carlyle Group** and other stockholders. Through this acquisition, Omron Healthcare will own CMT's medical device business such as bio-information monitors, inpatient blood pressure monitoring devices and vascular screening devices, in addition to Omron Healthcare's home healthcare products. The new company will offer a wide variety of medical devices for use in operating rooms, hospitals, and homes, and anticipates creating a new market by connecting medical workplaces and patients' homes. (May 12, 2005)

Sankyo Co and **Daiichi Pharmaceutical Co** are planning for their merger in order to speed up the development of their operations abroad. The companies plan to focus on their pharmaceutical businesses and will divest non-pharmaceutical operations from the group. Sankyo will divest its subsidiaries including baby food maker **Wakodo Co**, **Fuji Flour Milling Co** and **Sankyo Agro Co**. from the consolidated business. **Daiichi Pharmaceutical** also plans to shrink its non-pharmaceutical operations. In 2009, the combined team of medical representatives in the U.S. should exceed 1,600. The increased ranks of medical representatives will aid sales of such products as CS-747, a myocardial infarction preventative drug for which Sankyo is currently carrying out clinical trials in the U.S. (May 18, 2005)

JAPAN

Astellas Pharmaceutical Co Ltd, Japan's second-largest drug maker created by the merger in April by **Yamanouchi Pharmaceutical Co Ltd** and **Fujisawa Pharmaceutical Co Ltd**, has announced that it will focus on prescription drugs instead of its medical products business. The company will stop selling reagents used in both R&D and generic analysis and transfer these operations to **Becton Dickinson & Co's** Japanese unit and **Abbott Laboratories Inc's** Japanese subsidiary, respectively, by the end of September 2005. (May 17, 2005)

Dainippon Pharmaceutical and **Sumitomo Pharmaceuticals** jointly announced that they have agreed on details of their upcoming merger scheduled for October 1, 2005. The merged company aims to generate Y280bn (US\$2.6bn) in sales and Y50bn (US\$467m) in operating profits in 2007. The marketing strategy of the new company

Takeda Pharmaceutical Co invested US\$280m to acquire U.S. biotechnology firm **Syrrx Inc**, establishing its first overseas laboratory named **Takeda San Diego**. This is Takeda's third research center, which is expected to improve the company's global product development capabilities. Takashi Soda of Takeda indicated that Syrrx had developed leading technology in the analysis of protein structures, which allows the company to conduct research more efficiently. (May 23, 2005)

KOREA

Joseph Kim, a Korean-American scientist, discovered an innovative medicine for HIV treatment and plans to establish a JV and build a raw material plant in South Korea. He will produce raw materials of VGX-410 as well as VGX-820, a new drug for treating the hepatitis C virus. VGC-410 is being tested on 53 people infected with HIV and clinical results are expected in August. The testing of VGX-820 has already concluded and indicated that the new drug blocks early production of viral proteins. (April 27, 2005)

Nippon Shinyaku Co, a Japanese drug maker, granted exclusive South Korean sales rights to a local unit of **Kirin Brewery Co** for products to treat relapsed or refractory acute promyelocytic leukemia ("APL"). **Jeil-Kirin Pharmaceutical Inc**, a Korean subsidiary of Kirin Brewery, plans to launch the agent, called *Trisenox*, in South Korea in 2006. The number of sufferers of APL is estimated at between 500 and 700 in Japan and about 300 in South Korea. (June 1, 2005)

MALAYSIA

Chemical Company of Malaysia Bhd ("CCM"), a subsidiary of **Permodalan Nasional Bhd ("PNB")**, is seeking new pharmaceutical

acquisitions in order to increase its healthcare business by the end of 2005. The company manufactures fertilizers, chemicals and pharmaceutical products, of which fertilizers and chemicals comprise 80% of revenue. Mohd Hasim Tajudin, CCM's group managing director, indicated that the company plans to boost its pharmaceutical revenue contribution to 40% from 20% in 2005 and foresees better long-term potential from the pharmaceutical business. (May 20, 2005)

FABER Group Berhad, a Malaysian property development and property management group, plans to expand its healthcare business overseas by using its expertise in bio-medical engineering ("BME"), which offers higher margins compared to other services such as cleansing, and clinical waste management services offered. The group is targeting private hospitals in Thailand and Vietnam, and those in West Asia. (May 5, 2005)

Watson's Personal Care Stores Sdn Bhd, the Malaysian unit of Hong Kong-based **A.S. Watson**, also a wholly-owned subsidiary of **Hutchison Whampoa Limited**, announced the successful acquisition of **Apex Pharmacy Sdn Bhd** for RM12.2m (US\$3m) from **Apex Healthcare Bhd**, a Bursa Malaysia main board-listed company. Watson's takes over 20 Apex Pharmacy stores nationwide and inherits 35 counters trading under the "Apex" brand. (May 31, 2005)

SINGAPORE

Inzign, a precision engineering firm, which produces parts and components for medical devices, received S\$7m (US\$4m) in funds from venture capital firms **JAFCO Investment** and **Rothschild Ventures Asia**. The new capital injection will allow the company to boost its manufacturing capabilities for its first biotechnology facility in Singapore. The manufacturing plant will produce a drug delivery device to fulfill a contract for a leading international pharmaceutical company. The plant marks **Inzign's** initial entry into the biomedical device sector. **Newbridge Capital** and its affiliate firm, **TPG-Axon**

Capital, will buy a 26% stake in Singapore-based hospital operator **Parkway Holdings** for S\$312m (US\$186.5m). Newbridge is the Asian arm of the director, Tim Dattel, indicated that Parkway is the key player serving the growing regional demand for healthcare services. Newbridge has US\$1.7bn worth of assets under management in Asia. The private equity company has investments in companies including Bally, Burger King, Del Monte, Ducati, Lenovo and Shenzhen Development Bank. (May 26, 2005)

THAILAND

Philips, the Japanese consumer electronics player, plans to develop its medical systems marketing capability in the Asia-Pacific region including Thailand to take advantage of the growing wealth and healthcare market. Medical systems was the second largest revenue-generator for Philips in 2004, with sales totaling E5.884bn (US\$7bn) or 20% of total company sales. (May 20, 2005)

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ABOUT BDA

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