

# ASIAN HEALTH NEWSLETTER

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## CONTENTS

INTRODUCTION .....	1
CHINA/HK .....	1
INDIA .....	2
INDONESIA .....	3
JAPAN .....	3
KOREA .....	5
MALAYSIA .....	6
TAIWAN .....	6
VIETNAM .....	7

## CHINA/HK

**China Insurance Regulatory Commission (CIRC)**, the mainland's insurance watchdog, is assessing the feasibility of opening up group medical insurance to foreign companies, reported China Daily. Chen Wenhui, director of the Life-insurance Department of the CIRC, said Chinese insurance companies are not adequately specialized in group medical insurance to meet the needs of the country's huge population. The government is aggressively tapping the huge potential of commercial medical insurance to supplement the its "basic" medical insurance system. The commission is also examining the necessity and feasibility of establishing specialist medical insurance companies. Life insurance firms are currently the sole provider of commercially medical insurance in China, but an amendment in October 2002 to the Insurance Law has allowed property insurers to enter the burgeoning business. (November 5, 2002)

**Biometrics Technology Ltd**, a unit of Hong Kong-listed **MAXX Bioscience Holdings Ltd**, will take over **Joy Route Development Ltd** from **Monaco International Group Ltd** for HK\$40m (US\$5.1m). Joy Route owns a 70% stake in **Best Express Worldwide Ltd** and the two companies are engaged in the research and production of drugs for cardiovascular and cerebrovascular diseases. (October 3, 2002)

**Elizabeth Arden Inc**, a global manufacturer and marketer of prestige beauty products, has appointed Hong Kong's **Sa Sa International Holdings Limited (Sa Sa)**, as sole agent in Hong Kong and Macau effective from October 2002. Sa Sa is a leading beauty & health products and services

## 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

provider in Asia. Under the alliance, Elizabeth Arden products will be available at Sa Sa's 33 stores in Hong Kong and Macau, as well as all Elizabeth Arden department store counters under Sa Sa's management. The products will also be used and retailed in Sa Sa's three Phillip Wain Spa clubs and Sa Sa Beauty salons in Hong Kong. A standalone Elizabeth Arden boutique will also be launched within a year. (October 11, 2002)

**Gaoxin Hospital**, believed to be the largest Sino-foreign joint medical venture in China, opened for a trial operation recently in Xi'an, capital of northwest China's Shaanxi province. The hospital has a registered capital of RM700m (US\$84m), jointly funded by **Success Harbor International Ltd** of the UK and Xi'an-based **Shenxin Risk Investment Co Ltd**. More than 200 Sino-foreign hospitals have been established around China since it allowed foreign firms to cooperate with domestic medical organizations in 1989. (November 1, 2002)

**Medicine Shoppe**, the world's largest franchise drug store company and the fifth largest drug chain in the US, has entered into a cooperative agreement with **Shenzhen Nep-Star Medicines Company**, and US-based investment firm **Pacific Gateway Capital LLC** on the establishment of a JV, **Medicine Shoppe China Franchise Co** in Shenzhen. This marks the landing of the first internationally renowned chain brand in the China market. The Medicine Shoppe China Franchise Co owns the exclusive right of franchising both in Mainland China and Hong Kong. (November 8, 2002)

**Pfizer Consumer Healthcare**, part of US-based pharmaceutical major **Pfizer Inc**, intends to open a consumer healthcare business in China in 2003. It will use its *Listerine* mouthwash as the flagship brand to enter the market, and will supply it from its factory in Thailand. Pfizer's regional headquarters in Singapore is considering several ways to establish a presence in China - enter into a JV with a local investor, set up a wholly owned subsidiary, or contract production to a local mouthwash manufacturer. In the long term, the company intends to set up its own mouthwash factory in China. Pfizer will also open a consumer healthcare business in South Korea in two years. (October 30, 2002)

**Shanghai Sine Jinzhu Pharma** will commence the contract manufacturing of *Mucosolvan* (ambroxol

HCl) for **Boehringer Ingelheim (BI)**. BI intends to move the production base of its injection drugs sold in the mainland from Spain to China. *Mucosolvan* is the first such product. (November 25, 2002)

**Taita Pharma**, a Chinese health supplements and pharmaceutical drug manufacturer, will establish a gene-engineering JV with US-based **Forestgenix Company**. The new company is focused on the screening of specific genes for certain human diseases, R&D, production and sales of genetic engineering drugs and diagnostic reagents. Forestgenix is a research firm with strengths in bioinformatics, bioengineering, data processing and statistical analysis. (November 25, 2002)

The chairman and largest shareholder of Hong Kong-based **Quality Healthcare Asia**, Brian O'Conner, has sold his 28.5% stake for approximately HK\$142m (US\$18.2m) to a firm wholly owned by brokerage firm **Sun Hung Kai & Co**. The second-largest shareholder of the listed medical services firm will be **CLSA Capital**, with 15.8% stake. Sun Hung Kai revealed that the acquisition is in line with its diversification strategy, where the healthcare sector has been identified as a potential growth area. Upon completion of the sale, Brian O'Connor will remain as non-executive chairman and a director of the company. (November 19, 2002)

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## INDIA

**Astra Pharmaceuticals AB** of Sweden, along with its holding company **AstraZeneca AB**, has made an open offer to acquire another 12.8% stake in **AstraZeneca Pharma India Ltd** for approximately US\$5.0m. The offer, which opened on November 7, 2002 and closes on December 6, 2002, was not conditional on any minimum level of acceptance by the shareholders. Astra Pharmaceuticals, which had previously increased its stake in the Indian entity from 56.5% to 87% through an open offer of an approximate US\$11.7m, aims to increase its holding in the entity to 100% in line with AstraZeneca AB's global practice of fully owning all operating units. (October 3, 2002)

**Baxter India** has commenced operations at its US\$7.5m greenfield plant in Manesar, which manufactures Continuous Ambulatory Peritoneal Dialysis therapy systems and intravenous (IV) fluids in viaflex bags. The plant has an annual capacity of 3.3 million CAPD bags. Baxter had also recently bought over the IV fluid business of **Wockhardt Lifesciences** and operates their two plants, one each in Waluj and Alathur. (November 18, 2002)

**Fresenius Medical Care** of Germany has made a quiet entry into India's home dialysis systems market. Fresenius, which deals in dialysis products including hemodialysis machines, dialyzers and related disposable products and also runs a network of dialysis clinics in US, has appointed four distributors to import the peritoneal dialysis systems in India. Fresenius is likely to use its manufacturing facility in Bangkok as a sourcing hub for India. (November 18, 2002)

**Ranbaxy Laboratories** is open to acquiring brands or forming strategic alliances in the OTC segment and is evaluating some proposals, revealed Atul Malhotra, Head - Ranbaxy Global Consumer Healthcare (RGCH) and Director - Middle East during the launch of Ranbaxy's consumer health division. Ranbaxy will also unveil its herbal division in 2003, and expects to launch its biotechnology products by December 2002. (October 2, 2002)

**SC Johnson**, the US consumer products company, will acquire the consumer care business of **Bayer India**, which includes the *Baygon* insect killer brand and its marketing rights. (October 29, 2002)

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## INDONESIA

**PT Darya Varia Laboratories (DVL)**, an Indonesian pharmaceutical firm, has sold 70% of its wholly-owned pharmaceutical distribution subsidiary, **PT Wigo Distribusi Farmasi**, to **Zuellig Pharma Holdings Ltd**. DVL repaid a debt of US\$6.3m using funds from the sale, reducing its remaining debt to US\$3.6m. (October 3, 2002)

Indonesia's State Enterprises Ministry privatization deputy, Mahmuddin Yasin, said the government will announce the winning bidder of its 51% stake sale in **PT Indofarma** in early December 2002. The government has shortlisted four bidders for Indofarma's divestment, including **Korindo Group**, **Washington Soul Pattinson**, **Sunny Corp** and the **Kimia Farma consortium**. He said the government will sell Indofarma at a premium of 30% above the market price. (November 22, 2002)

The privatization of **PT Kimia Farma**, which is 90% owned by the Indonesian government, would be put on hold until 2Q 2003 at the earliest, according to the company's Finance Director Syamsul Arifin Kimia. The company is revising its 2001 earnings report, and preparing an operational restructuring plan. In addition, the government launched the sale of its 51% stake in Indofarma in August 2002, and will not be able to sell both Indofarma and Kimia Farma this year. **United Laboratories Inc** of the Philippines and **STADA Arzneimittel AG** of Germany were previously reportedly to be interested in acquiring a majority stake in Kimia Farma. (October 9, 2002)

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## JAPAN

**Ajinomoto Co** will acquire two parenteral fluid firms belonging to the **Suzuyo & Co** group. The acquisition targets are **Shimizu Pharmaceutical Co**, which has the third-largest share of the domestic market for parenteral fluids with recorded fiscal 2001 sales of ¥20.2bn (US\$163.6m), and **Shimizu Medical Co**, a specialist in dialysis-use fluids with fiscal 2001 sales of ¥1.5bn (US\$12.2m). Ajinomoto will rank second in the domestic parenteral fluid market after the completion of the deals. (October 29, 2002)

**Bayer Yakuin Ltd**, the Japanese unit of **Bayer AG**, and **Meiji Seika Kaisha Ltd**, will cooperate in the production and sale of OTC drugs and health care products, including foods and nutritional supplements. Meiji Seika will be given first rights

to sell products imported or produced by Bayer Yakuin. In particular, Meiji Seika will be allowed to sell Bayer Yakuin's *Bayclear Plus* athlete's foot remedy from January 2003. Currently, Eisai Co has the right to market *Bayclear Plus* until the end of 2003, but this contract will be terminated one year early. (October 31, 2002)

**Hoya Corp**, the second-largest worldwide eyeglass manufacturer behind **Essilor International** of France, is considering the possibility of acquiring a foreign eyeglass manufacturer with high profitability, revealed Hoya's President Hiroshi Suzuki to The Nikkei Financial Daily. Hoya is now evaluating four potential candidates. The largest of these candidates would cost up to ¥70bn (US\$570m) to acquire, and the smallest is worth approximately ¥3bn (US\$24m). Hoya also plans to scale back its unprofitable divisions, and has decided to sell a portion of its medical and research laser operations. (November 5, 2002)

**Meiji Seika Kaisha Ltd**, a Japanese confectionery maker also strong in the production and marketing of antibiotics, will regain its right to manufacture and sell an antibiotic drug, cefditoren pivoxil, in Canada and the US from **TAP Pharmaceutical Products Inc (TAP)** by the end of June 2003. TAP is a 50:50 JV between Takeda and major US drug maker **Abbott Laboratories**. TAP has decided to terminate the contract with Meiji Seika due to a change in business strategy. Meiji Seika is in discussions with several candidates to undertake the operations in Canada and the US after the contract with TAP ends. (November 1, 2002)

**Nippon Boehringer Ingelheim Co (NBI)** obtained manufacturing and import approval in Japan for *Micardis*, a new oral therapy for hypertension. *Micardis* will be co-promoted by NBI and **Yamanouchi Pharmaceutical Co**, and will be distributed by Yamanouchi. (October 22, 2002)

**Nippon Kayaku Co** has signed a development and marketing agreement with **GlaxoSmithKline Plc (GSK)** for the *Hycamtin* anti-tumor injection drug used to treat small-cell lung cancer. From February 2003, Nippon Kayaku will gain rights to market the drug in Japan. GSK already markets *Hycamtin* in Japan, but sales have been slow. The two firms will also conduct clinical trials to widen the indications for *Hycamtin* to include the treatment of ovarian

cancer. (November 13, 2002)

**Itochu Corporation** has formed an alliance with **CellExSys**, a subsidiary of US-based gene therapy company **Targeted Genetics**. CellExSys develops cell therapies for treatment of infectious diseases and cancers. Itochu and CellExSys will establish a business entity in Japan to develop, manufacture and sell cell therapy products by applying CellExSys' proprietary technologies. Itochu seeks to develop itself in the Japanese cell therapy/regenerative medicine market, which is estimated to reach a size of US\$2.5bn in 2010. (October 9, 2002)

The European subsidiary of **Sankyo Co** will buy **Laboratoires Pharmaceutiques Fornet SAS (Fornet)** of France for Euro30m (US\$29.6m). Fornet, which has about 87 medical representatives, will focus on the sale of Sankyo's olmesartan medoxomil hypertension remedy. The acquisition will give Sankyo its first full-fledged business unit in France, filling out a network that already has 11 arms in Europe, including Germany, Italy and the UK. (October 18, 2002)

**SC BioSciences Corp**, a subsidiary of **Sumitomo Corp**, has teamed up with **Proteom** of the UK and US-based **Isis Pharmaceuticals Inc (Isis)** to offer a drug candidate exploratory service to Japanese pharmaceutical companies. Proteom has the bioinformatics technology to quickly deduce the three-dimensional structure of proteins, while Isis possesses a technology for blocking the translation of genes into their protein products. SC BioSciences will work with Proteom to conduct detailed analysis of protein data on behalf of drug companies, comparing structures and looking for substances that can block the activity of disease-causing proteins. It will work with Isis to determine the functions of genes and create substances that can inhibit the activity of disease-related genes. (November 8, 2002)

**St Jude Medical** of the US has launched their cardiological products and angiography catheters in the Japanese medical equipment market. St Jude Medical is also planning to acquire **Getz Bros Co Ltd**, a Japan-listed company and the largest distributor of St Jude Medical's products in the country. St Jude Medical has a strong presence in Japan through its mechanical heart valves and diagnostic electrophysiology catheters. (November 12, 2002)

**Tanabe Seiyaku Co Ltd** and **ALTANA AG** of Germany will collaborate in the development and commercialization of ALTANA's investigational new drug *Roflumilast* for the treatment of respiratory diseases, including asthma and chronic obstructive pulmonary disease in Japan. (November 15, 2002)

**Tanabe Seiyaku Co Ltd** will collaborate with **Novartis Pharma AG** on worldwide research, development and commercialization of its LFA-1 antagonists. Tanabe and Novartis had previously jointly developed Novartis' HMG-CoA reductase inhibitor, *Fluvastatin* and sold it as an agent for treating hypercholesterolemia in 1998. Tanabe expects the mature partnership to contribute to the acceleration of the global development of the small molecule LFA-1 antagonists. (October 18, 2002)

**Terumo Corp** of Japan will purchase UK-based **Vascutek Ltd**, a subsidiary of Swiss **Centerpulse Ltd** for US\$170m. Vascutek held a 20% share of the global synthetic vascular prosthetics market in 2001 with sales of US\$40.6m. It has also recently taken the number one position for the supply of polyester woven and knitted vascular grafts in the Japanese market. (October 7, 2002)

The Japanese market has been a particularly difficult market for **Bayer AG**, the German chemicals and pharmaceuticals conglomerate. It does not have any new products in 2002 and was severely damaged by the withdrawal of *Lipobay/Baycol*, a top-selling anti-cholesterol drug, 15 months ago. The withdrawal triggered a restructuring of the group, which is now in search of a partner for its ailing healthcare business. Bayer has recently dropped its insistence on majority control in any such partnership, but has given no indications of when, or with whom, a deal might be reached. Japan is one of Bayer's most important prescription drugs markets worldwide but it is ranked 24th in the Japanese pharmaceutical industry rankings. Bayer intends to maintain strong investments in the Asia-Pacific region, from which it expects to generate

To submit stories to future editions of this newsletter, please contact Kathleen Ng in Singapore on 65.6339.9500 or [kng@bdallc.com](mailto:kng@bdallc.com).

one-quarter of total group sales in the medium term. (November 26, 2002)

Japan's health ministry is set to drastically ease its regulations on the domestic OTC drug market in fiscal 2003 to encourage sales of a wider range of medicines at drugstores. It will also approve the application of a wider variety of prescription drug ingredients for OTC medicine, and expand its examination system for so-called switch OTC drugs that contain ingredients of prescription pharmaceuticals. The latest move will expand the scope of OTC drugs to include those aimed at preventing illness and treating chronic diseases, and may encourage manufacturers to develop more effective medicines. The domestic OTC drug market has stagnated with a production value of an estimated ¥800bn (\$6.6bn) in 2000, just 13% of the total market. The ministry hopes that deregulation will help boost that to at least 20%, the level seen in Europe. (November 8, 2002)

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## KOREA

**Dairy Farm International Holdings Limited** of Hong Kong has entered into a 50:50 JV with Korea's **CJ Corp** to own and operate the **Olive Young**, a health and beauty chain established in 1999 with five stores in Seoul. Dairy Farm will invest an initial US\$5m in the JV, funded from its existing cash resources. The new JV is scheduled to commence operations before the end of 2002. Olive Young's products range from cosmetics, personal and health care to general merchandise and in-store pharmacy concessions. (October 4, 2002)

**LG Life Sciences Ltd** of Korea has formed a strategic partnership with **GeneSoft** of the US, where the latter will have an exclusive right to sell LG's newly developed antibiotics *Factive* to the US and European markets. GeneSoft will be required to pay US\$40.5m in license fee and sales commissions to LG. LG has become the second largest shareholder of GeneSoft with a 14% stake. The companies expect to market the new drug in 2003, after obtaining an approval from the US FDA. (October 22, 2002)

**Siemens** will set up a 51:49 JV with **Prosonic Co** of Korea, with the former taking a majority stake. The JV will manufacture ultra sound transducers as soon as from December 2002. Initial capital for the investment is US\$5m, with assets totaling US\$15m. Under the agreement, Prosonic will supply Siemens with ultra sound transducers manufactured by the new production entity. Siemens has plans to aggressively expand its base in the Asian market. (November 11, 2002)

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## MALAYSIA

**Diethelm Holdings (Malaysia) Bhd (DHM)**, a healthcare and consumer products trading house in Malaysia, expects its proposed RM50m (US\$13.2m) acquisition of consumer goods distributor **EAC Holdings (Malaysia) Sdn Bhd** to boost its turnover by 60% to some RM2bn (US\$526.3m). The proposed acquisition, expected to complete by 1H 2003, will allow DHM to emerge as the largest consumer goods distributor in Malaysia. DHM is a 51%-owned subsidiary of Switzerland-based **Diethelm Keller SiberHegner Holdings Ltd.** (October 30, 2002)

**Duopharma Biotech Bhd** of Malaysia has commenced talks with **Baxter International** of the US on the possibility of setting up a JV to manufacture and market Continuous Ambulatory Peritoneal Dialysis in Malaysia and Southeast Asia. Duopharma expects to launch the new product in the market in 2005. (November 18, 2002)

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## SINGAPORE

Healthcare group **Becton Dickinson** and **John Hopkins Singapore** have set up Singapore's first corporate biomedical incubator, **BioVenture Centre**, to seed medical technology and biotechnology start-ups. Bioventure Centre will provide start-up companies with full technical and business support. Its services will include

technology assessments, assistance with business plan development and product conceptualization. It will also help with providing interim management and obtaining finance. The partnership's first venture is **Promatrix Biosciences**, a company that develops bio-functional polymers for use in cell culture and tissue engineering. It is Becton Dickinson's first such operation outside the US. (October 26, 2002)

**PharmaLogicals Research (PLR)** of Japan will pump US\$80m over the next three years into research on drugs specifically for battling cancer and other diseases in Asians, through its facility in Gleneagles Hospital, Singapore. PLR will be collaborating with institutes in Japan, Singapore, China and South Korea to make drugs and diagnostic systems for the Asian population. PLR is a JV between **Chugai Pharmaceuticals** and **Biostar Research**, the Singapore subsidiary of trading giant **Mitsui**. (November 26, 2002)

**Schering-Plough** plans to build a new plant in Singapore, which will cost approximately US\$200m, by 2005. This is in addition to the US\$465m expansion plan announced in 2000, which included four new plants at the Tuas Biomedical Park in the Republic. Two of these plants, **Biotech Sterile Manufacturing Facility** and **Tablet Facility**, which cost US\$225m in total, were officially opened a day before the new announcement. The first plant will produce the company's hepatitis C drug *Pegintron*, and its arthritis drug *Remicade*, while the second plant will produce *Zetia* - the new cholesterol-fighting drug which was recently approved, and slated as a key driver of growth for the company. The latest plant to be built will produce *Ezetimibe*, the active ingredient for *Zetia*. Schering-Plough already has two plants in Singapore, one built in 1997 and the other in 1999. (November 6, 2002)

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## THAILAND

**Boots Retail (Thailand)**, the local unit of the UK-based beauty and pharmacy chain **Boots Retail International**, has adopted a new expansion strategy in Thailand where it will open 'implants' within other established retail outlets such as

**Watson's, Tops Supermarket and Robinson Department Store.** Boots has already opened four implants - selling only Boots brand products - in Watson's stores. Thailand has become the third country following Taiwan and Hong Kong in which Boots has opened implants in Watson's stores. (October 29, 2002)

open in Ho Chi Minh City early 2003. The centre - developed by **Far East Medical HK Limited**, consists of 23 departments, 200 beds and nine operation and emergency rooms. The new hospital will offset the lack of high-quality hospitals in the city and at the same time, transfer modern technologies to Vietnamese health experts in general and local hospitals. (November 11, 2002)

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## VIETNAM

The country's biggest foreign-backed hospital, the US\$40m **Franco- Vietnamese Hospital**, is set to

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Euan Rellie, Managing Director  
Paul DiGiacomo, Senior Associate

Kathleen Ng, Associate

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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.

### New York

Andrew Huntley  
Business Development Asia LLC  
The Economist Building, Suite 1105  
111 West 57th Street  
New York, NY 10019  
Tel: (212) 265-5300  
Fax: (212) 265-4300

### Singapore

Genevieve Wong  
Business Development Asia Utd Pte Ltd  
7 Temasek Boulevard  
#17-02 Suntec City Tower 1  
Singapore 038987  
Tel: (65) 6339-9500  
Fax: (65) 6339-9501

### London

Euan Rellie  
Business Development Asia Ltd  
10 Crown Place  
London EC2A 4FT  
United Kingdom  
Tel: (44) 20-7655-3748  
Fax: (44) 20-7655-8953

### Shanghai

Simon Wu  
Business Development Asia  
Shanghai Centre, Suite 504B  
1376 Nanjing Road West  
Shanghai, China, 200040  
Tel: (86) 21-6279-8390  
Fax: (86) 21-6279-8906

### Tokyo

Charles Maynard  
Business Development Asia  
Crane Toranomon Building  
5th Floor, 3-20-5 Toranomon, Minato-ku,  
Tokyo 105-0001 Japan  
Tel: (81) 3-3433-5803  
Fax: (81) 3-3433-5269

### Hong Kong

Paul DiGiacomo  
Business Development Asia (HK) Ltd  
23/F Tung Hip Commercial  
244-256 Des Voeux Road Central  
Hong Kong  
Tel: (852) 2537-9565  
Fax: (852) 2537-4406

bda@bdallc.com

www.bdallc.com