

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

ASIAN HEALTH NEWSLETTER

Issue 50, March 2007

A quarterly newsletter of developments in the Asian healthcare markets

CONTENTS

| | |
|--------------------|---|
| INTRODUCTION | 1 |
| CHINA | 1 |
| INDIA | 3 |
| JAPAN | 5 |
| KOREA | 5 |
| MALAYSIA..... | 6 |
| SINGAPORE | 6 |
| TAIWAN..... | 6 |
| THAILAND | 6 |
| UAE..... | 6 |

INTRODUCTION

We are proud to be publishing Issue 50 of our newsletters. Readership has grown steadily since we began publishing them in 1998.

BDA is a corporate finance advisory firm, which assists MNCs and Asian companies to identify, assess and execute cross-border transactions in Asia, including acquisitions, divestments, JVs and restructuring.

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 pdigiacom@bdallc.com. We look forward to speaking with you.

Paul DiGiacomo
 Director
pdigiacom@bdallc.com

China

Adaltis, a Canadian-based in-vitro diagnostic company, has agreed to acquire control of **Shanghai Hua Tai Biotechnology**, a manufacturer of infectious disease diagnostic products. Hua Tai is a subsidiary of the **Fosun Group**, a leading health care group in China. The acquisition will broaden Adaltis's product offering and market penetration in China. Financial terms were not disclosed. (January 9, 2007)

Alliance BMP, the UK-based investment vehicle formed by **Alliance Boots** and **Beijing Med-Pharm**, will take a 50% interest in **GP Corp** for RMB545m (US\$69m) in cash. The remaining 50% will be maintained by **Guangzhou Pharmaceutical Company**, ultimately owned by the **Municipality of Guangzhou**. GP Corp serves more than 12,000 hospitals, pharmacies, and other wholesalers from eight distribution facilities in southeast China with 2005 revenues of RMB6.4bn (US\$820m). Alliance Boots owns 80% of Alliance BMP and Beijing Med-Pharm owns the remaining 20%. (March 2, 2007)

AsiaPharm, the Chinese pharmaceutical company, announced the acquisition of **Solid Success Holdings**, which operates the Hong Kong-listed **Apex Group** and **Kang Hai Pharmaceutical**. AsiaPharm paid RMB345m (US\$45m) for Solid Success, which reported net profits of RMB55m (US\$7m) in 2005. The deal expands AsiaPharm's domestic interests with the addition of 200 products sold in 1,000 hospitals. (January 4, 2007)

AXM Pharma, the California-based pharmaceutical manufacturer, announced that its wholly-owned subsidiary, **AXM Shengyang**, has

agreed to purchase **Beijing Yuhuatang Biological Sci-Tech Development Co.** Pursuant to the transaction, AXM will issue 4.5 million shares and RMB1m (US\$0.13m) to Yuhuatang, in return for all of its common stock. AXM will acquire several androstenedione-based products through this transaction. (February 7, 2007)

Bridge Pharmaceuticals, a pre-clinical contract research organization in China, closed a US\$35m Series B round of financing. **Granite Global Ventures (“GGV”)** is a new investor and it will nominate its director to join Bridge’s board. The new capital will be used to accelerate growth of Bridge’s preclinical operations in China, and support its M&A activities, including its recent acquisition of the preclinical division of US-based **Gene Logic** in December 2006. (February 14, 2007)

China Biopharma has acquired a 65% stake in **Zhejiang Tianyuan Biotech**. In June 2006, the Chinese government approved the formation of the venture to develop and distribute biopharmaceutical products, especially human influenza vaccines. In Q4 2006, China Biopharma had revenues of US\$7m. (January 17, 2007)

China Health Holding (“CHH”) has executed a definitive agreement to acquire all the assets of Chinese drug maker **Xi’an Meichen Pharmaceutical**. CHH will pay US\$1.5m in cash and US\$20m in stock. CHH has moved to acquire majority share holdings in several other Chinese drug firms recently, including **Beijing Boran, Shaanxi Wanan, Xi’an Chunhui** and **Henan Tiankang**. (January 11, 2007)

China Health Holding (“CHH”) signed a binding MOU with the **Beijing Jifatang Chinese Medicine R&D Institution for New Drugs**. The agreement grants CHH exclusive rights to any new intellectual property developed by Beijing Jifatang for a period of 10 years beginning January 2007. In return, China Health Holding will issue 200,000 shares of its restricted common stocks to the Beijing Institution. The agreement complements CHH’s previous acquisitions of producers and distributors of traditional Chinese medicine. (January 22, 2007)

China Medical Technologies, a Beijing-based producer of ultrasound and in-vitro diagnostic products, has agreed to acquire the advanced hybridization business of **Supreme Well Investments and Molecular Diagnostics Technologies** for US\$137m. China Medical hopes to use the technology to expand its business in China. The deal includes an additional payment of US\$40m, in either cash or stock, after it achieves certain business and financial milestones. (February 8, 2007)

China Northwest Biotech terminated its acquisition of **Xian Chong Yang Sci-Tech Stock Co**, due to the inability of Chong Yang to transfer assets to its parent company, **Top Sonic**. With no timely financial reporting provided to China Northwest, the board unanimously resolved to terminate the merger. The company is currently in talks with several other potential M&A candidates. (January 11, 2007)

GE has completed an expansion project for its healthcare manufacturing facility in Shanghai. The second phase of the project, located in Shanghai Zhangjiang High-tech Park, will double the capacity of the plant that produces X-ray and MRI contrast agents as well as sterile injectable products and nutritional supplements. The facility’s China sales were US\$26m in 2006 and exports were US\$96m. Total investment in the expansion was US\$74m. (February 9, 2007)

IBA Health, the Australian software developer, has established a JV with **BesTV** for the delivery of health services over the internet and internet protocol television (IPTV). The JV will be known as **Shanghai People’s Health Information Technology** and will enable consultations and the exchange of health information over the internet and a national interactive health channel over IPTV. BesTV is jointly owned by **Shanghai Media Group** and **China Telecom**. IBA owns 51% of the JV and will contribute up to US\$7m, based on future earnings and working capital requirements. (February 13, 2007)

Organon, the human health care business unit of **Akzo Nobel**, has signed a collaboration agreement

with **HUYA Bioscience International (HUYA)**, a Chinese biopharmaceutical company, to search for new, proprietary biopharmaceuticals or pharmaceutical compounds. As part of the agreement, Organon has acquired an equity interest in HUYA. Financial details were not disclosed. (January 29, 2007)

Renhuang Pharmaceuticals has signed an LOI to acquire **Qingyang Extracting Factory**, a subsidiary of **Yerui Pharmaceutical Co**, a company primarily engaged in producing herbal extracts for Chinese herbal medicine. The acquisition will double the company's current herbal extraction capacity and lower overall production costs. (February 26, 2007)

Sanjiu Enterprise Group, the Chinese pharmaceutical company run by the State-owned Assets Supervision and Administration Commission, hopes to introduce a strategic investor to help alleviate its debt burden. A consortium led by **Deutsche Bank AG** was short-listed as were **Fosun Group**, **China Resources Group**, a consortium headed by **Shanghai Industrial Investment Co**, and another consortium led by **New World Co**. (January 9, 2007)

Sequiam Corporation, a US provider of lifestyle biometric technology and services, acquired **Magstone Innovation**, a foreign-owned Chinese corporation. Magstone will change its name to **Sequiam East**, and Magstone's President Edward Chen, will continue as the President and CEO of Sequiam East. (January 11, 2007)

SSL International has completed the acquisition of the 50% of the shares it did not already own in its China JV, **Qingdao London Durex (QLD)**. QLD manufactures *Durex* condoms for the Chinese market. The purchase price of the shares was US\$37.5m. Sales and operating profit of QLD in the year to March 31, 2006 were approximately US\$19m and US\$10m respectively with the capacity to produce 140 million condoms a year. (January 26, 2007)

India

Actavis, the Iceland-based generic pharmaceutical producer, has acquired the bulk drugs division of the Chennai-based **Sanmar Speciality Chemicals** for US\$27m. The acquisition complements the existing manufacturing capabilities of Actavis in Chennai with access to 25 active pharmaceutical ingredients. Actavis acquired the tablets manufacturing firm **Grandix Pharmaceuticals** in December 2006 and the development firm **Lotus Laboratories** in February 2005. (February 14, 2007)

Apollo Hospitals Enterprises, an Indian-based healthcare group, along with US-based private equity firm **One Equity Partners** plans to invest INR6bn (US\$136m) to build new hospitals in Mumbai as part of a JV called **Western Hospital Corp**. Apollo Hospitals' equity share in the JV will be 40%, with an option to increase to 51%. The JV will initially set up three hospitals. Apollo reported revenues of INR6.6bn (US\$150m) for the nine-month period ended December 31, 2006. (January 25, 2007)

Averion International Corp, a US-based clinical research organization, has signed a non-exclusive agreement with New Delhi-based **Apothecaries**, a full-service CRO with a focus on oncology. Under the terms of the agreement, the two companies will jointly market and contract complementary services to biotechnology, pharmaceutical and medical device companies. The alliance will give Averion and its *Millennix Oncology* brand access to clinical sites in India. (January 26, 2007)

Avestha Gengraine Technologies, the Bangalore-based biotechnology company has raised US\$33m from strategic investors. **Groupe Danone's** investment arm, **Daninvest**, invested US\$5.9m for a 4% stake. **Fidelity International** invested US\$13m for a 10% stake and European **Groupe Limagrain** has invested US\$6.5m for a 5% stake. **Coleman** is the fourth smaller investor in the company. The company is valued at

US\$150m and plans an IPO in mid-2008. (January 25, 2007)

Dr. Reddy's Laboratories has confirmed its interest in bidding for the generics unit of **Merck KGaA** in conjunction with private equity investors. Dr. Reddy's noted that it does not have the capital to proceed alone, confirming earlier reports that Reddy's would be interested in a joint bid only. (February 26, 2007)

Eli Lilly has signed a drug development agreement with **Nicholas Piramal India ("NPIL")**. The Indian company will design and implement a clinical development program ranging from non-clinical studies and human trials through Phase III trials for Lilly drug candidates. NPIL will receive milestone payments of up to US\$100m, as well as royalties on the sales of the first compound. Lilly will make unspecified payments if it chooses to take over trials of any candidate in Phase III. There will be no up-front payments to NPIL. (January 22, 2007)

Ind-Swift Laboratories is in advanced talks with three to four European firms for a US\$25m acquisition. The acquisition plan is part of Ind-Swift's diversification into formulations. Ind-Swift is looking for companies with a drug portfolio in antibiotics and pain management drugs along with a marketing network and manufacturing facility. (February 20, 2007)

Intas Biopharmaceuticals ("IBL"), Ahmedabad, plans to divest a 25% stake to raise US\$14m for its expansion plans. IBL has already formed a JV with **Progenetics** of the US for manufacturing drugs using transgenic animal technology. Progenetics has invested US\$3m in the JV. (January 16, 2007)

MIV Therapeutics ("MIVT") announced that it has completed the acquisition of **Biosync Scientific**, an India-based designer and developer of innovative interventional cardiology products, including cardiovascular stents. MIVT will use the Biosync stent platform as the underlying bare-metal stent platform for its proprietary biocompatible

polymer-free next generation drug-eluting stents. (February 20, 2007)

Orchid Chemicals and Laboratories, the Chennai-based drug maker, has announced plans to acquire a European company to help sell its generic injectable drugs. The company is looking for a front-end company with a sales force but does not require a manufacturing facility. Depending on the size of the transaction, Orchid may issue new equity in the firm, which is already 60% owned by private equity and financial institutions. (January 16, 2007)

Ranbaxy Laboratories of India has submitted a bid for the generic-drug unit of Germany's **Merck KGaA**. Details of Ranbaxy's bid weren't available, but the Merck unit has been valued at US\$5bn to US\$7bn. Ranbaxy is expected to face competition in the bidding from other generic drug makers and from private equity firms in Europe. **Cipla Ltd** has also joined a consortium that has submitted a bid for the Merck unit. Cipla, a generics maker based in Mumbai, will provide scientific and technical expertise for the consortium, which consists mostly of private equity firms. Details of the bid were not disclosed but Cipla is the only drug maker involved in the consortium. (March 13, 2007)

Reliance Anil Dhirubhai Ambani Group has decided to invest over INR50bn (US\$1.1bn) in healthcare. The plan includes setting up a chain of medicine retail stores at a cost of INR12bn (US\$272m), setting up four hospitals for INR4bn (US\$90m) each and two medi-cities involving initial investments of INR20bn (US\$454m) each. Reliance Health Venture's drug retail chain will either acquire or take strategic equities in existing Indian retail drug chains. It will also act as a national distributor for pharmaceutical and healthcare manufacturers in India. In Mumbai, Reliance Health Venture has already acquired the Mandke hospital, which will be converted into a 650 bed super specialty hospital and it has acquired land in West Bengal and Delhi to set up green-field super speciality hospital projects. (February 14, 2007)

Reliance LifeScience, part of the **Reliance Group**, acquired a 74% equity stake in the UK-based biotech firm **GeneMedix** for £14.6m (US\$28m). The transaction enables Reliance LifeScience to enter the European market with copies of biotech drugs called biosimilars. GeneMedix will also issue a five year warrant for 1.4 billion shares to Reliance, which will lead to a further investment of £17.5m (US\$34m) over the next five years. (February 8, 2007)

UK Genetics is negotiating with three leading private healthcare providers in India to set up genetic centers. Potential alliance partners include the **Apollo Group**, **Ranbaxy**-backed **Fortis Healthcare** and **Metropolis Healthcare**. The genetic centre in India will act as one of the overseas centers of UK Genetics, providing integrated services in identifying certain genetic conditions. (March 7, 2007)

Wellspring, the chain of pathology laboratories and diagnostic centres promoted by **Nicholas Piramal India**, acquired a majority stake in **Jankharia Imaging**, the high-end health imaging services company. Wellspring is planning to set up imaging centres across India and will invest INR3bn (US\$68m) on acquisitions in the next three years. (January 5, 2007)

and Mitsubishi 35% of the US\$1m of capital required. (February 1, 2007)

Mitsubishi Chemical is currently negotiating the merger of its pharmaceuticals subsidiary **Mitsubishi Pharma** with **Tanabe Seiyaku**. Mitsubishi Pharma (a 100% subsidiary of Mitsubishi Chemical) and Tanabe rank ninth and eleventh respectively on the Japanese pharmaceuticals market but their merger will give them sixth position with a combined annual turnover of ¥400bn (US\$3.4bn). Tanabe will absorb Mitsubishi Pharma and Mitsubishi Chemical will have more than a 50% stake in the new entity. The merger ratio and company name have yet to be decided. The firm is expected to become a listed subsidiary of Mitsubishi Chemical (January 22, 2007)

MorphoSys AG announced an expansion of its existing marketing alliance with its Tokyo-based partner, **GeneFrontier Corp**. The expanded collaboration covers the generation of HuCAL-derived fully human antibodies for proteome research as well as the commercialization of resulting antibody products. GeneFrontier will provide MorphoSys with financial compensation for access to the HuCAL technology and the companies will share the commercialization rights for all antibodies discovered. (January 25, 2007)

Japan

Artemis Pharmaceuticals, the German-based pharmaceutical company, has formed a strategic alliance with Japan's **CLEA Japan** and **In-Vivo Science** for the generation, marketing and delivery of genetically engineered mouse models for the Japanese market. (March 2, 2007)

Mitsubishi and **Bio Medical Laboratories** ("BML") have agreed to establish a JV called **BML Life-Science Holdings**. The new company will engage in food sanitation testing and hygienic/clinical testing, with plans to extend into other food and medical segments. BML will contribute 65%

Korea

Nautilus Biotech, a leading French drug development company, signed a collaboration and license agreement with **HanAll Pharmaceutical** to develop and commercialize three Nautilus Biotech products in Korea. Under the terms of the agreement, HanAll Pharmaceutical will develop, manufacture and market the licensed products in Korea. Nautilus Biotech will receive an upfront payment, milestone payments associated with development, and royalty payments based on net sales of the products in Korea. (March 6, 2007)

Q-Med AB, a Swedish biotechnology company, signed a partnership agreement with Korean biopharmaceutical company, **Medy-Tox**, to develop and commercialize botulinum toxin products. Q-Med will pay Medy-Tox milestone payments of up to US\$8m, and Q-Med will also support Medy-Tox with an additional US\$3m to expand its plant in Ochang-myeon. (February 9, 2007)

Malaysia

Asia Cryo-Cell's LifeCell, the Chennai-based umbilical chord stem cell banking company, has planned an investment of US\$0.7m to set up a subsidiary in Malaysia. The subsidiary will be called **Asia Cryo Malaysia** and will comprise banking, collection and R&D facilities. The company will be a 60:40 JV with a local partner. The subsidiary will cater to 17 countries with an employee base of 60 people. (February 20, 2007)

Pacific Healthcare Holdings has formed a JV with the private equity division of **Kuwait Finance House (Malaysia) Berhad**. Kuwait Finance House will take a 60% stake in the JV, **Aliph Pacific**, with Pacific Healthcare holding the remaining 40%. The JV will invest up to US\$32m to establish new medical centres in Southeast Asia. (February 25, 2007)

Singapore

Echo Investment Holdings, a Polish private equity firm, is making a takeover bid for Singapore medical equipment manufacturer and distributor, **Landwind Medical Holdings**, at a value of more than US\$160m. The buyout is conditional on Echo buying at least 90% of Landwind Medical. Landwind's management, with a 58% stake, has given an irrevocable undertaking to accept the offer. **Citigroup** has formed a consortium with the senior management team of Landwind to invest in Echo Investment. (January 12, 2007)

Singapore's **National Healthcare Group** has teamed up with Bangalore-based **Teleradiology Solutions** to provide long-distance analysis of X-rays and more complicated medical scans to hospitals across the world. The companies will be equal partners in the JV, called **Telerad**, which will employ 120 specialists who read and analyze CT, MRI and ultrasound images, nuclear medicine studies and digitized X-Rays that are sent to its "virtual labs" electronically by hospitals in the US, its main market. (March 6, 2007)

Taiwan

Fresenius Medical Care ("FMC"), the German dialysis specialist, has acquired a 51% stake in **Jiate Excelsior**, the Taiwanese dialysis provider for US\$38m. Excelsior treats over 6,500 patients in 90 clinics and has a 14% market share in Taiwan. For 2007, FMC expects the Taiwanese company to reach revenues of US\$84m. (January 10, 2007)

Thailand

Dabur Pharma, the Indian generic pharmaceutical company, has acquired the entire oncology sales and distribution business of its partner **Biosciences** in Thailand for an undisclosed amount. (January 9, 2007)

UAE

Biocon, a leading Indian biopharmaceutical manufacturer, and Abu Dhabi based pharmaceutical company **Neopharma** have signed an MOU to establish a JV to manufacture and market a range of biopharmaceuticals for the Gulf Cooperation Council countries. (January 9, 2007)

Metropolis, the Mumbai-based medical laboratory chain, has launched a JV with the UAE's diversified business group **ETA** to open labs offering specialized pathology tests across the Middle East. The new Dubai-based company will be known as **Star Metropolis** which will be 60% owned by ETA. The JV will initially open labs in Dubai, Sharjah and Ras Al Khaimah and will later open more in Saudi Arabia, Qatar, Kuwait, Bahrain and Lebanon. (January 29, 2007)

Paul DiGiacomo, Director

Zola Gu, Associate

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.

New York

Euan Rellie
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St
New York, NY, 10019
Tel (212) 265-5300
Fax (212) 265-4300

Seoul

Hans Kim
Business Development Asia
#1201, Gwanghwamun Officia
163 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-999, Korea
Tel (82) 2-3276-3150
Fax (82) 2-3276-3155

London

Andrew Huntley
Business Development Asia Ltd
10 Crown Place
Clifton St
London EC2A 4FT
Tel (44) 20-7655-3500
Fax (44) 20-7655-8913

Shanghai

Jeffrey Wang
Business Development Asia Co Ltd
The Center, #3706
989 Changle Road
Shanghai 200031, China
Tel (86) 21-5407-5580
Fax (86) 21-5407-5680

Tokyo

Jeff Acton
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)
#1206 Lippo Centre, Tower 1
89 Queensway, Hong Kong
Tel (852) 2537-9565
Fax (852) 2537-4406

Mumbai

Rohit Singh
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai 400050, India
Tel (91) 22-2643-0290
Fax (91) 22-2643-0291

Bahrain

Tim Holder
Business Development Asia
2204 Al Moayyed Tower
Seef District
Manama, Bahrain
Tel (973) 17567915
Fax (973) 17567901