

ASIAN HEALTH NEWSLETTER

Issue 52, September 2007

A quarterly newsletter of developments in the Asian healthcare markets

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INTRODUCTION

We hope that you find the Asian Health Newsletter informative. Cross border M&A activity in the Asian health sector has increased significantly since we began publishing the newsletter in 1997. Our MNC clients are finding attractive M&A opportunities increasingly easier to access, while Asian firms continue to gain confidence in undertaking acquisitions outside of their home markets.

BDA is an investment banking firm that advises on acquisition, divestitures, capital raising and joint ventures in Asia, the US, Europe and the Middle East. If you would like to learn more about how BDA is positioned to help your business grow through acquisitions, or to achieve maximum value in a divestment or fund raising exercise, please contact us at any one of our offices or email me at pdgiacomo@bdallc.com.

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China

American Oriental Bioengineering has signed a letter of intent to acquire **Changchun Xinan Pharmaceutical ("CCXA")**, a privately owned plant-based pharmaceutical company in a transaction not likely to exceed US\$30m in value. CCXA owns a portfolio of both prescription and OTC plant-based therapies in China. American Oriental has 90 days from the signing to enter into a definitive purchase agreement. (June 13, 2007)

American Oriental Bioengineering also signed of a letter of intent to acquire **Guangxi Boke Pharmaceutical Company**, a privately owned plant-based healthcare company, in a transaction valued at US\$40m, which is expected to close by the end of Q3 2007. Boke is a Nanning-based manufacturer of plant-based pharmaceuticals, nutraceuticals and personal care products, sold mostly as OTC products. It had 2006 sales of US\$12m. (August 8, 2007)

Baxter International has formally set up its JV with **Guangzhou Baiyunshan Pharmaceutical Co** to produce and sell parenteral nutrition products in China. The 50:50 JV, **Guangzhou Baxter Qiaoguang Healthcare Co Ltd**, will manufacture and sell current Baiyunshan parenteral nutrition offerings along with Baxter's nutrition products. Baxter is providing new product technologies, technical expertise, product line management and clinical and marketing support. (September 25, 2007)

Beijing Med-Pharm Corporation has reached an agreement with the owners of **Sunstone Pharmaceutical** to acquire a significant minority

interest in the company. Sunstone is a privately held manufacturer of OTC medicines based in Hebei. Beijing Med-Pharm will acquire a 49% stake in **Hong Kong Fly International Health Care**, a Hong Kong corporation that has a 100% equity interest in Sunstone, for US\$32m. Sunstone's Board of Directors will be restructured so that Beijing Med-Pharm will appoint two of the five members. Sunstone was profitable on US\$50m in revenues in 2006. (July 21, 2007)

China Biopharma ("CBPC") announced that its China subsidiary, **Hainan CITIC Biopharmaceutical Development ("HCBP")**, has signed a letter of intent to acquire 100% of **Beijing Tiancheng Haixin Pharmaceutical ("BTHP")**, a regional distribution company. The acquisition of BTHP will give CBPC a greater regional presence in northern China and will add direct distribution channels to 175 hospitals. It should also add US\$3m in additional revenue in 2007 and US\$6m in 2008. The transaction value was undisclosed. (June 30, 2007)

Co-operative Group ("Co-op"), the UK's largest mutual retailer has formed a JV with China's **Tasly Group**, to manufacture prescription drugs for supply to Co-op's medicine wholesaling unit, **Sants**. Tasly specializes in producing modern versions of traditional Chinese medicine and has a market cap of US\$2.2bn. Sants will hold a 60% stake in the new JV and will invest US\$41m towards developing a manufacturing plant in Tianjin. Initially the JV will produce well established generics with a scope for more advanced drugs to follow. The investment will give Co-op greater control of its medicine supply chain for the 600 retail pharmacies that it operates in the UK. (August 6, 2007)

Eli Lilly will establish a US\$35m Asian venture capital fund with a focus on China to be called **Lilly Asian Ventures**. The first investment will be US\$10m into **BioVeda China**, an international venture capital fund focused on China's healthcare industry. Bioveda China has invested more than US\$30m in 13 companies in the US, UK, China and Singapore in the biotech, pharmaceutical, medical and hospital sectors. Eli Lilly expects to invest an additional US\$100m in China over the

next five years to expand its drug research capacity. It will use the venture capital fund to help find potential acquisition targets. (June 11, 2007)

Eli Lilly has reached an agreement with **Hutchison China MediTech ("Chi-Med")** for the discovery and development of new drugs. Chi-Med is a Hong Kong manufacturer of healthcare products based on traditional Chinese medicine and herbal ingredients. Lilly will pay up to US\$29m for each new drug candidate developed from Chi-Med's large collection of herbal compounds. Chi-Med will also receive an undisclosed up-front fee and annual research and development fees from Lilly. The agreement will initially focus on developing treatments in the areas of oncology and inflammation, with Chi-Med responsible for identifying candidates for clinical trial and Eli Lilly providing technical advice and subsequent development activities. (August 20, 2007)

Extrawell Pharmaceutical Holdings of Hong Kong has agreed to acquire the remaining 49% stake it does not already own in **Smart Ascent** for US\$108m from independent third party **Ong Cheng Heang**. Extrawell already owns a 51% stake in the producer of oral insulin products. (August 2, 2007)

Legend Holding Limited announced that it will fully acquire **Shijiazhuang Pharmaceutical Group**, the controlling shareholder of **China Pharmaceutical**, for US\$114m. Through the purchase, Legend will acquire a 50.9% stake in the Hong Kong-listed China Pharmaceutical, one of the largest manufacturers of finished drugs in China and one of the largest manufacturers of bulk drugs in the world. **Hony Capital Management Limited**, Legend's private equity arm, will seek to acquire all the shares in China Pharmaceutical not acquired by Legend through an open offer of US\$0.21 per share. Hony will likely deploy US\$172m in the equity purchase. (June 14, 2007)

Lipa Pharmaceuticals has agreed to a takeover offer from Hong Kong-based **CK Life Sciences International**. Lipa is a leading Australian contract manufacturer of complementary healthcare

medicine, including herbal medicine, vitamins and nutritional supplements as well as non-sterile prescriptions and OTC drugs. CK Life Sciences offered US\$0.78 per share, a 25% premium on Lipa's August 1 share price, valuing it at US\$77.8m. CK operates largely in the pharmaceuticals and nutraceuticals segments. (August 2, 2007)

Shanghai Century Acquisition Corporation, a special-purpose acquisition company in China, will acquire **Sichuan Kelun Pharmaceutical**, China's largest producer of intravenous (IV) solution products. Shanghai Century will issue 20 million ordinary shares to Kelun's shareholders giving them a 53% stake in the listed-vehicle. The 18 shareholders of Kelun have consented to a 24-month lock up of their Shanghai Century Shares upon issuance. In 2006, Kelun recorded consolidated revenue of US\$177m and net profit of US\$14.5m. Upon completion of the deal, Shanghai Century will be renamed **China Kelun Pharmaceutical Corporation** and Sichuan Kelun's Chairman Liu Gexin, will become the Chairman of China Kelun. (June 7, 2007)

Shanxi Double Crane, a Taiyuan-based pharmaceutical company, is in discussions with potential investors for a sale of a 49% stake in the company. A Shanxi spokesperson said the company could receive up to Rmb97.3m (US\$13m) from the investors. Shanxi Double Crane reported 2006 revenues of Rmb800m (US\$107m). Reports also cited Zhu Dacheng, the vice president at **Beijing Double Crane**, who said he has not heard anything about the stake sale in Shanxi Double Crane. Beijing Double Crane currently owns a 38.9% stake in Shanxi Double Crane, and when asked whether his company will sell the stake, Zhu said he did not know anything about it. (September 16, 2007)

Siemens Venture Capital ("SVC") has invested US\$5m in **Beijing Chemclin Biotech**, a biochemical diagnosis reagents and devices supplier. SVC invested jointly with **WI Harper Group** and **Softbank China**. Siemens last year acquired **Bayer's** Diagnostic Products may later look to acquire Chemclin if it performs as hoped. This is the first investment in China for the US\$955m fund. (June 19, 2007)

India

Aptuit of the US and India's **Laurus Labs** have formed a contract drug development company, **Aptuit Laurus**, which will combine Aptuit's global drug development with Laurus's R&D and manufacturing facilities. The combined company will provide pharmaceutical companies with integrated drug development services. The new entity will utilize existing Laurus facilities in Hyderabad, Vizag and Bangalore. Aptuit will hold a 51% stake in the new company and has committed to investing US\$100m over the next four years for its development and expansion. All of Laurus's senior management will join Aptuit Laurus. (June 17, 2007)

Aurobindo Pharma's management has stated that they are open to a merger or a partial buyout as long as they retain operational and strategic control. The company is not currently in discussions with any suitor. It had sales of US\$367m and profit of US\$17m in FY 2007 and expects to reach US\$1bn in revenue within three years. Management believes that a strategic investor would help it expand into overseas markets. (June 12, 2007)

Cadila Healthcare has signed an agreement to acquire Brazil's **Quimica e Farmaceutica Nikkho do Brasil**, which had sales of US\$26m in 2006. The acquisition will mark the company's entry into Brazil's branded generic business. Nikkho, with 125 sales personnel, makes products for the general medicine, pediatrics, gynecology, neurology, gastroenterology, respiratory and dermatology segments. (June 25, 2007)

Dishman Pharmaceuticals & Chemicals has signed a MOU to acquire the fine chemicals, vitamin D and vitamin D analogues business of Netherlands-based **Solvay Pharmaceuticals** for an undisclosed amount. The contract research and manufacturing company plans to acquire Solvay's facilities at Veenendaal in the Netherlands along with its technology, patents and intellectual property rights. (July 9, 2007)

Elder Pharmaceuticals will acquire a 20% strategic stake in the UK-based **Neutra Health** for US\$11.6m. Neutra Health had 2006 revenues of US\$46m selling vitamins, health supplements and medicine. Elder will bring Neutra's brands to the Indian market, and help relocate some production to India as well. (July 27, 2007)

Matrix Laboratories, a unit of US-based **Mylan Laboratories**, has agreed to acquire the remaining 40% stake in China's **Mchem Group**. The company had earlier acquired 60% in Mchem Group, an API producer, as part of its backward integration strategy to secure its supply chain for intermediates. (August 24, 2007)

Mylan Laboratories plans to acquire an additional 24% stake in **Matrix Laboratories** through an open offer. Mylan acquired a 71% equity stake in Matrix in August 2006. After the open offer concludes, Mylan is likely to delist Matrix from Indian stock exchanges. (July 25, 2007)

Novozymes A/S, the Danish industrial enzyme maker, has signed a definitive agreement to acquire Indian biotechnology company **Biocon Limited's** enzyme business for US\$102m. The transaction, including 150 employees, is expected to be completed in October 2007. The acquired business, with expected long-term annual growth of over 15%, will be consolidated with Novozymes' business. Biocon is the leading enzyme player in India. (July 18, 2007)

Panacea Biotec is seeking acquisition targets in Western markets or in Latin America. The company has targeted an acquisition in either the pharmaceutical or vaccine segments and intends to acquire a firm that has manufacturing infrastructure as well as distribution and marketing strengths. The company had invested US\$4m in December 2006 to acquire a 10% stake in its partner **Cambridge Biostability** of the UK and expects to announce similar tie-ups in the next year. (June 17, 2007)

Sun Pharmaceuticals increased its shareholding in Israel's **Taro Pharmaceuticals** by 7% to 25% by converting three million warrants into equity shares for US\$18m. It has options remaining to convert another three million warrants at the same price. The move came after Taro's shareholders meeting to approve a proposed merger with Sun was delayed until September 25. In May Sun had offered US\$453m to buy Taro but the plan has faced objections from minority shareholders **Brandes Investment Partners** and **Franklin Templeton** who together control 14%. To win approval for the merger, Sun needs to win the support of 75% of the shareholders. If the merger agreement is defeated Sun may launch a tender offer for the company. (July 11, 2007)

Thermo Fisher Scientific will acquire **Qualigen Fine Chemicals**, a division of **GlaxoSmithKline Pharmaceuticals** based in Mumbai. Qualigen is India's largest laboratory chemicals manufacturer and supplier. It also sells a range of diagnostic kits and had total sales of US\$24m in 2006. The acquisition will significantly enhance Thermo Fisher's customer base in India. (July 26, 2007)

Tripex Overseas Ltd ("TOL") of Gujarat, a specialty chemicals and intermediates company, is seeking to establish a pharmaceutical special economic zone ("SEZ") near Valsad in south Gujarat. The company has signed a memorandum of understanding with the Government of Gujarat to acquire 1,400 acres of land from local farmers for the proposed SEZ. TOL will establish a bulk drug and formulation manufacturing plant with an investment of US\$49m. (June 28, 2007)

VHB Life Sciences is in the process of establishing a 50:50 JV in India with a German pharmaceutical company, **Genesis Laboratories**, with an investment of US\$12m. To be named **HB-Genext**, the JV will manufacture products of both VHB and Genesis at its manufacturing facility in Uttranchal. VHB is also in advanced JV discussions with companies in Bangladesh and South America. (June 5, 2007)

Indonesia

Indofarma will sell a 49% stake in its distribution subsidiary **PT Indofarma Global Medika ("IGM")** to China's **Yangtse River Pharmaceutical**. IGM will issue new shares worth US\$8.5m to Yangtse River and use the new cash for working capital. Indofarma will maintain a majority 51% stake. In collaboration with IGM, Yangtse Pharmaceutical will build a new factory in the country and will use IGM as a platform to distribute in Southeast Asia. (June 29, 2007)

Japan

Goodwill Group will sell the assets of its nursing care subsidiary **Comsn** to **Nichii Gakkan** for US\$182m. Nichii will acquire Comsn's 26 live-in facilities for the elderly and its 183 live-in facilities for the elderly affected by dementia. Nichii is a leading Japanese nursing-care company serving 100,000 people. It has 900 bases for home-visit nursing-care services and operates four group homes for the elderly with dementia. Comsn was forced to withdraw from nursing care by the Government due to its fraudulent claims for reimbursement service fees from the public insurance system. (August 28, 2007)

Hoya Corp, the Japanese high-tech glassmaker, has reached an agreement with the shareholders of **Pentax Corp** to acquire the company via a US\$854m tender offer for all outstanding shares. The acquisition of Pentax will give Hoya access to lucrative single-lens reflex cameras and medical endoscopes. Pentax will become a wholly owned subsidiary of Hoya and will be delisted from the Tokyo Stock Exchange. (August 7, 2007)

Kirin Pharma, a unit of beverage giant **Kirin Holdings**, will acquire an equity stake of just over 1% in **Terumo Corp**, while Terumo will acquire a

0.6% stake in Kirin Pharma. They will each invest roughly US\$86m into each other to establish the cross-shareholdings. The investment aims to strengthen their joint pharmaceutical development and build on the firms' existing alliance in pre-filled syringes. Kirin Pharma produces human antibodies and cell-based therapeutics while Terumo produces hospital and cardiovascular medical equipment. (July 13, 2007)

Kissei Pharmaceutical has entered into an agreement with US-based **Nuon Technologies** to research new applications for Kissei's drug *Tranilast*. Launched in 1982 as an asthma therapy, *Tranilast* is thought to have an impact on autoimmune diseases such as multiple sclerosis. Nuon will conduct research and development for new applications though Kissei will retain manufacturing and marketing rights to any new applications in Korea and Japan. (August 3, 2007)

Miraca Holdings' subsidiary **SRL Inc** will acquire 100% ownership of the JV company established by SRL and **Shionogi & Co, Shionogi Biomedical Laboratories**. Shionogi Biomedical has been managed as a specialist clinical testing centre, however a change in business environment has meant the company will now be reorganized as SRL's central laboratory in the Kansai region, handling general clinical testing. (June 25, 2007)

Lion Corp will acquire the trademark rights for the painkiller *Bufferin* and *Excedrin* in Asia (excluding China) from **Bristol-Myers Squibb** for US\$247m. Lion, a household goods maker, will also end its 27 year old JV with Bristol-Myers in Japan. Lion had first reached the trademark agreement with Bristol in 1962. The move will help Lion expand its OTC drug business in Asia and allow Bristol to focus on its pipeline of new therapies. Bristol sold its Consumer Medicine businesses, including the *Bufferin* and *Excedrin* brands, in the US, Canada and other international markets in 2005. (June 28, 2007)

Lonza Group aims to increase its custom manufacturing business for Japanese pharmaceutical companies by 40% over the next

four or five years to reach US\$225m in revenues. The Swiss company opened a new plant in Guangzhou, giving it room to handle more business from Japanese companies. Following the lifting of the Japanese ban on full-scale outsourcing of drug production in 2005, many Japanese pharma companies have sought to increase outsourcing the production of older drugs. (September 6, 2007)

Tanabe Seiyaku's shareholders have approved the merger agreement with **Mitsubishi Pharma Corporation**. This marks the final approval of the creation of **Mitsubishi Tanabe Pharma Corporation** set for October 1. The two companies will start mutual education programs to help employees understand the new company's products and basic IT services will be integrated. The new company will also have a focus on generics. (July 2, 2007)

Toho Pharmaceutical has increased its equity stake in **Fuji Biomedix** to 16.8% from 1.1% to become its largest shareholder. The drug maker spent US\$15m to acquire 11,406 shares in the company from the **Katokichi Group**. Toho Pharmaceutical, whose main business is selling prescription drugs to pharmacies, aims to use the investment to increase its sales to Fuji Biomedix pharmacies. In addition to its ethical pharmacy business, Fuji Biomedix has clinical testing operations and a healthcare support business. (August 9, 2007)

Korea

Pfizer, the world's largest pharmaceutical company, forged a deal with the South Korean government to invest US\$300m in the joint research and development of new drugs over the next five years. The single-largest R&D investment ever by a foreign company in South Korea will be used for studies ranging from animal testing to clinical research. (June 13, 2007)

VGX Pharmaceutical Inc, a US drug developer and manufacturer, has forged a deal to invest

US\$200m in establishing its Asian regional headquarters in South Korea. The company signed a memorandum of understanding with the North Chungcheong provincial government to establish its regional headquarters and its research and production facilities in Osong, 160km south of Seoul. (July 13, 2007)

Malaysia

AvestaBiotherapeutic and Research, a JV between **Avesthagen** and **Meditab Specialties of India**, will enter a JV with the **Malaysian Biotechnology Corporation**, a state-run company. The new company, which is likely to be incorporated in Malaysia, will focus on biosimilars, which are generic drugs developed from living materials. (July 3, 2007)

Singapore

Genentech, the US-based biotechnology company majority owned by Swiss drug major **Roche**, will establish a commercial-scale microbial-based biologics manufacturing facility in Singapore. The facility will cost an estimated US\$140m and will have capacity to produce 1,000 liters of *E-coli* derived products. This is the first production investment by a US biotechnology company in Singapore and is the fourth biologics facility planned in less than two years. (July 2, 2007)

Taiwan

3M, the diversified US-based manufacturer will acquire Thailand-based **Neoplast**, a maker of surgical tapes, dressings and bandages. The acquisition, which will expand 3M's skin and wound care product offering, will likely be closed in Q3

2007. Terms of the transaction were not disclosed. Neoplast employs 700 people and exports account for the majority of its sales. (August 16, 2007)

Hikma Pharmaceuticals, a multinational pharmaceuticals group, will acquire the entire issued share capital of **Alkan Pharma**, an Egyptian pharmaceuticals company, for a cash consideration of US\$60.5m. Alkan develops, manufactures and markets generic pharmaceuticals for the Egyptian market. Alkan has 175 registered pharmaceutical products and 140 products pending registration. Alkan recorded sales in 2006 of US\$14.6m and profit before tax of \$3.5 million. (August 9, 2007)

Middle East

Biocon Ltd of India will form a JV with Abu Dhabi's **Neopharma** called **Neobiocon**. Neobiocon will develop specialty bio-pharmaceutical products in areas such as oncology, diabetes and cardiology for the United Arab Emirates market. (July 30, 2007)

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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. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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