

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 have renamed this newsletter *Asian Health Newsletter* to reflect the increasing research we are devoting to China, India, Japan, Korea and Taiwan. We hope that you find the expanded coverage to be helpful and informative.

BDA is a corporate finance advisory firm that helps clients identify and execute acquisitions and JVs in Asia. If you think that BDA's services may be useful to you, please contact us in New York at (212) 265-5300 or in Singapore at (65) 533-8500.

Paul DiGiacomo  
General Manager

## CHINA/HK

**Beijing Medical Co** and **Daichii** of Japan are forming a US\$50m JV, called **Daichii Pharmaceutical (Beijing) Co Ltd**, in China. The JV will produce high-tech drugs for both domestic and overseas markets. Work on the project commenced in October 1998 in Beijing's Economic Technological Development Area, a zone slated to become 'China's Medical Valley.' (December 29, 1998)

**BioChem Pharma** of Canada and its licensee, **Glaxo Wellcome (GW)**, have received regulatory approval in China for *Lamivudine* (Heptodin), the world's first oral antiviral treatment for chronic Hepatitis B. GW has embarked upon the construction of manufacturing facilities at Suzhou, in Jiangsu province, near Shanghai. These facilities will be operational by 2001 at a cost of US\$140m. (January 13, 1999)

**Bristol-Myers Squibb**, the US pharmaceutical company, has invested US\$30m to establish a China investment company in Shanghai. Bristol-Myers Squibb established a JV pharmaceutical company in Shanghai in early 1983, followed by two JVs in Guangzhou. The company's Chinese operations employ 1,500 people and produce 30 products. (January 21, 1999)

**Heilongjiang Huaxing Group Mudanjiang Youbo Pharmaceutical Plant** of China has announced that it wants to form a JV to help in its traditional Chinese medicinal blood dispersal project. It is looking to invest approximately US\$3m to US\$6m. (December 31, 1998)

**Hoechst Roussel Vet** and **Jilin Bioproducts** of China have signed a contract to commence a JV pro-

ducing poultry vaccines in the city of Jilin. The two partners will own capital stakes in the JV, with a total investment of US\$12m. Jilin Bioproducts is one of China's top 500 pharmaceutical companies, while Hoechst Roussel Vet is a leading global player in the animal health sector. The company will produce viral and bacterial vaccines targeting the Chinese market. (December 27, 1998)

**New World Life Tech** of China has entered into an exclusive agreement with **Technical Chemicals & Products Inc (TCPI)** of the US to distribute and market medical diagnostic devices throughout China, Hong Kong, Macau and Taiwan. These devices are made by TCPI, a manufacturer of point-care medical diagnostic products. New World Life Tech will purchase at least US\$33m of TCPI's diagnostic products for pregnancy, ovulation, urinary tract infection and tests to detect HIV and Hepatitis B. These are to be marketed in China over a 10-year period. (January 26, 1999)

**Shandong Xinhua Pharmaceutical Group** has merged with antibiotics maker, **Shandong Lukang Pharmaceutical Group**, consolidating its position as one of the three major companies in China's drug industry. The new company, **Shandong Xinhua Lukang Pharmaceutical Group** will be controlled by the Shandong provincial government. (January 1, 1999)

**Yamanouchi Pharmaceutical** of Japan is awaiting approval for a new anti-clotting drug to be produced by its developer, **Toray Industries**, and wrapped and processed by Yamanouchi at a new facility in Shenyang. In a separate venture, Yamanouchi has announced that it would start production of its proprietary calcium antagonist at its Shenyang JV in 1999. (December 23, 1998)

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## INDIA

**Herichson BioMedix**, a Texas-based diagnostics company, has set up a medical research laboratory com-

pany in New Delhi. **Herichson Medical Laboratories** will develop and provide high quality testing kits and procedures. The company's prime objective will be to carry out research on nitro-related drugs and diagnostics. (January 7, 1999)

**Hoechst** and **Rhone Poulenc** are to merge their worldwide pharmaceutical operations, creating **Aventis**. Following this, their Indian operations are to merge, forming the largest pharmaceutical company in India, with a projected combined turnover of Rup6.99bn (US\$164m). **Hoechst Marion Roussel India**, posted a net profit of Rup321m (US\$7.6m) in 1997, while **Rhone Poulenc India Ltd** posted a net profit of Rup129m (US\$3.0m) for the same period. (December 25, 1998)

**Laporte Fine Chemicals** of the UK is to establish a JV with **Nicholas Piramal India (NPI)**, which specializes in the manufacture and sale of ethical pharmaceuticals, OTC products and fine chemicals. The JV will manufacture fine chemicals, for the Indian pharmaceutical market, adjacent to the NPI factory in Hyderabad. (January 11, 1999)

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## JAPAN

**Inspire Pharmaceuticals Inc** has entered a strategic partnership for the development of Inspire's therapeutic for dry eye disease, INS365, with **Santen Pharmaceutical Co Ltd (Santen)**, of Osaka. Inspire will receive a total of up to US\$6.3m from Santen. In return, Santen will receive exclusive rights to market the product in Japan and nine other Asian countries. (January 8, 1999)

**Japan Tobacco (JT)** has acquired a majority stake in **Torii Pharmaceutical** to promote drug R&D and sales in the domestic market. JT's 1998 drug sales were Y22bn (US\$183m). JT has invested more than 60% of its R&D budget (some Y37bn (US\$327m)) in the pharmaceutical sector. (December 21, 1998)

**Kao**, the largest Japanese maker of household prod-

ucts, is to launch a JV in Japan with **Novartis Consumer Health**, a subsidiary of Swiss pharmaceutical maker **Novartis**. Through this JV, Kao hopes to move into the domestic OTC drugs and health foods markets by the year 2000. (December 27, 1998)

**Mitsubishi Chemical Corp** has announced a future collaboration with **Taisho Pharmaceutical Co** for the final development of the antidepressant drug MCI-225. Developing drugs to treat nervous system disorders is a key focus for Mitsubishi Chemical. Pending approval, the firms expect to begin marketing the drug separately in 2005. (January 20, 1999)

**Quintiles**, the leading global contract research organization (CRO), has announced that it will be adding a research nurse business in Japan later this year. Research nurses are involved in the data collection and testing of experimental drugs during clinical trials. Quintiles has expanded its client base in Japan to more than 100, according to director Takatoshi Sato. (January 21, 1999)

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## KOREA

The **Korea Food and Drug Administration (KFDA)** has amended the relevant regulations, leading to a lifting of the ban that prevented large foreign and domestic corporations entering the South Korean pharmaceutical industry. The government policy had been implemented to protect the small and medium sized businesses which make up the industry at present. (January 6, 1999)

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## MALAYSIA

**Chemical Company of Malaysia Bhd (CCM)** plans to sell to **Expo Electronics Sdn Bhd** a 32% equity interest in **CCM Bioscience** for RM33.7m (US\$8.9m)

in cash. CCM said the proposed divestment would allow it to focus on its core business of manufacturing and marketing chemicals and healthcare products. (January 17, 1999)

**Dymax Bio-Blue Sdn Bhd**, which will begin production of the *Dymax* milk-based health supplement in Q2 1999, expects first-year revenues of RM20m (US\$5.3m). The company expects to produce 208 tons in sachet form, for the domestic, Singaporean and Thai markets. (January 19, 1999)

The **Malacca Government** is seeking one more partner to invest RM10m (US\$2.6m) in its venture to manage **Southern Hospital (SH)** in Jalan Bendahara, which it took over in early 1998. SH, which has a paid-up capital of RM50m (US\$13.2m), is 68.1% owned by the state government. Other shareholders of SH include **United Medicine (Singapore) Pte Ltd**, 15.9%; **Mediquest Sdn Bhd**, 12%; and **Apex Pharmacy**, 4%. (December 25, 1998)

**Nu Life International**, the Hong Kong based subsidiary of the US direct marketing firm, is looking to set up manufacturing facilities in Malaysia within the next two years. Nu Life launched its best selling health supplement, EFA, in Malaysia in August 1998 and currently manufactures its products in Seattle through a JV, **Nu Life Healthcomm International**. The company distributes health food, skin care, personal care and household items. (January 29, 1999)

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## PHILIPPINES

The **National Economic and Development Authority (NEDA)** has approved P9.9bn (US\$256m) worth of social development projects. One major project includes the P766m (US\$20.8m) upgrading of the **Philippine General Hospital** and its emergency medicine department. US\$15.7m of the money allocated to this project will be funded by a Spanish loan facility while the rest will be local funds. (January 20, 1999)

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## SINGAPORE

**Cycle & Carriage Ltd (CCL)** and its sister company **Dairy Farm** are raising their stake in **Selangor Ice Co Sdn Bhd (SIC)** to 100%. SIC operates **Guardian** pharmacies and **Cold Storage** supermarket chains in Malaysia. CCL said it is purchasing the further 20% stake for RM9.2m (US\$2.4m). (January 23, 1999)

and health products. MP is now the sole distributor of photosome, a newly developed substance used in health-food supplements. MP's 1998 revenues were Bht55m (US\$1.5m). MP is targeting Bht80m (US\$2.2m) in 1999 in a market growing at 10% to 20% pa. (January 27, 1999)

The **Pharmaceutical Producers' Association** expects the Thai pharmaceutical market to grow by 5% to 10% in 1999 as the result of revisions to the national list of essential drugs by the national government. The revision of the essential list will add more drugs to the OTC category, allowing producers to publicize them. The new list will contain some 800 items, compared with 367 now. (January 29, 1999)

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## TAIWAN

**Yamanouchi** has launched *Harnal* (tamsulosin), a dysuria treatment, in Taiwan under the trade name *Harnalidge*. In 1997, Yamanouchi's Taiwan branch recorded sales of Y1.4bn (US\$12.4m). Its main products are currently Gaster and Perdipine. (December 22, 1998)

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## VIETNAM

**HCM City People's Committee** has permitted **Dai Phu Nhi Co Ltd** to develop the first private hospital in the city. The **Saigon International Obsterics & Gynecology Hospital Joint Stock Co** will build a seven-story, 109-bed hospital in District 1, at a cost of US\$6m. The public can buy shares in the company. A British finance company is negotiating a loan which will be converted to a 30% stake after two years. (December 26, 1998)

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## THAILAND

**GE Medical Systems**, a subsidiary of the US-based **General Electric Co** and a US\$4.5bn global leader in medical diagnostic imaging systems and services, has increased its investment in Thailand. In Q4 1998, the company designated **GE Medical Systems (Thailand) Ltd** as its SE Asian headquarters. The Bangkok HQ will provide a wide variety of services to users of diagnostic imaging systems. (January 22, 1999)

The **Vietnam Pharmaceutical Corporation (Vinapharm)** is seeking US\$30m to build two pharmaceutical projects. The two plants will supply about US\$80m worth of medicine annually. Vietnam now has twelve JVs and nine 100% foreign owned projects licensed to produce pharmaceuticals, seven of which are now in operation. By 2000, the Vietnamese market will require over US\$800m of pharmaceutical products annually. (January 6, 1999)

**Indena**, an Italian research center and developer of plant-derived active ingredients for pharmaceutical, cosmetic and health food products, has entered into a three-year contract with **Mega Products Ltd (MP)**, a marketer of medical supplies, dietary supplements

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## FOCUS:

### SE Asian healthcare services companies

The healthcare services sector is still in its infancy in SE Asia. We have profiled below some groups that have taken the first steps toward building a regional business. Most of the players are hospital groups that have begun consulting operations catering to large locally based companies. These local companies are seeking foreign cooperation to increase expertise. Western firms could benefit from the customer bases being developed by the profiled companies.

#### 1. PANTAI HOLDINGS BHD, MALAYSIA

Background: The principal activity of the group is the provision of hospital and healthcare services.

Range of services: Active in medical equipment and related technical support services, cardiac catheterization services, management services, consultations to hospitals and medical centers, provision of medical diagnostic services and other related ventures, geriatric care services, conduction of medical degree programs, lithotripsy services and investment holding.

Partners: Before April 1998, the company acquired a 21% stake in **AsiaMedic Ltd** for a total of S\$14m (US\$8.3m). In May 1997 it sold its 19% stake in **Parkway** to **DBS Land**.

Financials: Unaudited 17-month results for Pantai Holdings Bhd: \* The 1998 PBT includes non-operating income.

	30Jun98	31Jan97
Revenues:	RM162.1m US\$42.7m	RM75.4m US\$19.0m
*PBT:	RM250.9m US\$66.0m	RM12.1m US\$3.2m

Senior management: Mokhzani Mahathir, Executive Chairman; Yeow Kheng Chew, Executive Director; Mohamed Sultan Bin Haji Sickander, Director

Strengths and weaknesses: The group is in the process of constructing a new eight floor hospital block adjacent to **Pantai Medical Center Bangsar**. When completed, by 2000, the new block will become an in-patient hospital while the existing facility will focus on ambulatory care.

Key issues for any venture: The Executive Chairman is the son of Malaysia's Prime Minister.

#### 2. ASIAMEDIC LTD, SINGAPORE

Background: The group subsequently changed its name to **AsiaMedic Ltd**, from AsiaMatrix Ltd, to highlight its new focus on healthcare.

Range of products and services: The group's activities include the provision of aesthetic treatments and services, ophthalmology services, imaging and image-based diagnostic services and wellness medical services and treatment. This centre provides services in wellness, aesthetic and cosmetic medicine, eye-care and day surgery.

Financials: Unaudited year-end results for AsiaMedic Ltd:

	31Dec97	31Dec96
Revenues:	S\$7.1m US\$4.2m	S\$3.9m US\$2.3m
PBT:	(S\$1.5m) (US\$0.9m)	(S\$1.6m) (US\$1.0m)

Senior management: Dr Djeng Shih Kien, Chairman; Dr Ronnie Tan Keh Poo, CEO; Dr Ngoi Sing Shang, Director.

Strengths and weaknesses: AsiaMedic is a niche player, competing below the big players such as Parkway and Raffles Medical Group. It is, however, essentially a new company and therefore unproven.

Key issues for any venture: It is a small, yet entrepreneurial, company. The management team is as yet unproven. The company only has one real venture at the moment.

#### 3. DBS LAND LTD, SINGAPORE

Background: DBS has its own healthcare division consisting of **Premier Health Corporation International Private Limited**, an investment and consulting company,

and **Premier Health Care Services International Private Limited**, a service provider.

Range of activities: It owns three hospitals in **Indonesia** under its own brand **PremierCare**. The group is developing secondary hospitals.

Financials: Unaudited 6 month results for DBS Land Ltd:

	30Jun98	30Jun97
Revenues:	S\$829.6m	S\$448.5m
	US\$493.9m	US\$267.0m
PBT	S\$256.5m	S\$169.8m
	US\$152.7m	US\$101.1m

Senior management: Lau Chan Sin, Chairman; Dr Han Cheng Fong, CEO & Deputy Chairman; Eric Ang Teik Lim, Director; Hsuan Owyang, Director.

Strengths and weaknesses: The company's assets are located internationally: **Singapore**, 75%; **Australia**, 7%; **China**, 5%; **Hong Kong**, 5%; **Europe**, 2%; **Indonesia**, 2%; **Malaysia**, 1%; **Cambodia**, 1%; **Vietnam**, less than 1%. The Singapore focus has limited the company's total exposure to collapsed markets.

Key issues for any venture: The group's key interests are not in healthcare and it therefore has a lack of medical expertise. DBS may look to divest its healthcare holdings to concentrate on its core competencies.

#### 4. PARKWAY HOLDINGS LTD, SINGAPORE

Background: Parkway is one of the largest healthcare organizations in Asia with an extensive network of hospitals and integrated healthcare facilities in the region.

Range of products and services: Parkway owns and manages three hospitals in Singapore (**Mount Elizabeth**, 505-bed; **Gleneagles**, 380-bed and **East Shore**, 157-bed). It owns and manages a number of other hospitals under the Gleneagles name in **Indonesia** (three), **Malaysia** (two) and one in both **India** and **Sri Lanka**. It also owns **The Heart Hospital** in London, **UK**. Parkway also offers dental, diagnostic and laboratory services among its healthcare provisions. Healthcare accounts for 65% of the group's earnings. The group is also involved in property investment, with interests in **Singapore**, **USA**, **UK** and **Australia**.

Financials: Unaudited half-year results for Parkway Holdings Ltd:

	30Jun98	31Dec97
Revenues:	S\$175.1m	S\$201.5m
	US\$104.2m	US\$120.0m
PBT:	S\$54.3m	S\$63.8m
	US\$32.3m	US\$38.0m

Senior management: Dato Tan Chin Nam, Chairman; Goh Kee Song, Deputy Chairman; Tony Tan Choon Keat, Managing Director.

Strengths and weaknesses: The group's healthcare business is growing at 15% annually. It controls 70% of Singapore's private hospital beds. Parkway has a 'brand name' in Asia, which places it in a good position to branch out across the rest of Asia. Some 30% of its patients are foreigners, notably from Indonesia, so Parkway has been hit by the economic crisis more than some of its healthcare rivals in Singapore.

Key issues for any venture: The group is trying to sell its US assets to help it repay its S\$900m (US\$536m) loan.

#### 5. RAFFLES MEDICAL GROUP, SINGAPORE

Background: **Raffles Medical Group (RMG)** is the largest primary healthcare group in Singapore as well as one of the nation's leading integrated healthcare groups.

Business summary: RMG has a network of 40 clinics and is expanding at a rate of ten clinics a year. It has about 100 doctors, (including some 20 visiting consultants) and a support staff of 300. In 1997, RMG recorded 600,000 patient visits. It owns the **Raffles SurgiCentre**, the first stand-alone day surgery. RMG also offers consultancy services to help companies manage their healthcare costs more effectively. It has recently expanded operations into **Hong Kong**, where it has opened three clinics and 168 affiliates. RMG also has a JV with **US** company **Kaiser Permanente** to participate in Internet healthcare information projects in **Singapore** and **Malaysia**.

Financials: Unaudited half year results for Raffles Medical:

	30Jun98	30Jun97
Revenues:	S\$23.2m	S\$20.0m
	US\$13.8m	US\$11.9m

PBT:                S\$3.4m        S\$3.3m  
                      US\$2.0m        US\$2.0m

Senior management: Loo Choon Yong, Chairman; Dr Wilson Wong Fook Meng, Director; Dr Yang Ching Yu, Director.

Strengths and weaknesses: The Asian economic crisis has not hit RMG too hard as foreign business makes up less than 10% of overall revenue.

Key issues for any venture: RMG's latest venture with Pidemco could be risky. Many analysts fear that there are now too many hospital beds in Singapore and that the market is already saturated.

## 6. VISTA HEALTHCARE PTE LTD, SINGAPORE

Background: **Vista Healthcare (Vista)** was founded in August 1996 by four former executives from **Mount Elizabeth Hospital**, the **Parkway** flagship, in a JV with **Chase Capital Partners**. Vista has invested approximately US\$25m to date and says it is prepared to invest another

US\$125m in acquisitions, JVs and start-up projects. It currently has projects in **China, Hong Kong, Malaysia, the Philippines** and **Singapore**.

Range of services: Vista operates a healthcare benefits company in Hong Kong and Singapore, and manages healthcare benefit programs for some leading companies including **IBM**. It owns one primary care clinic in Singapore. It operates two primary care clinics and three multi-specialist physician clinics in Hong Kong and **Healthway Medical Clinic**, an ambulatory care center in the Philippines. It has recently opened **Dr Vio's Clinic** in, Hong Kong's new **Chek Lap Kok** airport.

Senior management: Carl Stanifer, Chairman & President

Strengths and weaknesses: Vista has been promised funds by Chase Capital Partners, one of the most active investors in the healthcare industry, to help it expand facilities.

Key issues for any venture: Vista is a young and ambitious company. It is already involved in healthcare benefits consulting and may look to grow its healthcare consulting business.

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## ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies in expanding their businesses in South East Asia. BDA specializes in the health industry and helps clients to find local business 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 Euan Rellie or Charles Maynard, through our New York office, or Andrew Huntley in Singapore.

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