
China Healthcare M&A Quarterly

3rd Quarter 2008

Quarter in Review

- M&A and investment activity continued to be robust in the 3rd quarter, albeit at a slightly slower pace than in the previous 2 quarters
- M&A primarily involved Chinese or China focused strategic buyers strengthening their market positions, such as BMP Sunstone's purchase of 75% of pediatric drug maker Shengda Pharmaceutical, and China Renji Medical Group's acquisition of Gamma Knife maker MASEP Group
- The theme amongst venture capital investors this quarter was "tried and true" as they gravitated towards areas with more proven track records of successful exits, such as CRO and drug in-licensing and distribution companies
- In terms of public players, large, proven, public companies, such as American Oriental Bioengineering and Yunnan Baiyao continued to attract investment attention

Deal Highlights

- American Oriental Bioengineering raised US\$115 million from a convertible bond offering to continue expanding its footprint in various pharmaceutical verticals through acquisitions
- Morningside, Eli Lilly and Pfizer invested in Series A funding of HD Biosciences, representing the latest expansion initiatives by global big pharma into R&D in China
- China Renji Medical acquires MASEP Group for US\$141 million transaction as the operator of oncology specialist medical centers expands within the radiotherapy value chain through the acquisition of the gamma knife developer in MASEP
- Ping An Life insurance invested US\$203 million into TCM manufacturer Yunnan Baiyao that could bolster Ping An's health and medical insurance business.
- Dermatology product distributor Profex received US\$15.5 million from Trident Capital and Mustang Ventures
- BMP Sunstone acquired majority stake in pediatrics and gynecological OTC/Rx product distributor Shengda Pharmaceutical for US\$4.3 million

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks providing a full range of capital markets, M&A advisory and private placement services. The Firm specializes in the growth sectors of Alternative Energy, Consumer, Health Care, Industrial, Media, Technology, Telecom and Aerospace & Defense.

We are pleased to present our third quarter review of Health Care M&A activity in China, focusing on both financial and strategic buyers/investors acquiring China assets and Chinese corporations acquiring overseas targets.

The purpose of this report is to provide a summary of cross-border health care M&A and private placement activities in the third quarter of 2008, highlighting notable selected transactions that are relevant to venture capital, private equity, and strategic buyers/investors. Our review is broken down into two broad categories, (i) Biotechnology & Pharmaceuticals and (ii) Healthcare Equipment & Services, with specific focus on the following nine major healthcare sectors:

BIOTECHNOLOGY & PHARMACEUTICALS

- Biotechnology
- Prescription Drugs
- OTC Drugs / Nutraceuticals
- Traditional Chinese Medicine
- Medical Chemicals

HEALTHCARE EQUIPMENT & SERVICES

- Distribution & Services
- Equipment / Devices
- Supplies
- Managed Healthcare / Medical Clinics

There was no notable transaction in the prescription drug and supplies sectors during the third quarter of 2008.

Biotechnology & Pharmaceuticals

Biotechnology

China Biologic Products Inc., a plasma-based pharmaceutical company based in Shandong, announced the acquisition of Qianfeng Biological Products Co., Ltd. ("Qianfeng"), one of the 6 largest plasma-based biopharma companies in China, through the acquisition of 90% of its controlling shareholder Chongqing Dalin Biologic Technologies. Qianfeng holds licenses to 6 SFDA-approved plasma products including Human Intravenous Immunoglobulin (IVIG) and Human Albumin. China Biologic Products estimates its combined market share with Qianfeng post-transaction in the plasma-based product area to be approximately 15.6%.

Biomics Biotechnologies, a Jiangsu-based company focused on RNA interference (RNAi) drug R&D, closed a Series B funding from local Jiangsu institutional investors. Biomics claims to be one of the few researchers with an integrated platform of various RNAi-related technologies. RNAi is a nascent technology that inhibits specific expressions of certain genes, and could be applied in research areas such as gene function exploration and treatment of viral diseases such as hepatitis and AIDS. Genzyme [NASDAQ:GENZ] made headlines in January this year after it has won a reportedly heated contest among major biotech companies to partner with Isis Pharmaceuticals [NASDAQ:ISIS] in a deal worth US\$325mm on an RNAi drug that would help to control high cholesterol.

Selected Biotechnology Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 26	China Biologic Products Inc. (OTCBB:CBPO)	Chongqing Dalin Biologic Technologies Co., Ltd.	28.5	90.0	31.7	Produces plasma-based biopharma products
Aug 6 ⁽¹⁾	China Bio-Immunity Corp. (OTCBB:CHHB)	Dalian Jingang-Andi Bio-Products Co., Ltd.	NA	NA	NA	Manufacturer of rabies vaccine
Jul 31	Jiangsu Dinghong Venture Capital, Jiangsu Benefit Rise Group	Biomics Biotechnologies (Nantong) Co.	5.0	NA	NA	RNAi drug discovery

Selected Biotechnology Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jul 1	Ningbo Tech-Bank Company Ltd. (SZSE:002124)	Chengdu Jinghua Biological Product Co. Ltd.	13.2	80.0	16.5	Produces veterinary antiserum, antitoxins, and vaccines

⁽¹⁾ A reverse merger transaction

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

OTC Drugs / Nutraceuticals

BMP Sunstone, a leading specialty pharma company that in-licenses and distributes prescription multinational prescription (Rx) products and OTC products focusing on pediatrics and gynecology, acquired a majority stake in Shengda Pharmaceutical, a Hebei-based manufacturer of oral pediatric products that include amoxicillin tablets and capsules. The acquisition is viewed as a complement to BMP Sunstone's GoodBaby brand, another pediatric OTC/Rx product line that markets some 15 products nationwide.

American Oriental Bioengineering, a diversified specialty pharma company, completed a US\$115mm convertible bond offering, of which US\$30mm would be used to repurchase shares. American Oriental has in recent years expanded through various acquisitions beyond its core plant-based nutraceuticals and pharma product verticals into prescription drugs, OTC drugs and TCM as well as distribution channels.

Selected OTC Drugs / Nutraceuticals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 20	Natural Beauty Bio-Technology Ltd. (SEHK:157)	Shanghai Natural Beauty Bio-Med Co., Ltd.	3.3	100.0	3.3	Manufactures and R&D of health supplements
Jul 18	BMP Sunstone Corp. (NASDAQ:BJGP)	Shengda Pharmaceutical Co. Ltd.	4.3	75.0	5.7	Manufactures pediatric pharmaceuticals, specializing in antibiotic R&D
Jul 9	NA	American Oriental Bioengineering Inc. (NYSE:AQB)	115.0 ⁽¹⁾	NA	NA	Diversified specialty pharma
Jul 8	Sino Biopharmaceutical Ltd. (SEHK:1177)	Qingdao Haier Pharmaceutical Co., Ltd.	5.5	51.0	10.7	Manufactures and distributes therapeutic pharmaceuticals and Chinese nutraceuticals

⁽¹⁾ Convertible senior note due 2015; 5% coupon, initial conversion price@US\$9.29/share (Jul 8 close: US\$8.08)

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Traditional Chinese Medicine (TCM)

Ping An, China's 2nd biggest life insurer, invested more than US\$200mm into Yunnan Baiyao to become the 3rd largest shareholder in the TCM maker. The company develops more than 70 products related to wound care and hematology, and holds 2 of the 3 prescription formulae covered by national security regulations. The proceeds would be used to finance the migration of its facilities to a new production base as well as improving capitalization. This transaction is considered a continuation of an increased focus on direct investments by Ping An in both long-term growth and strategic sectors.

Selected TCM Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 5	Ping An Life Insurance Company of China, Ltd.	Yunnan Baiyao Group Co., Ltd. (SZSE:000538)	203.2	9.4%	2,170.9	Chinese TCM maker specializing in wound care and hematology

Medical Chemicals

Beijing Beilu, a company that develops contrast dye chemicals injected into patients to improve results of radiotherapy-related diagnosis such as MRI and CT scan, raised approximately US\$10mm from a consortium of investors that includes Infotech Pacific Ventures, marking Infotech's foray into the China healthcare industry as a tech fund. Proceeds from the fundraise would be used in R&D of Beijing Beilu's new CT scan contrast that would compete with the likes of Isovue by Bracco and Visipaque by GE. Beilu had revenues of approximately US\$30mm and profit of US\$3mm in 2007.

Selected Medical Chemicals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 18	Infotech Pacific Ventures ⁽¹⁾	Beijing Beilu Pharmaceutical Co., Ltd.	9.7	24.6	39.5	Manufactures contrast dye used in MRI and CT scans
Aug 13	China Grand Pharmaceutical and Healthcare Holdings Ltd. (SEHK:512) ⁽²⁾	Wuhan Wuda Hongyuan Co., Ltd.	4.5	36.9	12.1	Manufactures amino acid and related derivatives

⁽¹⁾ 7 investors in total; Infotech owns 14.74% after the financing

⁽²⁾ Formerly known as MAXX Bioscience Holdings Ltd.; acquired through Wuhu Grand, a 71%-owned subsidiary of China Grand

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Healthcare Equipment & Services

Distribution & Services

Venture arms of two global pharmaceutical giants, Eli Lilly and Pfizer, jointly invested in a Shanghai-based CRO together with venture capital investor Morningside. HD Biosciences, the investee company, specializes in assay development and high throughput drug screening for big pharma and biotech companies, including Pfizer. Eli Lilly and Pfizer, along with other global major pharma like GSK, have grown their presence in Asia by setting up local R&D teams and partnerships with other leading China-based CROs such as ShangPharma, Hutchison MediPharma and Wuxi Pharmatech.

Another CRO investment was made by Qiming Ventures into Shanghai-based Tigermed, who specializes in hepatitis, oncology and vaccines clinical research. Qiming has another CRO investment in Crown Bioscience, a Santa Clara-based CRO that has an existing partnership with Tigermed in oncology clinical trials.

US-based Trident teamed up with its China-affiliate Mustang Ventures to invest in a Shanghai-based dermatology product distributor, Profex. Profex in-licenses and distributes both prescription and OTC products in skin treatment, dermo-cosmetic, hair loss and feminine hygiene products. It is estimated that the Chinese dermatology product market is currently worth US\$1.3 billion and is growing 20% annually.

Selected Distribution & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 27	Trident Capital, Mustang Ventures	Profex, Inc.	15.5	NA	NA	Distributor of dermatology products
Aug 19	NW Tech Capital	Zhuhai Jialun Guangcai Chain Drugstore Co., Ltd.	NA	51.0	NA	Operates 400+ TCM drugstores in Guangdong
Aug 7	Morningside, Lilly Asian Ventures, Pfizer Ventures	HD Biosciences Co., Ltd.	NA	NA	NA	Drug discovery contract researcher
Aug 4	China Nepstar Chain Drugstore Ltd. (NYSE:NPD)	Qingdao Kangjie Chain Drugstore Co., Ltd.	2.4	100.0	2.4	Operates 42 drugstores in Qingdao, Shandong

Selected Distribution & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jul 11	Qiming Venture Partners	Tigermed Consulting Ltd.	5.0	NA	NA	CRO servicing all phases of clinical studies, biological statistics, medical translation services, and registration
Jul 1	AMDL Inc. [AMEX: ADL] ⁽¹⁾	Sichuan ZhiTong Pharmaceutical, Ltd.	NA	100.0	NA	Distributes TCM, health foods, medical equipment, and generic drugs

⁽¹⁾ Through its wholly-owned subsidiary Jade Pharmaceutical Inc.

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Equipment & Devices

China Renji, an operator of a network of cancer diagnostic/treatment centers across China, acquired MASEP Group, a China-based radiotherapy system developer focusing on the treatment of tumors/cancer. MASEP specializes in the development and production of Gamma Knife systems, a non-invasive surgical technology. MASEP owns patents to the self-developed radiotherapy systems that have obtained accreditation from SFDA and US FDA, as well as the CE certificate. MASEP currently sells its equipments in China and in Vietnam. The acquisition agreement includes a 1st-year profit guarantee of US\$23mm, reflecting a 6.1x multiple paid on the purchase price.

Selected Equipment & Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 22	China Renji Medical Group Limited (SEHK: 648)	MASEP Group	141.0	100.0	141.0	Develops cancer diagnostic/treatment equipment

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Managed Healthcare / Medical Clinics

Town Health International, a Hong Kong-based chain of over 100 clinics, raised US\$17.4mm from a private placement to fund its latest venture with Ping An Insurance to roll out clinic chains in southern China around the Pearl River Delta region. Town Health intends to bring its expertise in clinic operations to the currently underserved Chinese health care services market while leveraging Ping An's extensive client network and brand recognition through the 50/50 venture with a total investment amount of up to US\$50 million. Apart from clinics, Town Health also operates health checkup and clinical testing services in Hong Kong.

Selected Managed Healthcare / Medical Clinics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 26	NA	Town Health International Holdings Co., Ltd. [SEHK: 3886]	17.4	16.1	108.1	Offers general medical services outpatient and health checkups in Hong Kong

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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