



China Healthcare M&A Quarterly

3rd Quarter 2009

Quarter in Review

- M&A and private placement activity in the sector was remarkably broad based in the third quarter, attesting to the continued high level of interest in China Healthcare.
- There was a good mix of acquisitions of, and private placements into, both public and private Chinese healthcare companies across virtually all sub-sectors in our coverage universe, by both domestic and international strategic and financial investors.

Deal Highlights

- Morgan Stanley Private Equity led a US\$318mm MBO for Sihuan Pharmaceuticals and is seeking to de-list the Chinese drug maker from the Singapore Stock Exchange
- China Construction Bank's investment in the medical rubber stoppers manufacturer Jiangyin Lanling marked the first deal since the inception of its US\$380mm healthcare-dedicated fund
- PerkinElmer acquired diagnostics equipment and reagent developer SYM-BIO Lifescience for US\$63.7mm
- SB China VC and Fosun invested in Hangzhou-based 3rd party laboratory and diagnostics service provider DA Diagnostics for US\$14.7mm

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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 directly, or through its affiliates, 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 2009, highlighting notable selected transactions that are relevant to venture capital, private equity, and strategic buyers/investors. Our review is broken down into three broad categories, (i) Pharmaceuticals; (ii) Medical Supplies & Devices and (iii) Services, with specific focus on the following eleven major healthcare sectors:

PHARMACEUTICALS	MEDICAL SUPPLIES & DEVICES	SERVICES
▪ Biologics	▪ Tools & Supplies	▪ Marketing & Distribution
▪ Chemical Drugs	▪ Diagnostic / Therapeutic Devices	▪ Health Care Providers
▪ Nutraceuticals	▪ Implants	▪ CROs and Other Services
▪ Traditional Chinese Medicine (TCM) / Modern Chinese Medicine (MCM)		
▪ Chemicals / Other		

There were no notable transactions in the Nutraceuticals, Chemicals / Other and Implants sectors during the third quarter of 2009.

Pharmaceuticals

Biologics

Vivo Ventures, a US-based life-sciences focused fund, invested US\$2.5mm in HK-listed Lee's Pharmaceuticals. Lee's develops and in-licenses products in areas including cardiovascular, infectious diseases, dermatology, oncology and gynecology. The Company currently has 6 products marketed in China and a pipeline of more than 20 under various development and registration stages.

Selected Biologics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 10	Vivo Ventures	Lee's Pharmaceuticals Holdings Ltd. [SEHK:8221]	2.5	6.8	36.8	Develops and in-licenses biopharmaceutical products in various therapeutic areas

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

Chemical Drugs

Hainan-based Asia Pharmaceutical Group received a US\$10mm investment from Silicon Paradise Venture, a Chinese private equity fund based in Zhejiang. The Company develops and manufactures both prescription and OTC drugs, with the lead product line being Kuike, a cold medicine.

Novast Pharmaceuticals, a specialty drug developer based in Jiangsu, has reportedly received US\$25mm from several venture capital firms in its Series C round of funding. Novast's focus is the development of generic drugs for the US market.

Selected Chemical Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 24	Existing individual investor	China Animal Healthcare Ltd. [SGX:EP4]	18.3	6.5	281.5	Develops veterinary drugs mainly for poultry
Sept 4	Silicon Paradise Venture	Asia Pharmaceutical Group	10.0	NA	NA	Develops a variety of prescription and OTC drugs
Jul 31	- ⁽¹⁾	China Aoxing Pharmaceutical Co., Inc [OTCBB:CAXG]	5.0	5.7	87.1	R&D in pain management drugs
Jul 2	SAIF, NEA, BioVeda, Lilly Ventures, Qiming Ventures	Novast Pharmaceuticals Ltd.	25.0	NA	NA	A vertically integrated generic drug development company

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

⁽¹⁾ Includes 15 investors

TCM / MCM

Morgan Stanley Private Equity together with a group of management shareholders launched a buyout worth roughly US\$318mm of Singapore-listed TCM/MCM maker Sihuan Pharmaceutical. The Company's product portfolio specializes in cardiovascular and cerebrovascular diseases, but also includes drugs for other areas such as oncology and neurology as well as antibiotics, with nationwide distribution across 30 provinces in China. The acquisition price represents a 27.5% premium to the latest closing price and more than doubles the IPO price of Sihuan when the Company became public in 2007.

Selected TCM / MCM Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 24	Morgan Stanley Private Equity	Sihuan Pharmaceutical Holding Group Ltd. [SGX:BL5]	318.9	100.0	318.9	Develops MCM products mainly for cardiocerebrovascular diseases
Aug 11	ARC China Inc.	Weikang Biotechnology Group Co., Inc. [OTCBB:WKBT]	8.3	15.8	52.5	Develops various TCM and OTC products

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

Medical Supplies & Devices

Tools & Supplies

CCB International (CCBI), a healthcare-dedicated investment fund under the China Construction Bank (CCB), announced its first-ever deal with Jiangyin Lanling Rubber Stoppers, a medical packaging materials company. Jiangyin Lanling manufactures over 60 kinds of rubber stoppers and seals for medical syringes and vials, and is reportedly Asia's largest rubber stopper manufacturer and exporter. CCBI is the first RMB-denominated fund set up by CCB, and has raised a total of RMB 2.6bn (US\$380mm) from institutional investors.

Selected Tools & Supplies Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 30	Shenzhen Venture Capital	Glory Medical	NA	NA	NA	Designs and manufactures various interior fit-out and systems in hospitals

Selected Tools & Supplies Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 23	CCB International	Jiangyin Lanling Rubber Stoppers Co., Ltd.	14.6	NA	NA	A medical packaging materials company

Diagnostic / Therapeutic Devices

PerkinElmer, Inc., a healthcare and environmental technology company based in the US, acquired SYM-BIO Lifescience, a diagnostics tools and reagents developer, for approximately US\$64mm. SYM-BIO specializes in the area of infectious diseases, which complements the existing prenatal screening product line of PerkinElmer. The acquisition would allow PerkinElmer to double its access to Chinese hospitals, as well as gaining manufacturing and R&D capabilities in China.

Selected Diagnostic / Therapeutic Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 30	Shenzhen Venture Capital	Zhongke Meilun Technology	NA	NA	NA	Develops and manufactures digital x-ray machines and components
Sept 8	PerkinElmer Inc. [NYSE:PKI]	SYM-BIO Lifescience	63.7	100.0	63.7	Diagnostic instrument and reagents provider

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

Services

Marketing & Distribution

Alliance Boots, the British drugstore chain, bought out the 20% interest held by its JV partner, BMP Sunstone (NASDAQ:BJGP), in the 80/20 JV that was jointly established by the two companies in 2007. The JV holds a 50% stake in the drug distributor Guangzhou Pharmaceutical, which is the 5th largest drug distributor in China ranked by 2008 sales. As a result of the transaction, Alliance Boots owns 50% of Guangzhou Pharma, while the other 50% is held by HK-listed parent, Guangzhou Pharmaceutical Co., Ltd. [SEHK:874].

Selected Marketing & Distribution Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 3	Alliance Boots Holdings Ltd.	Guangzhou Pharmaceutical Corp. ⁽²⁾	15.1	10.0	151.0	Drug wholesaler in Southern China
Jul 27	Topsun Science And Technology Co., Ltd. [SHSE:600771]	Xinjiang New & Special National Pharmaceutical Co. Ltd.	19.0	36.0	52.8	Drug distribution logistics company

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

⁽²⁾ Though the acquisition of 20% equity interest in Alliance BMP, a 80/20 JV between Alliance Boots and BMP Sunstone.

Healthcare Providers

HK-listed Hong Kong Health Check and Laboratory Holdings, a chain of integrated medical check-up centers in Hong Kong and China, raised US\$12mm in a private placement, a portion of which will be used to set up additional medical centers. The Company is part of the Town Health International group, which operates a chain of over 70 medical clinics in Hong Kong.

Selected Healthcare Providers Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jul 30	China Alpha II Fund, China Alpha Focus Fund, Atlantis Investment Management	Hong Kong Health Check and Laboratory Holdings Co., Ltd. [SEHK: 397]	12.0	23.5	51.1	Operates health check centers in HK

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

CRO and Other Services

DA Diagnostics, a 3rd party gene diagnostics and laboratory services provider based in Hangzhou, received US\$14.7mm in Series A financing from Softbank China VC and Fosun Pharmaceuticals. The Company has diagnostic centers in Hangzhou, Nanjing, Beijing, Shanghai and Shandong, with projected 2009 revenues exceeding US\$40mm.

Selected CRO and Other Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sept 29	SB China VC, Fosun Pharmaceuticals	DA Diagnostics	14.7	30.0	49.0	Provides outsourced clinical diagnostic and laboratory services
Sept 18	Tiantu Capital	Xinyihua Software	3.7	NA	NA	Develops hospital management computer software and IT platform

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

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