

China Healthcare M&A Quarterly

1st Quarter 2009

Quarter in Review

Health Care sector transaction activity was muted in the 1st quarter, reflecting the effects of the global financial crisis and concerns over the economy. Transactions were especially light in January, which this year also saw the Chinese New Year holidays.

However, transaction activity increased after Chinese New Year as confidence in the economy in general, and in the resilience and prospects of the health care sector in particular began to build. First, the effects of the US\$586 billion stimulus plan announced in the 4th quarter by the Central Government began to be felt. Second, the State Council finally passed the long awaited US\$123 billion Medical Reform Plan.

The US\$123 billion Medical Reform Plan, extremely ambitious in scope, has five key aspects: Universal access to basic health insurance, introduction of an essential drug system, improved primary health care facilities, equitable access to basic public health services and pilot reform of state-run hospitals.

Most of the transactions during the quarter were strategic in nature, with a few notable VC/PE investments. Going forward, we expect that in the near term, most VC/PE investors will continue to focus on growth capital rather than early stage opportunities.

Deal Highlights

- Biochip developer Mingyuan Medicare raised US\$30mm in convertible bonds from CCB to fund acquisitions in healthcare services and medical devices sectors
- China's leading drugstore chains Laobaixing and Da Shen Lin led industry consolidation in retail drug distribution through acquisitions of small regional players
- Fosun Pharma raised its stake in traditional Chinese medicine maker Tongjitang through open market purchase to 13.2%
- Qiming Ventures backed CRO portfolio company Tigermed to invest in clinical data management firm MacroStat to strengthen capabilities in biostatistics

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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 first 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 first 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 Chemical Drugs, Nutraceuticals, Tools & Supplies, Implants and Health Care Providers sectors during the first quarter of 2009.

Pharmaceuticals

Biologics

Mellow Hope, the biggest exporter of biological vaccines in China with over US\$15mm in annual revenues, merged with Serbia-based Hard to Treat Diseases, a company that focuses on R&D in reformulation of existing drugs in therapeutic areas such as central nervous systems, sclerosis, SARS, Hepatitis and HIV. Plans for growth will include the building of storage facilities, new vaccines development (such as HPV), and geographical expansion in China and Asia.

OriGene, a US-based gene centric life science tools company that creates cDNA collections for gene function analysis, acquired Shenzhen P&A Biotech, a manufacturer of monoclonal antibodies. Post transaction, P&A Biotech will become a high throughput production outsourcing technology center providing genome-wide resources. OriGene is backed by Morningside Group, a venture capital firm based in Hong Kong.

Selected Biologics Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 20	Hard to Treat Diseases (OTCPK:HTDS)	Shenzhen Mellow Hope Pharm Industrial Co., Ltd.	8.8	100.0	8.8	Exports biological vaccines
Feb 11	OriGene Technologies Inc.	Shenzhen P&A Biotech Co. Ltd.	NA	100.0	NA	Produces monoclonal antibodies and cytokines for the medical research community

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

TCM / MCM

Shanghai Fosun Pharmaceutical, one of China's leading drug distributors/logistics providers, announced that it has acquired a total of 13.2% in Tongjitang Chinese Medicine through a series of open market purchases since last October. Fosun stated that the acquisition is based on the attractive investment profile of Tongjitang. However, strategically Tongjitang could also help expand Fosun's still nascent TCM distribution product portfolio, which is more profitable than its other current businesses.

Genesis Pharmaceuticals acquired substantially all the assets of Hongrui Pharmaceuticals, a TCM manufacturer with a portfolio of 22 drugs across therapeutic areas in respiratory, gynecologic and pediatric indications. The acquisition will increase Genesis' portfolio to 28 products in total. Genesis expects Hongrui products to generate revenues of approximately US\$19mm and improve bottomline by about US\$3mm the year after the transaction.

Selected TCM / MCM Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 3	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (SHSE:600196)	Tongjitang Chinese Medicine Co. (NYSE:TCM)	14.1	13.2	106.8	Develops and manufactures various Chinese medicines and nutritional products
Jan 23	Genesis Pharmaceuticals (OTCBB:GNPH)	Hongrui Pharmaceuticals Ltd.	12.2	100.0	12.2	Produces 22 Chinese medicines in various forms

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

Chemicals / Other

WILD Flavors, a US-based food additives company, acquired a minority stake in Sunwin International, a company that produces medical and food ingredients through herbal extracts based in Shandong. WILD Flavors was also granted 5-year warrants that would allow it to acquire an additional 17.3%⁽¹⁾ of Sunwin for US\$9.3mm.

Selected Chemicals / Other Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 12	Kang Mei Pharmaceutical Co., Ltd. (SHSE:600518)	Ji'an Xinkaihe Co.	5.7	100.0	5.7	Produces ginseng and TCM materials
Feb 5	WILD Flavors, Inc.	Sunwin International Neutraceuticals, Inc. (OTCBB:SUWN)	3.0	15.7	19.1	Manufactures products from herbal extracts for TCM and veterinary medical use

⁽¹⁾ % of total number of shares as of date of announcement of the acquisition

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

Medical Supplies & Devices

Diagnostic / Therapeutic Devices

Mingyuan Medicare, a developer of a C-12 biochip system for cancer screening, raised US\$30mm through the issuance of convertible bonds to China Construction Bank's asset management arm. Mingyuan has strategic partnerships with China Life to distribute its biochips in multiple cities and GE Healthcare to set up a chain of health screening clinics in China. Separately, China Construction Bank has also just announced the receipt of government approval to launch its healthcare-dedicated investment fund, which would raise up to RMB 5bn (US\$731mm).

Selected Diagnostic / Therapeutic Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 18	CCB International Asset Management	Mingyuan Medicare Development (SEHK: 233)	30.0	16.3 ⁽¹⁾	184.0	Develops a protein chip system for multi-tumor marker detection as well as HPV testing kits

⁽¹⁾ On a fully-diluted basis

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

Services

Marketing & Distribution

Beijing SL Pharmaceutical acquired Beijing Purenhong, one of Beijing's largest drug distributors, from Sihuan Pharmaceutical Holdings (SHSE:000605). The sale would free up capital for Sihuan to focus on manufacturing and marketing its core cardiovascular products. The sale prices represented approximately 9.8x FYO earnings of Beijing Purenhong and 2x the original investment by Sihuan in Beijing Purenhong.

Hunan Laobaixing and Guangdong Da Shen Lin, China's 2nd and 4th-ranked pharmacy chain in terms of 2008 revenues, made acquisitions of drugstore chains in their respective home markets, Hunan and Guangdong. Laobaixing's acquisition was its first since raising US\$82mm from EQT Asia in October last year, bringing its number of stores to 243 nationwide. Da Shen Lin's acquisition also represented the 1st after announcing its rollup plan through franchising and acquisitions from its current platform of more than 500 outlets. The target, Mei Kang, is the 2nd largest drugstore chain in Shaoguan, Guangdong.

Selected Marketing & Distribution Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 24	Beijing SL Pharmaceutical Co., Ltd. (SZSE:002038)	Beijing Purenhong Pharmaceutical Co., Ltd.	14.9	45.0	33.1	Engages in the distribution of pharmaceutical products to 130 hospitals
Feb 19	Guangdong Da Shen Lin Pharmacy	Mei Kang Pharmaceutical	NA	NA	NA	Operates a chain of 25 pharmacy outlets in Shaoguan, Guangdong
Jan 9	Hunan Laobaixing Medicine Retailer Chain Co. Ltd.	Haicheng Medicine Retailer Chain	3.0	100.0	3.0	Operates 32 drugstores in Xiangtan City, Hunan Province

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

CRO and Other Services

Shanghai-based CRO Tigermed co-invested with its venture capital shareholder Qiming Ventures in MacroStat, a CRO in China that focuses on clinical trial data management and biostatistics analysis. MacroStat's clients include multinational pharma, biotech companies and CROs mainly from the US and Europe.

Selected CRO and Other Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 4	Tigermed Consulting Co., Ltd., Qiming Ventures	MacroStat	NA	NA	NA	A CRO specializing in clinical data management and statistical analysis

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

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