

China Healthcare M&A Quarterly

2nd Quarter 2009

Quarter in Review

- Overall transaction activity in the second quarter was similar to that in the first quarter, both in terms of the number of transactions and their nature. As in the first quarter, the majority of the transactions involved strategic players either acquiring other companies or taking strategic stakes to acquire new products
- Amongst institutional investors, there remains strong interest in the sector and belief in both the secular and cyclical growth drivers of the industry. However, in the current environment and with uncertainty over how the China healthcare landscape will evolve in the medium term, investment in private companies has remained muted as VC/PE investors maintain a cautious attitude towards many of the private companies in the sector
- As a result, there were only a few VC/PE investments in the sector the past quarter, and these tended to be focused on well-established private companies rather than early-stage companies

Deal Highlights

- Simcere Pharmaceuticals acquired minority stakes in a vaccine company and an antibody manufacturer for a total consideration of approximately US\$49mm to expand in the biologics area
- Mingyuan Medicare acquired a DNA HPV screening product developer for US\$36mm, following an acquisition of a chain of diagnostic centers last October for US\$45mm
- KPCB led a US\$15mm investment round into Nanjing-based biology CRO Jinsite Science and Technology
- Vivo Ventures invested in Kanghui Medical to join 4 other venture capital firms as investors in the orthopedics manufacturer

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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 second 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, Chemicals, Tools & Supplies, and Health Care Providers sectors during the second quarter of 2009.

Pharmaceuticals

Biologics

Simcere Pharmaceutical made a big push into the biologics area by announcing 2 minority investments in Q2 worth a combined US\$49mm. Shanghai Celgen is an antibody R&D and manufacturing company that produces therapeutic antibodies. Its leading biogeneric candidate has completed all clinical trials and is currently awaiting final SFDA approval. The other investment was in Jiangsu Yanshen, a vaccine company with the #2 and #4 flu and rabies vaccines in China respectively. Jiangsu Yanshen also has a Hepatitis A vaccine that is awaiting SFDA approval.

China Biologic Products, China's largest non-state owned blood plasma product company, raised US\$9.6mm in convertible notes from several investors through Essence International Investment, a special purpose vehicle. The warrants-embedded notes have a 2-year duration and 3.8% coupon and was issued with a conversion price of approximately 9% below the previous day's trading price. Proceeds will be used to make final payments for the two latest acquisitions that China Biologic made over the past year.

Amex-listed stem cell company NeoStem raised US\$11mm from existing investor RimAsia Capital, as well as new investors including Shanghai-based Enhance Biomedical Holding and Singapore-based Elancrest Investments. The new capital will be deployed mostly on NeoStem's China operations, which develop regenerative medical therapies. NeoStem said it might also use some of the proceeds to make acquisitions in China and continue its stem cell research program in the US.

Selected Biologics Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|--------------------------|---|----------------------------|------------------------------------|----------|------------------------------------|--|
| Jun 8 | Commonwealth Biotechnologies Inc. (NasdaqCM: CBTE) | GL Biochem (Shanghai) Ltd. | 2.6 | 100.0 | 2.6 | R&D and manufacturing of peptide-related products and reagents |

Selected Biologics Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---|---|-----------------------------|------|-----------------------------|--|
| Jun 5 | Essence International Investment Ltd. | China Biologic Products, Inc. (OTCBB:CBPO) | 9.6 | NA | NA | Develops plasma-based pharmaceutical products |
| Jun 5 | Starr International Finance AG | Techpool Bio-Pharma Co., Ltd. | 20.5 | 28% | 73.2 | Manufactures nature-sourced bio-pharmaceuticals |
| May 26 | Simcere Pharmaceutical Group (NYSE:SCR) | Jiangsu Yanshen Biological Technology Stock Co., Ltd. | 28.6 | 37.5 | 76.3 | Manufactures vaccines |
| May 19 | Simcere Pharmaceutical Group (NYSE:SCR) | Shanghai Celgen Bio-Pharmaceutical Co., Ltd. | 20.5 | 35.1 | 58.4 | Manufactures therapeutic antibodies and biogeneric drugs |
| Apr 13 | RimAsia Capital Partners, LP; Enhance Biomedical Holding Corporation; Elancrest Investment Ltd. | NeoStem, Inc. | 11.0 | NA | NA | R&D in regenerative and stem-cell related therapies as well as adult stem cell collection/banking services |

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

TCM / MCM

TCM/MCM manufacturer Tongjitang announced the acquisition of Anhui Jingfang Pharmaceutical, a drug company with 13 TCM and western drugs in its portfolio. The key therapeutic areas of Anhui Jingfang are orthopedics and geriatrics, of which the 2 lead products comprise approximately 70% of the company's US\$6mm total annual revenues.

Selected TCM / MCM Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---|--|-----------------------------|-------|-----------------------------|--|
| May 12 | Zhejiang Hengyi Investment Development Co., Ltd | Hangzhou Tian-Mu-shan Pharmaceutical Enterprise Co. Ltd. (SHSE:600671) | 6.9 | 8.8 | 78.5 | Produces and sells traditional Chinese medicines, including capsules, granules, and injections |
| Apr 15 | Weihai Xiantuo Investment Co. Ltd. | Weihai Dongbao Pharmaceutical Co., Ltd. | 2.9 | 100.0 | 2.9 | Manufactures modern Chinese medicines |
| Apr 2 | Tongjitang Chinese Medicines (NYSE:TCM) | Anhui Jingfang Pharmaceutical | 8.8 | 100.0 | 8.8 | TCM product manufacturer in orthopedics and geriatrics |

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

Medical Supplies & Devices

Diagnostic / Therapeutic Devices

Golden Meditech, a company that specializes in providing hematology-related products and services, raised US\$10mm in convertible bonds. The bonds carry a 3% interest and a conversion price of 13% above the average closing price of the previous 5 trading sessions. Golden Meditech, recently migrated from the OTC to the mainboard of the Hong Kong Stock Exchange, develops blood recovery systems, operates hematology hospitals and offers cord blood banking services in Asia.

Bio-chip developer Mingyuan Medicare announced its 2nd major transaction in the past year by acquiring 95% of Genetel Pharmaceuticals, a developer of DNA diagnostic products for human papillomavirus (HPV) screening, for US\$36mm. As a result, Mingyuan will no longer need to pay licensing fees for this IP. The acquisition price reflects

a 53x trailing earnings multiple for Genetel. In October last year, China Medical Technologies (NASDAQ:CMED) acquired a similar HPV screening business for US\$345mm.

Selected Diagnostic / Therapeutic Devices Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---|--|-----------------------------|------|-----------------------------|---|
| Apr 30 | NA | Golden Meditech Co. Ltd. (SEHK: 801) | 10.0 | NA | NA | Provides hematology-related products and services |
| Apr 16 | Mingyuan Medicare Development Co., Ltd. (SEHK: 233) | Genetel Pharmaceuticals (Shenzhen) Co., Ltd. | 36.1 | 95.0 | 38.0 | Provides research and development services of DNA technology and products |

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

Implants

Changzhou-based Kanghui Medical, one of China's top orthopedics products manufacturers, received an undisclosed amount of investment from US-based life sciences fund Vivo Ventures. Kanghui raised a total of US\$37mm from its previous rounds of financing from investors including TDF/KPCB, IDG, SIG and CDH.

Selected Implants Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|--------------------------|--------------------------------------|-----------------------------|----|-----------------------------|--|
| Apr 24 | Vivo Ventures, LLC | KangHui Medical Innovation Co., Ltd. | NA | NA | NA | Operates as a leading domestic Chinese orthopedic manufacturer with products in Trauma, Spine, and Joint |

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

Services

Marketing & Distribution

Medical product distributor Tianjin Pharmaceutical Holdings bolstered its distribution capability and sales network in the Northern China region by acquiring Hebei Deze Dragon Pharmaceutical. As a result of the transaction, Tianjin Pharmaceutical will distribute over 4,000 products across the TCM/MCM, western chemical drugs and medical equipment segments.

Selected Marketing & Distribution Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---------------------------------------|---------------------------------------|-----------------------------|-------|-----------------------------|--|
| Apr 16 | Tianjin Pharmaceutical Holdings, Ltd. | Hebei Deze Dragon Pharmaceutical Inc. | NA | 100.0 | NA | Engages in the wholesale and distribution of pharmaceutical products |

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

CRO and Other Services

KPCB led a US\$15mm investment round into Jinsite Science and Technology, the Chinese biology CRO subsidiary of the US-based CRO GenScript Corp. With a headcount of over 700, Jinsite is reputedly the largest biology CRO in China, providing services in gene synthesis, peptide development, protein expression/purification/characterization and custom antibody development/purification/modification.

Selected CRO and Other Services Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|--------------------------|--------------------------------|-----------------------------|----|-----------------------------|---|
| May 20 | KPCB, TBIG Healthcare | Jinsite Science and Technology | 15.0 | NA | NA | Offers outsourcing services on biological and pharmaceutical research |

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

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