



China Health Care Quarterly Update

4th Quarter 2009

Quarter in Review

- There was significant capital markets activity in the 4th quarter, especially in the pharmaceuticals sector. However, much of this volume was due to domestic companies taking advantage of the launch of the ChinNext market of the Shenzhen stock exchange in order to go public. Nevertheless, there were also a number of capital markets transactions involving US listed China healthcare companies.
- By comparison, M&A and private placement activity remained robust, with a number of high profile multinationals such as Novartis and PPD making strategic acquisitions and domestic and international venture capital firms investing in a number of health care sectors.

Sector Highlights

- 8 China health care IPOs were priced on the domestic Shanghai and Shenzhen stock exchanges, raising a total of approximately US\$875mm
- Concord Medical Services, China's largest radiotherapy center operator focused on cancer treatment, completed its US\$132mm IPO on the NYSE
- Hematology drug developer Nuokang Biopharmaceuticals completed its IPO on NASDAQ for US\$45mm
- PPD acquired leading Chinese CROs Excel PharmaStudies and BioDuro to form the largest CRO platform in China
- Novartis acquired a majority stake in Chinese vaccine maker Zhejiang Tianyuan for US\$125mm
- SEAVI Advent and DBS invested US\$15mm in a Series A Round of the TCM company Sinocom Pharmaceutical
- API manufacturer Nexchem Pharmaceutical raised a round of funding from Bioveda China and NEA

Hong Kong

Suite 3518 Jardine House
One Connaught Place
Central, Hong Kong
T +852 3752 2333
F +852 2295 3979

Beijing

Room 705, East Tower
Twin Towers
B12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, China
T +86 (10) 8447 7398
F +86 (10) 8447 7396

Shanghai

5F Crystal Century Tower
567 Weihai Road, Jingan District
Shanghai 200041, China
T +86 (21) 6288 6555
F +86 (21) 6288 6585

About Cowen Latitude Asia

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Pharmaceuticals

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Biologics						
11/04/2009	M&A	Zhejiang Tianyuan Bio-Pharmaceutical	Novartis AG (NYSE:NVS)	\$ 125	85.0%	Vaccine company focused on various preventable viral and bacterial diseases
Chemical Drugs						
10/30/2009	M&A	LifeTech Pharmaceuticals	China Medicine Corporation (OTCBB:CHME)	\$ 22	100.0%	Develops and manufactures western and TCM products focusing on natural-source vascular, women's health and anti-inflammatory areas
Nutraceuticals						
NA						
Traditional/Modern Chinese Medicine (TCM/MCM)						
11/09/2009	M&A	Beijing WBL Peking University Biotech	Luye Pharma Group Ltd. (SGX:A61)	\$ 45	-	Modern Chinese medicine manufacturer
10/28/2009	Private Placement	Sinocom Pharmaceutical	SEAVI Advent, DBS	15	18.2%	Grows and sells natural herbal products, as well as distribution of various TCM and western pharmaceutical products
10/15/2009	Private Placement	Gui Zhen Tang Pharmaceutical	Jiangsu Top-Bridge Capital	11	-	Manufactures pharmaceutical and health products derived from bear bile
Chemicals / Others						
12/16/2009	Private Placement	Nexchem Pharmaceutical	NEA, BioVeda China	-	-	R&D and production of APIs

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

Novartis expanded its human vaccines presence in China through the acquisition of a majority stake in the vaccine manufacturer, Zhejiang Tianyuan. Zhejiang Tianyuan generated revenues of approximately US\$25mm in 2008, mainly through the sale of a flu vaccine, while other product areas include hemorrhagic fever with renal syndrome, Japanese encephalitis and meningococcal meningitis. Novartis estimates sales in the Chinese vaccine market has reached over US\$1bn with sustainable double-digit growth going forward.

China Medicine Corporation, a distributor and developer of various TCM and OTC products, announced the acquisition of the chemical and TCM drug maker LifeTech Pharmaceuticals, which has a portfolio of 39 TCM and western medicine products in the natural-source vascular, anti-inflammatory and women's health related therapeutic areas. LifeTech projects its revenues to be in the range of US\$10mm - 12mm in 2010.

SEAVI Advent and DBS invested US\$15mm in the Series A round of financing of Anhui-based Sinocom Pharmaceutical, the natural herbs and TCM drug distributor, for an 18.2% stake. Sinocom cultivates natural herbs ingredients and sold them in bulk form, while other products are mostly distributed directly to hospitals and drug stores. In 2009, Sinocom was on a revenue run-rate of over US\$70mm.

Selected Capital Markets Transactions in Q4 2009

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market ⁽¹⁾	Price as of Dec 31	Market Cap as of Dec 31 (US\$ MM)	Company Description
12/25/2009	IPO	Shenzhen Mainboard	Zhejiang Xianju Pharmaceutical (SZSE:002332)	Biologics	\$ 103	RMB 8.20	-	RMB 15.32	\$ 766	Focused on steroid hormones related products
12/23/2009	IPO	Shenzhen Chinext	Shanghai Kaibao Pharmaceutical (SZSE:300039)	TCM / MCM	153	RMB 38.00	-	RMB 42.18	677	Develops various TCM products in areas of respiratory, cardiovascular, anti-infection etc
12/09/2009	IPO	NASDAQ	Nuokang Bio-Pharmaceutical (NASDAQ:NKBP)	Biologics	45	US\$ 9.00	-	US\$ 7.85	155	Develops hematological and cardiovascular products
11/30/2009	IPO	Shenzhen Mainboard	Guangdong Zhongsheng Pharmaceutical (SZSE:002317)	Chemical Drugs	161	RMB 55.00	-	RMB 68.13	798	Develops and manufactures products in the areas of cardiovascular, diabetes and CNS
11/03/2009	Follow On	Shanghai	Zhejiang Hisun Pharmaceutical (SHSE:600267)	Chemicals / Others	98	RMB 19.43	(10.7)%	RMB 24.13	1,700	Develops and manufactures various APIs and antibiotics
10/14/2009	IPO	Shenzhen Chinext	Tianjin Chase Sun Pharmaceutical (SZSE:300026)	Chemical Drugs / TCM/ MCM	111	RMB 60.00	-	RMB 91.20	672	Develops and manufactures products mainly in the cardiovascular/cerebrovascular areas
10/14/2009	IPO	Shenzhen Chinext	Beijing Bellu Pharmaceutical (SZSE:300016)	Chemical Drugs / TCM / MCM	44	RMB 17.25	-	RMB 34.79	346	Develops and manufactures contrast dye used in MRI and CT scans, as well as TCM products in treating anxiety disorder and diabetes

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing

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

Nuokang Bio-Pharma, the developer of the leading hemocoagulant product (i.e. Baquting) in China, raised US\$45mm in its IPO on NASDAQ. The shares were priced at roughly 20x Nuokang's 2009 net income. For the first 9 months in 2009, Nuokang recorded revenues of US\$29mm and roughly US\$6mm in net income. Apart from Baquting, Nuokang also has products in the cardiovascular area that are both developed in-house and in-licensed, although Baquting represents the vast majority of revenues currently. Sequoia and HBM Biomed were two of the major institutional shareholders that invested in Nuokang in 2008.

There was significant IPO activity of pharmaceutical companies mostly on the newly-established Shenzhen Chinext market (also known as the Growth-Enterprise-Market (GEM) market). All of the listings had a sizeable first day surge in price (e.g. Zhejiang Xianju - 144%; Beijing Bellu - 106%) and has since traded well above their IPO prices.

Medical Supplies & Devices

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Tools & Supplies						
NA						
Diagnostic/Therapeutic Devices						
NA						
Implants						
NA						

Selected Capital Markets Transactions in Q4 2009

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12/15/2009	IPO	Shenzhen Chinext	Guangzhou Improve Medical Instruments (SZSE: 300030)	Diagnostic / Therapeutic Devices	\$ 68	RMB 25.00	-	RMB 35.10	\$ 380	R&D and manufacturing of IVD systems

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

Guangzhou Improve Medical ("GIM"), an in-vitro diagnostics company, raised US\$68mm on the Shenzhen Chinext exchange, more than four times that it originally sought. The shares were eventually priced at 109x 2008 earnings. GIM's major product is an evacuated blood collection system that is sold both domestically and exported to more than 70 countries in the world.

Services

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Marketing & Distribution						
NA						
Health Care Providers						
12/29/2009	M&A	Shenzhen Peng'ai Hospital Investment	BAL Holdings Ltd. (SEHK: 8079)	\$ -	50.0%	Operating medical aesthetic hospitals in China
10/09/2009	Private Placement	Ciming Health Checkup	Tiantu Capital	7	-	Operating a chain of health checkup clinics in China
CROs and Other Services						
12/15/2009	Private Placement	China Stem Cells (South) Co., Ltd.	Cordlife (ASX: CBB)	\$ 10	10.0%	Operates a cord blood bank in Guangdong
12/11/2009	Private Placement	Medical System	JAFCO, WI Harper, China-Singapore Suzhou Industrial Park Development Co., Ltd.	10	-	Medical IT company specializing in clinical information system
11/18/2009	M&A	BioDuro LLC	Pharmaceutical Product Development (NASDAQ: PPD)	77	100.0	Focuses on pre-clinical related services medicinal chemistry, biology, pharmacology, DMPK and safety services
10/27/2009	M&A	Excel PharmaStudies	Pharmaceutical Product Development (NASDAQ: PPD)	-	100.0	Provides clinical research, registration, biometrics and training/consultation services

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

Pharmaceutical Product Development ("PPD"), a leading CRO headquartered in North Carolina, announced the acquisitions of Excel PharmaStudies and BioDuro. The acquisitions are complementary as Shanghai-based Excel specializes in Phase II-IV clinical services, while Beijing-based BioDuro focuses on pre-clinical drug discovery services. Combined with PPD's existing operations in China, the combined platform will form the largest CRO in China with over 1,000 headcount.

Ciming, a health checkup clinic chain with approximately 45 clinics in China, received a Series C round of investment from Shenzhen-based venture capital firm Tiantu Capital. Proceeds will be used in further consolidation and expansion into Tier 2 and Tier 3 cities beyond Ciming's core markets of Beijing, Shanghai and Southern China. The other institutional shareholders in Ciming are CDH Ventures and Ping An Insurance.

Selected Capital Markets Transactions in Q4 2009

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market ⁽¹⁾	Price as of Dec 31	Market Cap as of Dec 31 (US\$ MM)	Company Description
12/11/2009	IPO	NYSE	Concord Medical Services (NYSE: CCM)	Health Care Provider	\$ 132	US\$ 11.00	-	US\$ 8.64	\$ 425	Operates a network of radiotherapy and diagnostic imaging centers in China
11/19/2009	Follow-on	NYSE	China Cord Blood Corp (NYSE: CO)	Other Services	20	US\$ 6.05	-	US\$ 6.50	408	Offers cord blood banking services in Beijing and Guangdong
10/12/2009	IPO	Shenzhen Chinext	Aier Eye Hospital Group (SZSE: 300015)	Health Care Provider	137	RMB 28.00	-	RMB 44.11	862	Operates a chain of ophthalmology hospitals

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing
Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Concord Medical Services ("CMS"), the operator of the largest chain of radiation therapy and diagnostic imaging centers in China, completed its IPO on the NYSE for gross proceeds of US\$132mm. CMS reported revenues of US\$30mm and net income of

US\$9mm for the first 9 months in 2009. As of September 2009, CMS operates 83 centers in 55 hospitals across 36 cities in China. Proceeds will be used to continue expanding the network of diagnostic and therapeutic centers, as well as building specialty cancer hospitals in Saanxi and Beijing. According to the World Health Organization, cancer was the leading cause of death in 2008.

China Cord Blood Corp (“CCB”) completed a follow-on offering of US\$20mm while at the same time migrated its listing from the OTCBB exchange to the NYSE. CCB owns two of the six cord blood banking licenses currently approved in China that allows it to provide storage services of umbilical cord blood stem cells from newborn babies in Beijing and the Guangdong province. For the twelve months ended June 2009, CCB had revenues of approximately US\$32mm and US\$5.6mm of net income.

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