
China Healthcare M&A Quarterly

2nd Quarter 2008

Highlights

- **Progentech secures US\$21 million of Series C funding from DT Capital and Bay City Capital**

In addition to the expansion capital, Progentech will also benefit from the life sciences industry and management expertise of Bay City Capital

- **Beijing Double-Crane Pharmaceutical acquires 90% of Guangdong Shenzhou Pharmaceutical for US\$20.5 million**

Beijing Double-Crane expands its Southern China footprint and product mix through an acquisition of the infusion solutions manufacturer

- **China Medstar accepts buyout offer from Ascendium Group for US\$36.5 million**

The 62 pence (or ~US\$1.2) per share offer price from the SPAC values the cancer diagnosis equipment service provider at a 97% premium to its closing price

- **Golden Meditech acquires controlling interest in Daopei Hospitals Group for US\$106.4 million**

Golden Meditech ventures into hospital management through the acquisition of the Beijing and Shanghai hematology hospital group

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is Asia's leading growth sector focused investment bank 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 second quarter review of Healthcare 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 healthcare M&A and private placement activities in the second 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 ten major healthcare sectors:

BIOTECHNOLOGY & PHARMACEUTICALS

- Biotechnology
- Prescription Drugs
- OTC Drugs / Nutraceuticals
- TCM Drugs
- Medical Chemicals

HEALTHCARE EQUIPMENT & SERVICES

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

There were no notable transactions announced in the TCM drugs sector during the second quarter of 2008.

Biotechnology & Pharmaceuticals

Biotechnology

Hua Han Bio-Pharmaceutical, a Guizhou-based manufacturer of gynecological medicine and related healthcare products for women, acquired controlling interest in Guilin Pavay Gene Pharmaceutical, a bio-medical company that produces a healing gel for skin-wounds and an eye drop for cornea wound healing based on a cell growth and proliferation technology called recombinant human epidermal growth factor (RHEGF). Hua Han will apply this RHEGF technology to its own gynecological and medicinal healthcare products.

Simcere Pharmaceutical bolstered its oncology area of expertise by acquiring 70% of Wuhu Zhong Ren Pharmaceutical, a sustained release anti-tumor implant producer. Wuhu Zhong Ren's main product SinoFuan is the only SFDA-approved implant of its kind in the marketplace in China. Wuhu Zhong Ren is the 3rd acquisition by Simcere after the latter's IPO in 2007. Simcere also owns Endu, the patented anti-cancer biotech drug acquired in 2006.

Progentech, a Shanghai-based biotech instrumentation developer, secured a Series-C round of financing from Shanghai-based DT Capital and San Francisco-based Bay City Capital. Progentech possesses a technology that eliminates user exposure and cross-contamination during a process known as nucleic acid isolation during DNA diagnostic procedures. This is the first China investment by the life science venture firm Bay City Capital.

Selected Biotechnology Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 27	Hua Han Bio-Pharmaceutical Holdings Ltd. (SEHK:587) ⁽¹⁾	Guilin Pavay Gene Pharmaceutical Co., Ltd.	27.7	52.0 ⁽²⁾	34.6	Produces healing gel in treating skin wounds and eye drops for cornea wounds
June 11	Chemo Iberica, S.A.	Shanghai Clonbiotech	NA	30.0	NA	Manufactures biosimilar drugs
Apr 22	Simcere Pharmaceutical Group. (NYSE: SCR)	Wuhu Zhong Ren Pharmaceutical Co., Ltd.	9.3	70.0	13.2	Produces sustained release anti-tumor implants
Apr 18	Shenyang China Starzyme Company Limited	Shenyang Sunrise Biotech Co., Ltd.	NA	100.0	NA	Develops bio-additives such as feed enzymes and animal drugs

Selected Biotechnology Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Apr 2	DT Capital, Bay City Capital	Progentech Limited, Inc.	21.0	NA	NA	Develops nucleic acid purification systems

⁽¹⁾ Through its wholly-owned subsidiary Guizhou Hangang Medicine Manufacture Co., Ltd.

⁽²⁾ Through acquisition of 80% of Guilin Pavay's holding company, Guilin Gu Jin Pharmaceutical Technology Co., Ltd., which owns 65% of Guilin Pavay.

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

Prescription Drugs

Hainan-based China Pharma Holdings raised US\$10 million from a PIPE transaction through issuance of new shares. China Pharma develops drugs that treat a variety of conditions including infections, hepatitis, cardiovascular and CNS diseases. Proceeds from the fundraise would be used to increase production and to enhance sales and distribution.

Genesis Pharmaceuticals, a Shandong-based pharmaceutical company that produces tablets, capsules and granules for both western and herbal-based drugs, placed US\$30 million in convertible notes to finance the acquisition of rights to and the marketing of its latest anti-blood clot drug, which is expected to receive approval in 1H2009 and generate US\$23 million in revenues in its next fiscal year. Pope Asset Management, an existing investor in the previous fundraise in November 2007, led this round of financing.

Selected Prescription Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 12	China Sky One Medical, Inc. (AMEX: CSY) ⁽¹⁾	Peng Lai Jin Chuang Company	7.0	100.0	7.0	Provides manufacturing and distribution services for medicinal products including drugs for treatment of colds, cardiovascular disease, and depression
Jun 3	NA	Jiangxi Jiu Hua Pharmaceutical Co Ltd. ⁽²⁾	2.9	30.0	9.7	Engages in the sale of prescription drugs
May 30	Pope Asset Management LLC	Genesis Pharmaceuticals Enterprises Inc. (OTCBB: GTEC)	30.0 ⁽³⁾	NA	NA	Develops, manufactures, processes, researches, and sells western and Chinese herbal-based drugs
May 28	NA	China Pharma Holdings Inc. (OTCBB: CPHI)	10.0	NA	NA	Manufactures and markets generic and branded biopharmaceutical products in China
May 19	GNI Ltd. (TSE: 2160)	Shanghai Hengshan Pharmaceuticals, Inc.	8.6	51.0	16.8	Engages in the manufacturing of antibiotics and other generic drugs
May 4	Beijing Pharmaceutical Group	Beijing Double-Crane Pharmaceutical Co., Ltd. (SHSE: 600062)	96.0 ⁽⁴⁾	NA	NA	Engages in the research, development, and manufacture of IV solutions, synthetic antibiotics, and natural drugs in China
Apr 28	MAXX Bioscience Holdings Ltd. (SEHK: 512)	Wuhan Grand Pharmaceutical Group Co., Ltd.	25.6	71.0	36.1	Develops various drugs, antibiotics and raw materials

⁽¹⁾ Through its wholly-owned subsidiary Harbin Tian Di Ren Medical Science and Technology Company

⁽²⁾ Stake sold by Shanghai Dingli Technology Development (Group) Co Ltd (SHSE:600614) to undisclosed private investor

⁽³⁾ In form of 3-year, 6% convertible notes

⁽⁴⁾ Proceeds include cash and certain assets of the parent company Beijing Pharmaceutical Group

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

OTC Drugs / Nutraceuticals

IDG Ventures invested in Beijing Competitor Weichuang Sports Technology, a sports nutrition supplement developer and technical support service provider for professional athletes. Beijing Competitor is one of the official nutraceutical product vendors to the Chinese national team for the Beijing Olympics. The Company estimates it has a 40-50% market share in China and has grown its revenues by 50% year-on-year. Beijing Competitor is targeting a domestic SME listing in the future.

Selected OTC Drugs / Nutraceuticals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 19	Sichuan Languang Group Industrial Co., Ltd.	Sichuan Dikang Sci & Tech Pharmaceutical Industry Co. Ltd. (SHSE: 600466)	46.1	29.9	155.2	Develops, manufactures, processes, researches, and sells herbal and western pharmaceutical products
Apr 29 ⁽¹⁾	China Sky One Medical, Inc. (AMEX: CSY) ⁽¹⁾	Heilongjiang Tianlong Pharmaceutical, Inc.	8.3	100.0	8.3	Manufactures topical OTC drugs
Apr 17	IDGVC	Beijing Competitor Weichuang Sports Technology Development Co. Ltd.	NA	NA	NA	Engages in the research and development, production and sale of sport nutraceutical products
Apr 7	Yunnan Baiyao Group Co., Ltd. (SZSE: 000538)	Kunming Jindian Pharmaceutical Co. Ltd.	NA	100.0	NA	Manufactures OTC drugs

⁽¹⁾ Announcement of closing

⁽²⁾ Through its wholly-owned subsidiary Harbin Tian Di Ren Medical Science and Technology Company

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

Medical Chemicals

Actavis Group, the Iceland-based generic pharmaceutical company, acquired 90% in Zhejiang Chrial, an active pharmaceutical ingredients (API) R&D firm based in Hangzhou with close to 200 employees. The acquisition allows Actavis to gain further access to low-cost API manufacturing and brings its China headcount to 500.

Selected Medical Chemicals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 13	Shandong Xinhua Pharmaceutical Co. Ltd. (SEHK: 719)	Shandong Dadi Xinhua Chemical & Industrial Company Limited	2.0	41.4	4.8	Engages in the production and sale of chemical products for the pharmaceutical sector
May 5	Jingjiang Huayu Investment Construction Co., Ltd.	Jiangsu Huayuan Pharmaceutical Co., Ltd.	37.4	100.0	37.4	Manufactures chemicals for drugs
Apr 9	Actavis Group	Zhejiang Chiral Medicine Chemicals Co., Ltd.	NA	90.0	NA	Specializes in research, development and production of Active Pharmaceutical Ingredients (API)

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

Healthcare Equipment & Services

Distribution & Services

Singapore-listed Sihuan Pharmaceutical, a cardiocerebral vascular drug company in China, purchased 45% of Beijing Purenhong Pharmaceutical, Beijing's largest privately-held pharmaceutical products distribution company. Beijing currently accounts for approximately 10% of Sihuan's sales revenue, and the acquisition will help expand its distribution to major hospitals in Beijing. Purenhong is projecting at least US\$4.3 million of profit in FY08.

Selected Distribution & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 13	Jiangsu Hengrui Medicine Co., Ltd. (SHSE:600276)	Lianyungang Huachen Pharmaceutical Co., Ltd.	3.0	90.0	3.3	Distributes OTC drugs, pharmaceutical chemicals, bio-pharma medicines and supplies
May 15	Sihuan Pharmaceutical Holding Group Ltd. (SGX:BL5)	Beijing Purenhong Pharmaceutical Co., Ltd.	7.2	45.0	16.1	Distributes a variety of pharmaceutical products to 130 major hospitals in Beijing
Apr 18	Tianjin Tasly Pharmaceutical (SHSE:600535)	Tianjin Bokelin Medicine Packaging Technology Co. Ltd.	12.9	75.0	17.2	Offers medicine packaging solutions
Apr 16	C & O Pharmaceutical Technology Holdings (SGX:E92) ⁽¹⁾	Nanjing Xinaokang Pharmaceutical Limited	5.7	100.0	5.7	Distributes medicines and health products in Nanjing to hospitals and community health service centers

⁽¹⁾ Through its wholly-owned subsidiary Shenzhen Liancheng Medicine Company Limited

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

Equipment & Devices

China Medstar, a cancer diagnosis and treatment medical equipment service provider for hospitals in China, has agreed to an acquisition offer from Ascendium Group, a special purpose acquisition company (SPAC) formed by Concord Medical Services Holding. China Medstar is present in 16 cancer-treatment centers across China to offer a turnkey solution from system purchase and installation to ongoing operational support and staff training.

TomoTherapy, a US-based radiotherapy equipment maker, acquired 51% of Chengdu Twin-Peak Accelerator Technology, a privately-held linear accelerator manufacturer in China. The acquisition gives TomoTherapy's control over supplier of a key component of its products.

Philips Electronics, one of the leading players in patient monitoring related systems globally and in China, acquired Shenzhen Goldway Industrial, China's second largest domestic patient monitoring company. Shenzhen Goldway has 290 employees.

Selected Equipment & Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 4	Ascendium Group Limited	China Medstar Limited (AIM:CMDS)	36.5 ⁽¹⁾	100.0	36.5 ⁽¹⁾	Provides radiotherapy and diagnostic equipment for the diagnosis and treatment of cancer to hospitals

Selected Equipment & Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 2	PTS Inc. (OTCBB:PTSH)	ChengDu PuJian Medical Equipment Manufacturing Co., Ltd.	NA	51.0	NA	Manufactures x-ray machines and accessories
May 8	Biosensors International Group Ltd. (SGX:B20)	JW ICU Medical Limited	0.4	50.0	0.8	Manufactures and distributes medical devices
Apr 17	TomoTherapy Incorporated (NasdaqNM:TOMO)	Chengdu Twin-Peak Accelerator Technology Inc.	NA	100.0	NA	Manufactures linear accelerators, a component in radiation therapy systems
Apr 11	Koninklijke Philips Electronics NV (ENXTAM:PHIA)	Shenzhen Goldway Industrial Inc.	NA	100.0	NA	Offers patient monitoring solutions that range from basic standalone to fully-equipped monitors

⁽¹⁾ Represents equity value only and does not include assumption of debt of China Medstar

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

Supplies

Beijing Double-Crane Pharmaceutical strengthened its presence in Southern China with a 90% acquisition of Guangdong Shenzhou Pharmaceutical after receiving the capital injection from its parent in May. Guangdong Shenzhou Pharmaceutical is one of China's largest manufacturers of non-PVC large-volume infusion solutions in soft packaging with an annual capacity of 50 million bags. IV solutions in non-PVC soft bag are widely used in the US and Europe and are regarded as more environmental friendly than the glass and PEP bottles typically used in China. As new procurement standards evolve with the ongoing medical reforms in China, it is expected that demand for soft bag infusion solutions will explode and grow to 80% in market share within five years.

Selected Supplies Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 10	Beijing Double-Crane Pharmaceutical Co., Ltd. (SHSE:600062)	Guangdong Shenzhou Pharmaceutical Co., Ltd.	20.5 ⁽¹⁾	90.0	22.8	Produces non-PVC soft bag infusion solutions

⁽¹⁾ Represents the assumption of debt of Guangdong Shenzhou Pharmaceutical as of March 31 2008.

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

Managed Healthcare

Golden Meditech, a Beijing-based medical devices developer and cord blood banking service provider, made a foray into China's hospital management market through its acquisition of a controlling interests in Daopei Hospitals, the largest private hematology hospital group in China. Through the acquisition, Golden Meditech will become the first foreign institution licensed to manage and provide nationwide management consultancy services to Chinese hospitals. Daopei has over 200 hospital beds in Beijing and Shanghai combined.

China Medicine Online, a panic-button service provider to 8,000+ elderly people in Shanghai and Nanjing, received US\$8 million from Israel-based Infinity Equity. China Medicine Online plans to roll out its services to reach up to one million customers in 10 additional cities over the next 5 years. Infinity Equity estimates the market for panic button service at around US\$700 million today.

Selected Managed Healthcare Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 24	Golden Meditech Company Ltd. [SEHK: 8180]	Topshine Hospital Management (China) Company Ltd; Daopei Hospitals Group	106.4	NA ⁽¹⁾	NA	Hematology hospital
Jun 3	Infinity Israel-China Fund, Suzhou Ventures Group, The Infinity Fund	China Medicine On-Line Ltd.	8.0	NA	NA	Provides tele-homecare and tele-healthcare services in China

⁽¹⁾ Includes 70% of contributor interests in Daopei and 60% of equity interests in Topshine. Topshine was established by Daopei Management. Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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