

## Healthcare Sector

1st Half of 2007

### China Healthcare M&A Update

#### Highlights

- CVCI privatizes Landwind Medical Holdings Ltd. for US\$45.3 million

The private equity firm's offer for the Singapore listed Chinese medical imaging equipment company represents a 62.5% premium over the 30 days average closing price prior to the announcement

- American Oriental Bioengineering Inc. announces acquisition of Changchun Xinan Pharmaceutical Group Co., Ltd. for US\$30.0 million

The addition of Changchun Xinan's portfolio of women's healthcare products broadens American Oriental's product range

- Legend Holdings Ltd. acquires 100% of Shijiazhuang Pharmaceutical Group Co. Ltd. for US\$120.2 million

The acquisition includes a 50.9% indirect stake in Hong Kong listed bulk drugs producer, China Pharmaceutical Group

- HK-listed Softbank Investment International (Strategic) Ltd. acquires China Renji for US\$83.3 million

The chain of tumor diagnosis and treatment centers is set to capitalize on the growing demand for private healthcare in China

#### Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China  
+86 (10) 8447 7398

#### Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong  
+852 2973 5311

#### Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China  
+86 (21) 6288 6555

info@latitudecapital.com  
www.latitudecapital.com

## INTRODUCTION

We are pleased to present our semi-annual 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 first half of 2007, 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
- TCM Drugs
- Medical Chemicals

### HEALTHCARE EQUIPMENT & SERVICES

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

Compared to previous periods, the pace of Healthcare related transactions in the first half of 2007 have increased considerably with the second quarter being particularly strong. However, there were no notable transactions in the Facilities sector during this period.

## BIOTECHNOLOGY & PHARMACEUTICALS

### Biotechnology

TCM manufacturer, Benda Pharmaceutical, acquired 57.6% of Shenzhen SiBiono GeneTech Co. Ltd. through a purchase of shares from existing shareholders. SiBiono, developer of an adenovirus based cancer treatment, already had a close association with Benda. The acquisition of SiBiono will give it direct access and control of SiBiono's gene therapy products.

Selected Biotechnology Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 14, 2007	Sincere Pharmaceutical Group [NYSE:SCR]	Shandong Sincere Medgenn Bio-Pharmaceutic Co. Ltd.	\$3.5	10.0%	\$35.0	Developer of biological technology and biological products
May 14, 2007	NA	Sinobiomed Inc. [OTCBB:SOBM]	\$9.7	NA	NA	Develops genetic engineered recombinant protein drugs and vaccines
Apr 9, 2007	Benda Pharmaceutical, Inc. [OTCBB:BPMA]	Shenzhen SiBiono GeneTech Co., Ltd.	\$7.7	57.6%	\$13.4	Maker of Gendicine cancer treatment product and other gene therapy products

### Prescription Drugs

American Oriental Bioengineering Inc. announced that it would acquire Changchun Xinan Pharmaceutical Group Co. Ltd. for a price of approximately US\$30.0 million. Changchun's women's healthcare products will complement American Oriental's existing portfolio of products. The acquisition is expected to be accretive within one year of closing.

Chongqing Huapont Pharm Co. Ltd. received funding from Huipoint Tourism Co. Ltd. through 2 separate rounds of private placements. The placements boosted Huipont Tourism's ownership stake to 63.4%. Huapont Pharm in turn utilized a portion of the new capital to acquire 34.5% of Shanxi Hanjiang Pharmaceutical Group, a TCM producer, for US\$7.6 million. Details of the transaction are highlighted under the Selected TCM Drugs Transactions table.

Lijun Pharmaceutical International acquired New Orient Investment Ltd. for US\$65.4 million, a valuation of approximately 7.5 times New Orient's net income for the year ended on December 31, 2006. New Orient's portfolio of products will significantly enhance Lijun's product offerings.

AsiaPharm announced that it will acquire 100.0% of Solid Success for US\$44.2 million. The transaction will allow AsiaPharm to expand its domestic market share by giving it 200 additional healthcare products that are in 1,000 hospitals in China.

## Selected Prescription Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 13, 2007	American Oriental Bioengineering Inc. [NYSE: AOB]	Changchun Xinan Pharmaceutical Group Co, Ltd.	\$30.0	100.0%	\$30.0	Manufacturer of both prescription and OTC drugs in China
Apr 18, 2007	Huipont Tourism Co. Ltd.	Chongqing Huapont Pharm Co. Ltd. [SZSE:002004]	NA	13.0%	NA	Manufactures and sells pharmaceutical products for the treatment of dermatological diseases, tuberculosis and tumors
Apr 3, 2007	CMIA Capital Partners	C&O Pharmaceutical Technology Hold. Ltd. [SGX:E92]	\$10.0	6.5%	\$153.8	Producer and distributor of proprietary and third party pharmaceutical products
Mar 25, 2007	Lijun Pharmaceutical International [HKSE: 2005]	New Orient Investment Ltd.	\$65.4	100.0%	\$65.4	Engages in the development and distribution of transfusion pharmaceuticals in China
Feb 26, 2007	NA	Skystar Bio-Pharmaceutical Company Co., Ltd. [OTCBB:SKBI]	\$4.1	NA	NA	Develops and sells vaccines and organic herbal additives to cure veterinary diseases
Jan 22, 2007	Huipont Tourism Co. Ltd.	Chongqing Huapont Pharm. Co. Ltd. [SZSE:002004]	\$9.1	5.0%	\$182.0	Manufactures and sells pharmaceutical products for the treatment of dermatological diseases, tuberculosis, and tumors
Jan 4, 2007	AsiaPharm Group Ltd. [SGX: A61]	Solid Success Holdings Ltd.	\$44.2	100.0%	\$44.2	Operates 2 subsidiaries (Apex Group and Kang Hai Pharmaceutical) in China, both specializing in products for the treatment of oncology

## OTC Drugs

Legend Holdings Ltd. acquired all the outstanding shares of Shijiazhuang Pharmaceutical Group Co. Ltd., a leading producer of chemically synthesized drugs in China, for US\$120.2 million. As a result, Legend Holdings effectively also becomes a 50.9% indirect stakeholder of China Pharmaceutical Group Ltd., a Hong Kong listed producer of bulk drugs, and, in accordance to Hong Kong's Takeovers Code, Legend Holdings is obligated to publicly tender for all the remaining outstanding shares of China Pharmaceutical. However, Legend Holdings does not plan to privatize China Pharmaceutical and plans to keep at least 25.0% of the outstanding shares held by the public in order to meet the minimum listing requirements. Consequently, Legend Holdings has filed a bid to acquire the remaining outstanding shares for HK\$1.67/share (US\$0.21/share), which represents a 32.1% discount over the 30 days average closing price prior to the announcement.

Joincare Pharmaceutical Group Industry Co. Ltd. closed a round of private placement and raised gross proceeds of US\$114.2 million. The proceeds will be used for the construction of a 7-aminocephalospranic acid project.

## Selected OTC Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 29, 2007 <sup>1</sup>	Legend Holdings Ltd.	China Pharmaceutical Group Ltd. [SEHK:1093]	\$161.5	49.1%	\$328.9	Producer of bulk drug products in China
Jun 16, 2007	Legend Holdings Ltd.	Shijiazhuang Pharmaceutical Group Co., Ltd.	\$120.2	100.0%	\$120.2	Largest producer of chemically synthesized pharmaceuticals
Mar 23, 2007	NA	Sunwin International Neutraceuticals Inc. [OTCBB:SUNW]	\$4.1	Minority	NA	Leading producer of neutraceutical products in China

<sup>1</sup> Mandatory offer triggered by acquisition of parent company, not expected to succeed.

Selected OTC Drugs Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 8, 2007	NA	Joincare Pharmaceutical Group Industry Co. Ltd. [SHSE: 600380]	\$114.2	Minority	NA	Produces and sells pharmaceutical and cosmetic products
Feb 5, 2007	Tsinghua Holdings Co. Ltd.	Chengzhi Shareholding Co. [SZSE:000990]	\$31.1	16.6%	\$187.3	A conglomerate that produces OTC drugs, industrial components and household products in China
Feb 1, 2007	Harborview Master Fund, Heidtke & Co., Iroquois Master Fund, Midsouth Investor Fund, Nite Capital LP and Whitebox Inter-market Partners LP	China Pharma Holdings Inc. [OTCBB:CPHI]	\$4.3	NA	NA	Produces surface wound ointment and anti-infection medicine

### TCM Drugs

China Aoxing Pharmaceutical announced that it will acquire 100.0% of Shijiazhuang Le Ren Tang Pharmaceutical for US\$10.0 million. China Aoxing plans to revamp Shijiazhuang Le Ren Tang's current production lines and launch new products within 12 to 18 months following the close of this acquisition.

Selected TCM Drugs Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 30, 2007 <sup>2</sup>	Chongqing Huapont Pharm Co. Ltd. [SZSE:002004]	Shanxi Hanjiang Pharmaceutical Group	\$7.6	34.5%	\$22.0	Producer of active standardized Chinese traditional medicines and pharmaceutical ingredients
Jun 11, 2007	China National Group Corporation of Traditional & Herbal Medicine	Huayi Pharmaceutical Co., Ltd.	\$3.4	60.0%	\$5.7	A Sino-foreign joint venture that produces and sells Chinese traditional medicines
May 22, 2007	Sinobiomed Inc. [OTCBB: SOBM]	Suzhou Baoi Medical Development Co.	\$2.8	80.0%	\$3.5	Wholesaler of traditional Chinese medicines and chemical medicines
May 10, 2007	Sino Biopharmaceutical Ltd. [SEHK:1177]	Jiangsu QingJiang Pharmaceutical Co., Ltd.	\$2.7	51.0%	\$5.3	Produces Chinese patented medicines and synthesized bulk pharmaceuticals
Apr 24, 2007	China Aoxing Pharmaceutical [OTCBB: CAXG]	Shijiazhuang Le Ren Tang Pharmaceutical	\$10.0	100.0%	\$10.0	Traditional Chinese Medicine manufacturer that focuses on analgesic products
Apr 5, 2007	NA	Benda Pharmaceutical Inc. [OTCBB:BPMA]	\$7.5	18.6%	\$40.3	Manufactures traditional Chinese medicines for treatment of common ailments

### Medical Chemicals

Shanghai Industrial Holdings Ltd. announced its intention to inject capital and assets into Shanghai Industrial Pharmaceutical Investments Co. Ltd. Shanghai Industrial Holdings will invest US\$87.0 million to increase its indirect ownership to 49.9% and transfer its holdings in 5 subsidiaries: CT Qingchunbao (55.0%), Huqingyutang Pharmaceutical (51.0%), Xiamen TCM (61.0%), Liaoning Herbapex (55.0%) and Huqingyutang Drugstore (29.0%). The closing of this transaction is subject to the valuation of the subsidiaries by an appraisal institution. If the subsidiaries are valued higher than RMB1.5 billion (US\$197.4 million), Shanghai Industrial Pharmaceutical will have to raise additional new capital and settle the difference through

<sup>2</sup> Please refer to commentaries under Prescription Drugs section.

extending the private placement round to other institutional investors. The additional placement will potentially dilute Shanghai Industrial Holdings' current 49.9% stake to 43.6%.

Selected Medical Chemicals Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 18, 2007	Alpharma, Inc. [NYSE:ALO]	Certain assets of Yantai JinHai Pharmaceutical Co. Ltd.	NA	NA	NA	Producer of animal health products and feed for animals
Jun 7, 2007	Sundia MediTech Co.	Shanghai United Pharmatech	NA	100.0%	NA	Provider of pharmaceutical intermediates
May 15, 2007	Shanghai Industrial Holdings Ltd. [SEHK:363]	Shanghai Industrial Pharmaceutical Invest. Co. Ltd. [SHSE:600607]	\$87.0	6.4%	\$1,359.4	Producer of medical chemicals, TCM drugs and medical related equipment
Apr 19, 2007	Alpharma Inc. [NYSE:ALO]	Shenzhou Tongde Pharmaceutical Co. Ltd.	NA	100.0%	NA	Producer of zinc bacitracin pet food additive, which sells under the "Sunde" brand

## HEALTHCARE EQUIPMENT & SERVICES

### Distribution & Services

China Biopharma Inc. announced that it will acquire Beijing Tiancheng Haixin Pharmaceutical Co., Ltd. primarily for Tiancheng's established distribution channels to aid in China Biopharma's expansion into northern China. Biopharma expects the acquisition will add approximately US\$3.0 million in revenue within one year and approximately US\$6.0 million in the following year.

Selected Healthcare Distribution & Services Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 12, 2007	China Biopharma, Inc. [OTCBB: CBPC]	Beijing Tiancheng Haixin Pharmaceutical Co., Ltd.	NA	100.0%	NA	Beijing-based regional pharmaceutical distribution company
May 31, 2007	NA	Chengdu Hechuang Pharmaceutical Co., Ltd.	\$6.8	NA	NA	Distributor of pharmaceutical products

### Equipment / Devices

Beijing Chemclin, producer of radioimmunoassay and chemiluminescent kits, announced that it has raised US\$5.0 million through a Series A placement led by WI Harper and Siemens Venture, and co-invested in by Softbank China Venture Capital. Beijing Chemclin will use the capital to expand the company globally.

CVCI made a public tender offer to acquire the remaining 41.6% outstanding shares of Landwind Medical Holdings Ltd. for US\$45.3 million. CVCI's S\$0.58/share (US\$0.38/share) offer price represents a premium of 62.5% over the 30 days average closing price prior to the announcement date. The de-listing will offer investors increased flexibility in managing the business and optimized allocation of capital resources. The deal was subsequently closed in March.

Selected Healthcare Equipment / Devices Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 5, 2007	WI Harper, Siemens Venture, Softbank China Venture Capital	Beijing Chemclin Biotech Co., Ltd.	\$5.0	NA	NA	Manufactures and distributes radioimmunoassay and chemiluminescent diagnostic kits in China
Apr 24, 2007	Pacific Rim Foods Ltd.	Mach One Corp. [OTCPK:MNCN]	NA	NA	NA	Designs and manufactures diagnostic products for animal diseases

### Selected Healthcare Equipment / Devices Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 12, 2007	CVCI	Landwind Medical Holdings Ltd. [SGX: L37]	\$45.3	41.6%	\$108.9	Developer and distributor of medical diagnostic imaging equipment in China

### Supplies

Shandong Weigao Group Medical Polymer Co. Ltd. raised US\$52.4 million through a round of private placement with six independent individuals and institutions. Each share was priced at HK\$13.62 (US\$1.74/share) and represents a 3.3% discount over the 5 days average closing price prior to the announcement.

### Selected Healthcare Supplies Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Apr 19, 2007	NA <sup>3</sup>	Shandong Weigao Group Medical Polymer Co. Ltd. [SEHK:8199]	\$52.4	3.0%	\$1,746.7	Producer and distributor of medical consumables, such as syringes, blood bags and dental and anesthetic consumables
Mar 5, 2007	Bosera Asset Mgmt., CCB Principal Asset, China Life Insurance, Everbright Securities, Fortis Haitong, Harvest Fund, Hua An Fund	Shandong Pharmaceutical Glass Co., Ltd. [SHSE: 600529]	\$38.7	13.6%	\$284.6	Medical glass equipment developer and distributor

### Managed Healthcare

Softbank announced that it will acquire China Renji for US\$83.3 million. Recognizing the increased demand for diagnosis and treatment of terminal illnesses, Softbank made this timely investment to increase its exposure in the booming medical services market. The investment was subsequently closed on July 13, 2007.

### Selected Managed Healthcare Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 18, 2007	Topchoice Medical Investment Corporation [SHSE: 600763]	Ningbo Stomatology Hospital	\$1.2	70.0%	\$1.7	Provides stomatology related services
Apr 30, 2007	Softbank Investment International (Strategic) Ltd. [SEHK:648]	China Renji	\$83.3	100.0%	\$83.3	Operates medical centers specializing in diagnosis and treatment of tumors through the co-operation with reputable domestic hospitals in China
Mar 5, 2007	Inno-Tech Holdings Ltd. [SEHK:8202]	United Premier Medical Group Ltd.	\$9.0	21.1%	\$42.7	Provides obstetrics and gynecology services in China

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## Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China

Tel +86 (10) 8447 7398  
Fax +86 (10) 8447 7396

## Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong

Tel +852 2973 5311  
Fax +852 2295 3979

## Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China

Tel +86 (21) 6288 6555  
Fax +86 (21) 6288 6585

[info@latitudecapital.com](mailto:info@latitudecapital.com)

[www.latitudecapital.com](http://www.latitudecapital.com)

 **LATITUDE**  
CAPITAL GROUP