

## Healthcare Sector

3rd Quarter of 2007

### China Healthcare M&A Update

#### Highlights

- Beijing Med-Pharm acquired the remaining 51% of Sunstone Pharmaceutical

The US\$92.7 million transaction gives Beijing Med-Pharm 100% of the Hebei based manufacturer of OTC products

- Uni-Bio Science Group acquired 100% of Zethanel Properties for US\$47.5 million

Zethanel's subsidiary, Shenzhen Watsin, provides recombinant epidural growth factor for burn and wound care

- CK Life Sciences offered US\$101.8 million to acquire Lipa Pharmaceuticals

The acquisition of the Australia listed contract manufacturer of pharmaceutical and nutritional products expands its overseas production capabilities

- Biosensors International Group acquired 50% of JW Medical Systems Limited

The US\$64.2 million purchase by the Singapore listed medical devices company solidifies its strategic alliance with the Chinese coronary stent manufacturer

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## INTRODUCTION

We are pleased to present our third 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 third quarter 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 / Nutraceuticals
- TCM Drugs
- Medical Chemicals

### HEALTHCARE EQUIPMENT & SERVICES

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

Healthcare related transactions in the third quarter of 2007 continued to be very significant. However, there were no notable transactions in the Supplies sector during this period.

## BIOTECHNOLOGY & PHARMACEUTICALS

### Biotechnology

Uni-Bio Science Group (SEHK: 0690), through its wholly owned subsidiary Lelion, acquired 100% of Zethanel Properties for US\$47.5 million. The principal asset of Zethanel is Shenzhen Watsin, which is engaged in the development, manufacturing and marketing of bio-pharmaceutical products. Watsin's main products are recombinant human epidermal growth factor products in liquid preparations, primarily used for burn and wound care. The acquisition closed on Aug 22, 2007.

Selected Biotechnology Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 3	Northway Holdings, Ltd.	Shanghai Tasly Pharmaceutical Co Ltd.	NA	50.0	NA	Developer of biotech products and reagents
Jul 25	Uni-Bio Science Group (SEHK: 0690)	Zethanel Properties	47.5	100.0	47.5	Parent of Shenzhen Watsin Genetech, a developer of genetically engineered bio-pharmaceuticals

### Prescription Drugs

Simcere Pharmaceutical Group (NYSE: SCR), the manufacturer of the innovative anti-cancer medication Endu and a leading manufacturer and supplier of branded generic pharmaceuticals in China, acquired a 51% stake in Boda Pharmaceutical Co., Ltd. for a total of US\$14.8 million in cash. It was the first acquisition since Simcere's IPO in April 2007. After the acquisition, Simcere, together with Boda, controls the entire injectable edaravone market in China.

Wex Pharmaceuticals Inc. (TSX: WXI) received US\$20.6 million in a private placement from CK Life Sciences International Holdings Inc. (SEHK: 8222). WEX Pharmaceuticals Inc. is dedicated to the discovery, development, manufacture and commercialization of innovative drug products to treat pain. Its principal business strategy is to derive drugs from naturally occurring toxins and develop proprietary products for the global market. The Company's Chinese subsidiary sells generic products manufactured at its facility in China.

Selected Prescription Drugs Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28	Simcere Pharmaceutical Group. (NYSE: SCR)	Boda Pharmaceutical Co., Ltd.	14.8	51.0	29.0	Manufacturer of injectable stroke management medication

### Selected Prescription Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28	Sincere Pharmaceutical Group. (NYSE: SCR)	Boda Pharmaceutical Co., Ltd.	14.8	51.0	29.0	Manufacturer of injectable stroke management medication
Jul 16	CK Life Sciences International Holdings Inc (SEHK: 8222)	Wex Pharmaceuticals Inc. (TSX: WXI)	20.6	NA	NA	Engages in the development and distribution of drugs for pain management in Canada, North America, and China

### OTC Drugs / Nutraceuticals

Beijing Med-Pharm Corp. acquired the remaining 51% of Sunstone Pharmaceutical Co., Ltd for US\$92.7 million, making Sunstone its wholly owned subsidiary. Established in 1996, Sunstone is primarily engaged in the production and sale of over-the-counter medicines, with operations in Tangshan, Hebei Province. Sunstone expects to report 2007 revenues of US\$58.0-63.0 million and 2007 net income of US\$10.0-12.0 million. Approximately 90 percent of 2007 revenues is expected to be derived from OTC products, sold through the company's national distribution network.

In addition to its investment into Wex Pharmaceuticals, CK Life Sciences International Holdings Inc. (SEHK: 8222) made two acquisitions in this quarter, expanding both in China and overseas. For the China market, through its subsidiary Turrence Limited, CK Life Sciences acquired 17.9% of the issued shares of Tongrui at an aggregate consideration of US\$19.2 million. Tongrui is an investment holding company which owns 100% interest in Wuxi Ruinian. Wuxi Ruinian is principally engaged in the manufacturing and marketing of nutraceutical products in China, including amino acid tablets, royal jelly products, protein powder and collagen products.

In the overseas market, CK Life Sciences offered US\$101.8 million to acquire Lipa Pharmaceuticals Ltd. (ASX: LIP) on August 3, 2007. Lipa, founded in 1995, operates as a contract manufacturer of pharmaceutical and nutritional products in Australia. It manufactures and distributes herbal medicines, vitamins, and nutritional supplements, as well as non-sterile prescription and over the counter medicines. The company manufactures a range of healthcare dosage forms, including tablets, hard-shell capsules, powders, liquids, and creams.

American Oriental Bioengineering, Inc. (NYSE: AOB), a leading manufacturer and distributor of plant-based pharmaceutical and nutraceutical products, announced its intention to acquire Guangxi Boke Pharmaceutical Co., Ltd. in a transaction valued at approximately US\$40.0 million. Boke manufactures and distributes plant-based pharmaceutical, nutraceutical and personal care products, marketed primarily in China, with the majority of its products sold over-the-counter.

### Selected OTC Drugs / Nutraceuticals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28	Beijing Med-Pharm Corp. (NasdaqNM: BJGP)	Sunstone Pharmaceutical Co., Ltd.	92.7	51.0	181.8	Privately held manufacturer of primarily over-the-counter medicines, with operations in Tangshan, Hebei Province
Sep 17	CK Life Sciences International Holdings Inc (SEHK: 8222)	Wuxi Ruinian Industry & Commerce Co., Ltd.	19.2	17.9	107.7	Manufacturer and marketer of nutraceutical products, as well as nutraceutical-related technical research and development activities
Aug 8	American Oriental Bioengineering Inc. (NYSE: AOB)	Guangxi Boke Pharmaceutical Company	40.0	100.0	40.0	Manufacturer and distributor of plant-based pharmaceutical, nutraceutical and personal care products
Aug 3	CK Life Sciences International Holdings Inc (SEHK: 8222)	Lipa Pharmaceuticals Ltd. (ASX: LIP)	101.8	100.0	101.8	Manufacturer and distributor of herbal medicines, vitamins, and nutritional supplements, as well as non-sterile prescription and over the counter medicines

## TCM Drugs

Tongjitang Chinese Medicines Company (NYSE: TCM), a vertically integrated and profitable specialty pharmaceutical company focusing on the development, manufacturing, marketing and sale of modernized Traditional Chinese Medicine in China, announced that its wholly-owned subsidiary Guizhou Tongjitang Pharmaceutical Co., acquired 100% of Guizhou Long-Life Pharmaceutical Co., Ltd. for US\$5.6 million in cash. Tongjitang will also receive certain Intellectual Property assets from shareholders of Guizhou Long-Life as part of the agreement. Guizhou Long-Life generated roughly US\$6.7 million of revenue in the calendar year of 2006 and is profitable.

Selected TCM Drugs Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 7	Guizhou Tongjitang Pharmaceutical Co., Ltd.	Guizhou Long-Life Pharmaceutical Co., Ltd.	5.6	100.0	5.6	Produces and markets more than 10 over-the-counter and prescription traditional Chinese medicines (TCM) as well as nutritional products in China

## Medical Chemicals

Yunnan Hongta Group invested US\$3.3 million for 16.7% stake of Qingdao Huaren Pharmaceuticals, which is mainly engaged in the production of unplasticized polyvinyl chloride (uPVC) softener for transfusion products. Hongta is a conglomerate that covers various industries including the drug sector.

Selected Medical Chemicals Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 6	Medigen Biotechnology Corp. (GTSM: 3176)	Shanghai Haoyuan Biotechnology	NA	51.0	NA	Supplier of diagnostic reagents and analytic testing kits
Aug 21	Da An Gene Co., Ltd. (SZSE: 002030)	Zhongshan Bio-Tech Co., Ltd.	0.8	20.0	3.8	Developer of vitro diagnostic reagents
Aug 27	Yunnan Yuxi Hongta Tobacco (Group) Co., Ltd.	Qingdao Huaren Pharmaceuticals	3.3	16.7	19.8	Developer and distributor of pharmaceutical and medical chemicals in China
Aug 13	QVT Fund LP	Anhui Beike Pharmaceutical	NA	NA	NA	Supplier of mainly pharmaceutical intermediaries
Jul 16	Da An Gene Co., Ltd. (SZSE: 002030)	Zhongshan Bio-Tech Co., Ltd.	1.5	40.0	3.8	Developer of vitro diagnostic reagents

## HEALTHCARE EQUIPMENT & SERVICES

### Distribution & Services

The distribution & service sub-sector was active in both M&A and private placement areas in the third quarter. Vital BioTech Holdings Ltd. (HKSE: 1164) announced its intention to acquire the whole stake of its downstream customer, Sichuan Hengtai Pharmaceutical Co., Ltd. for an undisclosed amount. The latter is primarily engaged in the sale, marketing and distribution of pharmaceutical products in China. Vital BioTech hopes to create significant synergy through this acquisition given the complementary relationship between the two companies.

Sinobiomed Inc., through its 82% owned subsidiary, Shanghai Wanxing Bio-pharmaceuticals Co., Ltd., announced the acquisition of a 90% interest in Suzhou Boai Medical Development Company, which is engaged in the wholesale supply of biological products, chemical medicines and Chinese Traditional Medicines in southern and east central China.

The distribution sector also saw one out-bound acquisition in the third quarter of 2007. Chongqing Huiyuan Pharmaceutical Co., Ltd. announced that it would spend US\$1.3 million buying a 51% stake in Singapore Chinese Medicines and Health Co.,

Ltd., the second largest pharmaceutical retail chain company in Singapore. Huiyuan hopes to expand its presence further via the deal with the foreign partner.

NovaMed Pharmaceuticals Inc, a China-based pharmaceutical start-up company announced a US\$5.0 million series A investment from Atlas Ventures. Founded in August 2005, NovaMed provides outsourced commercialization services for leading global and local pharmaceutical companies. NovaMed is also building a portfolio of products in oncology and other important therapeutic areas in China including diabetes, respiratory, urology and central nervous system diseases.

Beijing Med-Pharm Corporation (Nasdaq: BJGP) closed financing from institutional and individual accredited investors of approximately US\$32.6 million. Beijing Med-Pharm is a pharmaceutical marketing and distribution company that is building a proprietary portfolio of branded pharmaceutical products in China and pursuing partnerships with other companies seeking to enter the Chinese pharmaceuticals market.

#### Selected Healthcare Distribution & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 18	Chongqing Huiyuan Pharmaceutical	Singapore Chinese Medicines and Health Co., Ltd.	1.3	51.0	2.6	TCM chain, second biggest medicine and health chain in Singapore
Sep 2	Development Partners Fund, ITOCHU Corporation, Netherlands Development Finance Company (FMO), etc.	Jointown Group Co., Ltd.	60.0	29.6	202.5	Wholesaler and retailer of drugs, healthcare products, medical equipment, and machinery
Aug 21	NA	Beijing Med-Pharm Corp. (NASDAQ: BJGP)	32.6	NA	NA	End-to-end solution provider for international pharmaceutical companies requiring sales and marketing support into China
Aug 9	Sinobiomed Inc. (OTCBB: SOBM)	Suzhou Boai Medical Development Company	2.4	90.0	2.7	Pharmaceutical wholesaler
Jul 18	Johnson & Johnson (NYSE: JNJ)	Xian-Janssen Pharmaceutical	10.3	1.9	572.2	Sino-Belgium Pharmaceutical joint venture
Jul 13	Atlas Venture	NovaMed Pharmaceuticals Inc.	5.0	NA	NA	Pharmaceutical distribution, testing and registration services provider
Jul 27	Vital BioTech Holdings Ltd. (SEHK: 1164)	Sichuan Hengtai Pharmaceutical Co., Ltd.	NA	100.0	NA	Primarily engages in the sale, marketing and distribution of pharmaceutical products in China

#### Equipment & Services

There was one notable transaction in the Equipment sector in the third quarter. Biosensors International Group, Limited (SGX: B20) signed a definitive agreement to acquire a 50% stake in JW Medical Systems Ltd. for US\$64.2 million in cash and stock. JW Medical is primarily engaged in the design, development, production and distribution of drug-eluting coronary artery stents. At the end of 2006, less than a year after commercialization of its drug-eluting stent, JW Medical reported annual sales of approximately US\$20.0 million and net income of approximately US\$8.5 million. Biosensors completed this acquisition on September 28, 2007.

#### Selected Equipment & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 10	Biosensors International Group, Limited (SGX: B20)	JW Medical Systems Ltd.	64.2	50.0	128.4	Operates as a drug-eluting stent manufacturer and wholesaler; Also markets and distributes medicinal chemicals and botanical products

**Managed Healthcare**

Hua Xia Healthcare acquired 55% stake in Merry Sky Investment Limited, which ultimately owns Jiaxing City Shuguang Western and Chinese Composite Hospital Co., Ltd. Jiaxing Shuguang Hospital, the only approved privately-run general hospital established in Jiaxing City in 2004, provides traditional Chinese medical treatments as well as general hospital medical services. For the year ending December 31, 2006, Jiaxing Shuguang Hospital had sales of US\$1.7 million, net assets worth US\$0.6 million and loss after tax of US\$0.2 million.

Beijing Jiamei Dental Medical Management raised US\$10 million in its first round of funding from Martin Currie Investment Management and SIG Asia Investment. Jiamei is a leading Chinese privately owned chain of dental clinics, with over 60 clinics in Beijing, Dalian, Shanghai, Shenyang and Nanjing.

Selected Managed Healthcare Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 6	SIG Asia, Martin Currie	Jiamei Dental Medical Management Group	10.0	NA	NA	Dental clinic outlets operator in major cities of China
Aug 17	Hua Xia Healthcare Holdings Limited (SEHK: 8143)	Merry Sky Investment Limited	10.4	55.0	18.9	Owns privately-run hospital Jiaxing Shuguang Hospital

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