

Healthcare Sector

4th Quarter 2007

China Healthcare M&A Quarterly

Highlights

- China Medical Technologies acquired Beijing Bio-Ekon Biotechnology for US\$28.8 million

This acquisition is expected to strengthen China MediTech's leading position in the advanced in-vitro diagnostic products market in China

- Medtronic bought 15% of Shandong Weigao for US\$221.3 million

The strategic investment, part of a joint venture agreement, strengthens Medtronic's presence in China

- TPG invested US\$30.0 million in ShangPharma

The pharmaceutical and biotechnology R&D outsourcing company plans to expand from chemistry outsourcing to more integrated drug discovery and early development services

- ShanghaiMed Healthcare ("iKang") raised US\$25.0 million in Series E funding

Modeled on US Health Maintenance Organizations, the company has a network of healthcare facilities and offers online services to patients, insurance companies and healthcare providers

- Chindex raised US\$85 million in debt and equity

Proceeds from investors JP Morgan and IFC will be used to fund the United Family Hospitals and Clinics network of facilities

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

BIOTECHNOLOGY & PHARMACEUTICALS

Biotechnology

China Medical Technologies Inc. (NasdaqNM: CMED) acquired Beijing Bio-Ekon Biotechnology Co., Ltd. on November 26 for a cash consideration of US\$28.8 million. Beijing Bio-Ekon develops and sells Enzyme-Linked Immunosorbent Assay (“ELISA”) in-vitro diagnostic (“IVD”) products. In 2006, Beijing Bio-Ekon launched its first semi-automatic Electrochemiluminescence Immunoassay (“ECLIA”) analyzer and related reagents upon receiving approval from the SFDA. Beijing Bio-Ekon has sales offices in Beijing, Guangzhou, Wuhan, Qingdao and Chengdu and distributes its products to over 800 hospitals in China.

Selected Biotechnology Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 26	China Medical Technologies Inc. (NasdaqNM: CMED)	Beijing Bio-Ekon Biotechnology Co., Ltd.	28.8	100.0	28.8	Engages in the sale of ELISA IVD products, as well as semi-automatic ECLIA analyzer and related reagents upon receiving approval from the SFDA
Oct 31	Bio-Bridge Science Inc. (OTCBB: BGES)	Lanzhou Roya Biotechnology Co. Ltd.	NA	51.0	NA	Bovine serum manufacturer in China
Oct 22	Acorn Ventures, Ganquan Life Investment, Pacific Rim	AutekBio (Beijing)	3.0	NA	NA	Engages in the research, development and production of antibodies

Prescription Drugs

Sandoz Ltd., the generic arm of Novartis AG (VIRTX: NOVN) and the second largest generic drug company in the world, announced on December 20 that it acquired a formulation plant in Zhongshan National Healthcare Industrial Park, Zhongshan City, Guangdong Province from Granenthal GmbH. The transaction size was valued at approximately US\$35.0 million. This drug manufacturing site has an annual production capacity of 200 million tablets and capsules. Following the acquisition, Sandoz has become the only multinational pharmaceutical company with a fully-integrated generic drug business in China.

Sincere Pharmaceutical Group (NYSE: SCR) announced on November 26 that it has acquired 100% of Master Luck Corporation Limited, which holds 85.7% of Nanjing Tung Chit Pharmaceutical Co., Ltd. for a total cash consideration of US\$4.4 million. Tung Chit is a fast-growing manufacturer and supplier of anti-cancer drugs in China. Its leading product is a nedaplatin injection, trademarked as Jiebaisu, a first-to-market platinum based chemotherapeutic drug approved for the treatment of a wide range of solid tumors, including head-and-neck cancer, small cell and non-small cell lung cancer and esophageal cancer. According to China Hospital Drug Information, Jiebaisu's share of the nedaplatin market in China was over 80 percent in 2006.

Genesis Pharmaceuticals Enterprises, Inc (OTCBB: GTEC) announced on November 6 that it has completed a PIPE placement of US\$5 million of convertible notes and warrants with Pope Investments. Genesis Pharmaceuticals, established in Laiyang City, Shandong Province, in July 2003, currently produces and sells five Government approved drugs for the treatment of a variety of indications. In 2007, it produced 300 million tablets, 50 million bags of granules and 50 million capsules.

Selected Prescription Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 20	Sandoz Ltd.	Formulation factory of Grunenthal GmbH	35.0	100.0	35.0	Develops and produces medical formulation products in Zhongshan, Guangdong Province
Nov 27	Yunnan Baiyao Group Co., Ltd. (SZSE: 000538)	Kunming Xingzhong Pharmaceutical Co. Ltd.	5.0	100.0	5.0	Engages in the production and sale of small doze medicines in the form of capsule, tincture and powder
Nov 26	Simcere Pharmaceutical Group. (NYSE: SCR)	Nanjing Tung Chit Pharmaceutical Co., Ltd.	4.4	85.7	5.1	Specialist producer and seller of anti-cancer drugs
Nov 6	Pope Asset Management, LLC, Pope Investments LLC	Genesis Pharmaceuticals Enterprises, Inc (OTCBB: GTEC)	5.0	NA	NA	Engages in the research, development, manufacture, marketing, and sale of pharmaceutical products and health supplements in China
Oct 9	Hainan Sihuan Pharmaceutical Co., Ltd.	Shenzhen Sihuan Pharmaceutical Co., Ltd.	8.0	100.0	8.0	Mainly focuses on cardio vascular drugs

OTC Drugs / Nutraceuticals

The OTC drug / nutraceuticals sub-sector was not very active in terms of M&A in the fourth quarter of 2007. The only notable deal was the offer by Wah Yuen Holdings Ltd. (SEHK: 2349) to acquire Shanghai Wolrdbest Lanke Biological Product Sales Co., Ltd.

In a PIPE transaction, China-Biotics, Inc. (OTCBB: CHBT) entered into definitive agreements with Pope Investments for the purchase of a 4% Senior Convertible Promissory Note in the amount of US\$25 million with a maturity date of December 11, 2010. China-Biotics offers various probiotics products, and distributes its products under the “Shining” brand through large distributors to approximately 1,000 pharmacies and 100 supermarkets in Shanghai, Jiangsu, and Zhejiang.

Selected OTC Drugs / Nutraceuticals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 11	Pope Asset Management LLC, Pope Investments LLC	China-Biotics, Inc. (OTCBB: CHBT)	25.0	NA	NA	Engages in the manufacture, research, development, marketing, and distribution of probiotics products in China
Nov 13	Wah Yuen Holdings Ltd. (SEHK: 2349)	Shanghai Wolrdbest Lanke Biological Product Sales Co., Ltd.	NA	100.0	NA	Principally engages in the sale of health food products in the PRC

TCM Drugs

Golden Meditech Co. Ltd. (SEHK: 8180) sold 69% of its subsidiary Beijing Qijieyuan Pharmaceutical Technology Development Co. for a 40% equity interest in Right Ease Group Limited, which operates one of the largest medical healthcare chains in UK and Ireland. Qijieyuan operates in Shanghai, and has obtained approval to manufacture hard gelatin capsules, tinctures, pharmaceutical raw materials and health food products. In addition, one of the products it developed, known as TangHerb, is the first SFDA approved herbal medicine in improving the immune systems of HIV carriers and AIDS patients as well as inhibiting and delaying HIV virus replication.

Selected TCM Drugs Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 19	Right East Group Limited	Beijing Qijieyuan Pharmaceutical Technology Development Co. Ltd.	71.4	69.0	103.5	Primarily engages in the research and development, manufacture and sales of Chinese herbal medicines in China and overseas market
Nov 27	Yunnan Baiyao Group Co., Ltd. (SZSE: 000538)	Kunming Yunjian Pharmaceutical Co., Ltd.	1.8	100.0	1.8	Engages in the production and sale of western and Chinese traditional medicines

Medical Chemicals

The medical chemicals sub-sector was not very active in the fourth quarter. The only notable deal was a PIPE transaction by Ancora Advisors' consortium into Huifeng Bio-Pharmaceutical Technology, Inc.

Selected Medical Chemicals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 31	Ancora Advisors, Ancora Greater China Fund, Strategic Alliance Fund	Huifeng Bio-Pharmaceutical Technology, Inc. (OTCBB: HFGB)	2.0	NA	NA	Engages in the production and sale of plant extracts, biochemical products, and pharmaceutical raw products in China

HEALTHCARE EQUIPMENT & SERVICES

Distribution & Services

ShangPharma Corporation announced that it has raised over US\$30 million in funding from TPG Biotech Fund and TPG Growth Fund on October 30, 2007. ShangPharma Co., Ltd., through its subsidiaries (in particular Shanghai ChemPartner and Shanghai ChemExplorer), operates as a contract research and development outsourcing company in China. It offers various services, including lead generation, lead optimization, synthetic chemistry, library design and production, process research, and pharmaceutical development with a focus on pre-formulation development and analytical services.

Valurise Health Solutions Inc. announced on October 26, 2007 that it has successfully closed its Series A financing from Softbank China & India Holdings, manager of Softbank's Bodhi Investments LLC fund. The exact investments size was undisclosed but was in the level of millions of US dollars. Valurise Health Solutions provides disease management services in China. It develops healthcare solutions for the treatment of chronic diseases. The company is based in Shanghai, China.

Selected Healthcare Distribution & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 28	Shanghai New World Co., Ltd (SHSE: 600628)	Shanghai Caitongde Pharmaceutical Distribution Co., Ltd.	1.6	10.0	15.9	Pharmaceutical distributor in Shanghai with brand "Caitongde"
Dec 26	Varian Medical Systems Inc. (NYSE: VAR)	Pan-Pacific Enterprises Inc.	2.0	100.0	2.0	Independent distributor of medical X-ray tubes in China
Oct 31	NA	Beijing Med-Pharm Corp. (NASDAQ: BJGP)	23.1	NA	NA	End-to-end solution provider for international pharmaceutical companies requiring sales and marketing support into China
Oct 30	TPG	ShangPharma Co., Ltd.	30.0	NA	NA	Pharmaceutical-research outsourcing company
Oct 26	Softbank's Bodhi Investment LLC Fund	Valurise Health Solutions	NA	NA	NA	Provides one-stop healthcare management solution to end customers

Equipment & Devices

In the medical equipment sub-sector, both Shandong Weigao Group and China Renji Medical Group were quite active in the fourth quarter.

Medtronic Inc. (NYSE: MDT), through its subsidiary Medtronic Switzerland, subscribed to and bought altogether 15% of the enlarged issued shares of Shandong Weigao Group Medical Polymer Co. Ltd. (SEHK: 8199). The aggregate total investment by Medtronic was US\$221.3 million. Shandong Weigao Group is a leading manufacturer of single-use medical devices and consumables including infusion sets, syringes, blood transfusion sets and blood bags as well as orthopedic, cardiovascular stent and blood purification products, with well-known brands in China such as Jierui. The company exports to more than 30 countries.

In a related agreement, Medtronic and Shandong Weigao Group also agreed to form a joint venture to market in China Medtronic's spinal products and Weigao's orthopedic products which include therapies for the hip, shoulder, spine and trauma. Under this agreement, Medtronic would have a 51% interest in the joint venture, and Weigao Group the remaining 49%.

Finally, Shandong Weigao Group and its subsidiary Weigao International entered into agreements to take full control of Weigao Ortho by buying out minority partners Weihai Fumaite Trading Company and Howell (Hong Kong) Limited. Weigao acquired 22% and 25% in Weigao Ortho from Fumaite and Howell, respectively, for a respective consideration of US\$15.0 million and US\$16.9 million. Following this acquisition, Weigao Ortho would be a wholly owned subsidiary of Shandong Weigao Group.

China Renji Medical Group Limited (SEHK: 648) announced on October 2 that through its indirect wholly-owned subsidiary, Anping Medical, Renji acquired 51% of Shanghai Rentung's interest in Rentung's medical equipment assets. The investment size amounted to US\$10.1 million. Shanghai Rentung has established a medical project with the Main Hospital of the Second Artillery Force to provide medical consultation services relating to tumor/cancer treatment in Beijing. Shanghai Rentung is responsible for the operation and management of the Radioactive Tumor Diagnosis Center and the PET-CT Medical Consultation and Research Center. The fixed assets of this project are advanced medical apparatus and equipment, which Shanghai Rentung is also responsible for, and which Renji now has a 51% ownership stake.

Following the acquisition of the stake in Shanghai Rentung's assets, China Renji made two other acquisitions in the medical equipment sector: the acquisition of Hefei Hospital's equipment, which provides the only gamma knife treatment for tumors in Hefei City, and the acquisition of PLA 463 Hospital's equipment, which provide precise radiotherapy services such as gamma knife treatment for tumors and neurosurgical diseases and generated an approximate revenue of US\$1.1 million in 2006.

Selected Equipment & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 21	Medtronic Inc. (NYSE: MDT)	Shandong Weigao Group Medical Polymer Co. Ltd. (SEHK: 8199)	221.3	15.0	1,475.4	Engage in the research, development, production, and sale of single-use medical devices primarily in China
Dec 21	Shandong Weigao Group Medical Polymer Co. Ltd. (SEHK: 8199)	Shandong Weigao Orthopedic Devices Co., Ltd.	31.9	47.0	67.8	Principally engages in the research and development, production and sale of orthopedic products and tools
Nov 14	China Renji Medical Group Limited (SEHK: 648)	PLA 463 Hospital, Medical Equipment	5.6	100.0	5.6	Cancer diagnosis equipment in PLA 463 Hospital
Oct 31	Shandong Weigao Group Medical Polymer Co. Ltd. (SEHK: 8199)	Weihai Jierui Medical Products Co., Ltd.	5.3	4.0	133.3	Engages in manufacturing and sale of packaging materials, paper cartons and PVS granules for medical use
Oct 12	China Renji Medical Group Limited (SEHK: 648)	Hefei Hospital, Medical Equipment	6.3	100.0	6.3	Cancer diagnosis equipment in Hefei Hospital
Oct 2	China Renji Medical Group Limited (SEHK: 648)	Shanghai Rentung Hospital Investment Management Limited, Medical Equipment	10.1	51.0	19.8	Medical equipment in Shanghai Rentung Hospital

Managed Healthcare

Chindex International Inc. (NasdaqGM: CHDX) entered into a series of equity and debt financings. On November 7, 2007, Chindex entered into a securities purchase agreement with J.P. Morgan Chase & Co. to raise US\$50 million in total, which included US\$10.0 million in common stock and US\$40.0 million in convertible notes. On December 10, 2007, Chindex announced a US\$35.0 million financing from International Financial Corporation (“IFC”), the private sector arm of the World Bank Group. IFC purchased US\$10.0 million in Chindex’s common stock, and provided a US\$25.0 million. Chindex plans to raise US\$105.0 million in total financing to provide funds for the expansion of its healthcare system in China, including two joint venture hospitals, United Family Hospitals and Clinics in Beijing and Shanghai.

Guokang Health Management Co., Ltd. received approximately US\$10 million in its fund raising from Qiming Venture Partners. Guokang Health is primarily engaged in health management and offers health services for individuals and companies, and has built a service network across China. Recently, Guokang Health begins offering health value-added services for some commercial banks and insurance companies.

ShanghaiMed Healthcare Inc. (iKang.com), established in February 2004, raised Series E funding of US\$25.0 million from Merrill Lynch, ePlanet, Walden International, WI Harper, Shanghai Venture Capital and Zero2IPO Group. In a previous round in 2006, ShanghaiMed received US\$3.0 million from WI Harper, DJ Ventures, and Shanghai Bio-chip. ShanghaiMed uses a unique integrated online and offline model to provide a comprehensive suite of healthcare services, including health benefit, patient care and physical check-up, disease management, and third-party administration services. It has 10 check-up and medical service centers in top-tier cities in China such as Beijing, Shanghai, Guangzhou and Shenzhen, and over 400 additional medical institutions in its network through cooperation agreements. The company also provides IT services including risk management and customer support services for insurance and healthcare providers, appointment referrals and healthcare education.

Selected Managed Healthcare Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 28	Hua Xia Healthcare Holdings Limited (SEHK: 8143)	Foshan Qide Hospital Limited	6.4	70.0	9.1	Owens and operates hospital in Foshan City
Dec 10	International Finance Corporation	Chindex International Inc. (NasdaqGM: CHDX)	10.0 ⁽¹⁾	3.6 ⁽²⁾	275.4	Engages in the provision of healthcare services, as well as in the sale of medical equipment, instrumentation and products
Dec 5	Merrill Lynch Corporate Principal Investments, ePlanet Ventures, Walden International, WI Harper, Shanghai Venture Capital, Zero2IPO Capital	ShanghaiMed Healthcare Inc. (ikang.com)	25.0	NA	NA	Principally engages in health management and health service for individuals and companies
Nov 15	Qiming Venture Partners	Guokang Health Management Co., Ltd.	10.0	NA	NA	Principally engages in health management and health service for individuals and companies
Nov 7	J.P. Morgan Chase & Co.	Chindex International Inc. (NasdaqGM: CHDX)	50.0	18.8 ⁽²⁾	265.4	Engages in the provision of healthcare services, as well as in the sale of medical equipment, instrumentation and products

Notes:

(1) Transaction value here only includes the investments into common stock or convertible notes

(2) Estimated on a fully diluted basis

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