



China Consumer Quarterly Update

1st Quarter 2010

Quarter in Review

- In the 1st quarter of 2010, China consumer manufacturing companies raised over US\$1.8 billion through 14 IPOs. Over US\$1.5 billion was raised through 10 IPOs on the Shenzhen Stock Exchange, US\$102 million through 2 IPOs on the Hong Kong Stock Exchange and US\$181 million through 2 IPOs on overseas stock exchanges. Buoyant IPO activities in Shenzhen continue to be a recurring theme
- China consumer services companies raised over US\$640 million through 4 IPOs. Approximately US\$504 million was raised through 2 IPOs on the Hong Kong Stock Exchange and US\$136 million through 2 IPOs on overseas stock exchanges

Sector Highlights

- Info Giant Investments Ltd., an entity controlled by the management of Hongguo International Holdings, offered to acquire 52.9% of Hongguo International Holdings
- Diageo plc. acquired an additional 4% of Sichuan Chengdu Quanxing Group for US\$21 million. This transaction would increase Diageo's stake in Quanxing Group to 53%
- VANCL, an online retailer of men's apparels and accessories, successfully closed its US\$100 million series D private placement round with existing investors IDG Capital Partners and Qiming Venture
- 360buy.com, an online retailer of consumer electronics, raised US\$150 million from Tiger Global Management
- C-Travel International Ltd., a wholly-owned subsidiary of Ctrip.com, acquired 90% of HKWOT (BVI) Ltd. for US\$128 million. The transaction would allow Ctrip to offer a wider breath of products and services to domestic, outbound and inbound travelers
- Zhongsheng Group Holdings Ltd., an automotive dealership operator in China, raised US\$369 million through its Hong Kong IPO.

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Consumer Manufacturing

Selected M&A/Private Placements in Q1 2010						
Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Food & Beverage						
Mar 31	PIPE	China Water Property Group Ltd. (SEHK: 2349)	China Water Affairs Group Ltd. (SEHK: 855)	26.1	14.2	Manufactures snack and convenience frozen food and engages in property investments
Mar 30	M&A	Tycoon Beverage Group Co., Ltd.	Alliance Winner Ltd. (Subsidiary of Sewco International Holdings Ltd. (SEHK: 209))	NA	100.0	Produces and sells haw-based branded fruit tea beverages
Mar 25	Debt Placement	Fufeng Group Ltd. (SEHK: 546)	Consortium	150.1	NA	Manufactures and sells fermentation-based food additive, biochemical and starch-based products
Mar 18	Debt Placement	China Green Holdings Ltd. (SEHK: 904)	Consortium	197.8	NA	Offers fresh produce including leeks, sweet corn, broccoli and radish
Mar 1	M&A	Sichuan Chengdu Quanxing Group	Diageo plc (LSE: DGE)	21.0	4.0	A holding company that controls 39.7% of Sichuan Shui Jing Fang Co., a Shanghai-listed brewer of traditional Chinese white spirit
Feb 9	M&A	Yunnan DASHAN Drink Co., Ltd.	Nestle Waters S.A.	10.3	70.0	Kunming-based producer of bottled water
Jan 26	PIPE	China Marine Food Group Ltd. (AMEX: CMFO)	Undisclosed	30.0	16.7	Processes and distributes roasted squid, roasted file fish, roasted prawns and smoked eel primarily under the "Mingxiang" brand
Jan 18	PIPE	Xiwang Sugar Hold. Co. Ltd. (SEHK: 2088)	Undisclosed	43.7	12.4	Manufactures and sells sweetener, corn gluten meal, corn starch and animal feed in China
Jan 7	Private Placement	Rizhao Yuqing Tea Co. Ltd.	LIONFUND, Qinglian Investment	6.6	NA	Largest integrated tea grower and seller in the northern regions of the Yangtze River
Consumer Appliances & Household Products						
Mar 22	PIPE	TCL Multimedia Tech. Hold. Ltd. (SEHK: 1070)	T.C.L. Industries Holdings (HK) Ltd.	68.9	6.6	Manufactures LCD TV, CRT TV, digital camcorders and DVD players under the "TCL", "RCA" and "Thomson" brands
Jan 4	M&A	Beijing Yu Fa Jia Ju Co. Ltd.	Royale Furniture Holdings Ltd. (SEHK: 1198)	10.6	50.0	Designs, manufactures and distributes hardwood furniture products
Textile & Apparel						
Mar 30	PIPE	Addchance Holdings Ltd. (SEHK: 3344)	Consortium	6.4	9.7	Produces and sells dyed yarns, knitted sweaters and cotton yarn
Mar 4	PIPE	Bel Global Resources Hold. Ltd. (SEHK: 761)	Consortium	8.1	10.2	Designs, manufactures and sells leather, fur and fabric garments
Feb 22	PIPE	Siberian Mining Group Ltd. (SEHK: 1142)	Consortium	7.5	16.3	Manufactures and trades garment and provides cable video-on-demand systems and information broadcasting systems
Jan 22	PIPE	China Sports International Ltd. (SGX: FQ8)	Undisclosed	15.4	12.5	Designs, manufactures and sells sports fashion footwear and apparels under the "YELI" brand in China
Jan 18	M&A	Hongguo International Holdings Ltd. (SGX: H14)	Info Giant Investments Ltd.	72.4	52.9	Designs, manufactures and retails women branded fashion footwear in China and internationally
Jan 15	PIPE	Kam Hing International Holdings Ltd. (SEHK: 2307)	Consortium	8.9	3.7	Produces and sells knitted fabrics, dyed yarn and garments
Leisure Equipment & Products						
Mar 15	PIPE	Come Sure Group (Hold.) Ltd. (SEHK: 794)	Consortium	6.5	13.0	Manufactures and sells corrugated paperboards and paper-based packaging products in China
Mar 8	PIPE	Sewco International Hold. Ltd. (SEHK: 209)	Consortium	13.7	8.9	Manufactures and trades hard and stuff toys and battery-operated toys
Feb 1	M&A	Shanghai Michelin Warrior Tire Co., Ltd.	Compagnie Financiere Michelin	25.0	30.0	Produces radial tires for automobiles under the "Michelin" and "Warrior" brands
Jan 21	Debt Placement	Kandi Technologies Corp. (Nasdaq: KNDI)	Capital Ventures, Heights Capital, Hudson Bay Capital	10.0	NA	Designs and manufactures off-road vehicles, all-terrain vehicles and go-karts
Jan 18	M&A	Jinheng Automotive Safety Tech. Holdings Ltd. (SEHK: 872)	Wonder Auto Technology, Inc. (Nasdaq: WATG)	14.8	20.0	Designs and manufactures automotive airbag systems and other automotive parts in China, Iran, South Korea, Russia and Italy

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

Info Giant Investments Ltd., an entity controlled by the management of Hongguo International Holdings, offered to acquire 52.9% of Hongguo International Holdings. In accordance with the Singapore Code on Take-over and Mergers, this would trigger a mandatory offer to all shareholders. Hongguo's management intends to privatize Hongguo International in order to improve management flexibility to compete in the highly competitive China footwear retail market, while offering shareholders an opportunity to realize their investments at a 37.2% valuation premium to the last closing price before the announcement.

Diageo plc. acquired an additional 4% of Sichuan Chengdu Quanxing Group for US\$21 million. This transaction would increase Diageo's stake in Quanxing Group to 53%. Quanxing Group owns and controls a 39.7% stake in Sichuan Shui Jing Fang Co., Ltd., a leading premium Chinese white spirits company listed on the Shanghai Stock Exchange.

Selected Capital Markets Transactions in Q1 2010									
Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/Discount to Market %	Price as of Mar 31	Company Description
Mar 31	Follow-on	Hong Kong	Yue Yuen Industrial (Holdings) Ltd.	Textile & Apparels	97.6	3.25	-6.5	3.48	Operates as an OEM and ODM manufacturer of footwear for global sports brands
Mar 31	Follow-on	AMEX	Orient Paper Inc.	Leisure Equipment & Products	24.8	8.25	-13.5	8.35	Produces and distributes corrugated medium, offset printing, writing and packaging related paper products
Mar 30	IPO	Shenzhen	Blackcow Food Co. Ltd.	Food & Beverage	132.5	3.95	-	-	Manufactures and markets soybean milk powder and oatmeal products
Mar 27	IPO	Frankfurt	Joyou AG	Consumer Appliances & Household Products	140.0	17.40	-	21.12	Designs and sells kitchen and bathroom faucets and sanitary wares
Mar 26	IPO	Shenzhen	Beijing Dabeinong Technology Group Co Ltd	Food & Beverage	311.7	5.13	-	-	Manufactures and sells pre-mixed feed for pigs
Mar 26	IPO	Hong Kong	Flyke International Holdings Ltd.	Textile & Apparels	49.0	0.24	-	0.28	Manufactures and markets sports wear and footwear for 14 to 25 year olds in 2nd and 3rd tier cities in China
Mar 25	Follow-on	Hong Kong	VTech Holdings Ltd.	Consumer Appliances & Household Products	105.7	10.56	-8.9	10.80	Designs and manufactures consumer electronics and telecommunication products
Mar 16	IPO	Singapore	Qingmei Group Holdings Ltd.	Textile & Apparels	40.8	0.22	-	0.15	Manufactures and trade sports footwear soles
Feb 4	IPO	Chinext	Shantou Wanshun Package Material Co. Ltd.	Leisure Equipment & Products	142.7	2.69	-	3.20	Produces and sells metallic, holographic and glossy white cardboard for use in packaging cigarette, wine and gift

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Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/Discount to Market %	Price as of Mar 31	Company Description
Jan 26	IPO	Shenzhen	Dalian Kemian Wood Industry Co. Ltd	Consumer Appliances & Household Products	42.4	1.81	-	4.01	Manufactures and markets wooden flooring products including oak, maple, American walnut, cherry and hickory
Jan 25	IPO	Hong Kong	Meike International Holdings. Ltd.	Textile & Apparels	52.9	0.18	-	0.19	Manufactures and sells sports wear and footwear under the "Meike" brand
Jan 22	IPO	Shenzhen	Edifier Technology Co. Ltd.	Leisure Equipment & Products	181.6	4.91	-	5.87	Produces and markets AC/DC, digital, all-in-one home theatre audio systems
Jan 19	IPO	Shenzhen	Goldlok Toys Holdings (Guangdong) Co. Ltd.	Leisure Equipment & Products	122.3	3.22	-	3.51	Manufactures and sells toys in China
Jan 15	IPO	Shenzhen	Guangdong CHJ Industry Co. Ltd.	Leisure Equipment & Products	145.0	4.83	-	8.62	Processes and wholesales precious metals and jewelries
Jan 12	IPO	Shenzhen	Haining China Leather Market Co. Ltd	Textiles & Apparels	205.0	2.93	-	4.35	Operates as a leather wear retailer and trader
Jan 12	IPO	Shenzhen	Zhejiang Hexin Industry Group	Textiles & Apparels	113.5	4.54	-	5.50	Produces leather and resins used in footwear, apparels and household furniture
Jan 6	IPO	Chinext	Xinghui Auto Model Co. Ltd.	Leisure Equipment & Products	85.0	6.44	-	6.87	Manufactures and exports electronic model cars and plastic toys

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

In the 1st quarter of 2010, China consumer manufacturing companies raised over US\$1.8 billion through 14 IPOs. Over US\$1.5 billion was raised through 10 IPOs on the Shenzhen Stock Exchange, US\$102 million through 2 IPOs on the Hong Kong Stock Exchange and US\$181 million through 2 IPOs on overseas stock exchanges. Buoyant IPO activities in Shenzhen continue to be a recurring theme.

Beijing Dabeinong Tech. Group Co. Ltd., 1 of the top 3 manufacturers of pre-mixed feed in China based on production and sales volume, raised US\$312 million through its Shenzhen IPO. Shares were priced at approximately 32.4x the street's forecasted 2010 earnings and closed 72.2% higher on debut.

Secondary offering activities slowed and raised a total of US\$228 million. The Hong Kong Stock Exchange led the pack with 2 follow-on transactions and raised a total of US\$203 million.

Consumer Services

Selected M&A/Private Placements in Q1 2010

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Retailing						
Mar 31	Private Placement	Happigo Home Shopping Co. Ltd.	Hony Capital, CITIC Private Equity, Sequoia Capital	48.3	NA	Changsha-based TV, Internet and catalog-based retailer of cosmetics, sporting goods, household appliances and apparels
Mar 31	Private Placement	YesMy Net	Doll Capital Management	NA	NA	Provides membership-based direct retailing of health products via telephone, print and Internet
Mar 22	M&A	Japan Home Centre (HK) Ltd.	EQT Partners AB	NA	40.0	Operates a chain of discount house ware retail stores in Hong Kong and globally
Mar 9	Private Placement	VANCL	IDG Capital, Qiming Venture	100.0	NA	Operates vancl.com, which retails men's apparels and accessories in China
Mar 4	M&A	Qianxun.com	360buy.com	NA	100.0	Operates qianxun.com, which retails apparels and related accessories online
Mar 2	Private Placement	CoCloud Infoserve Ltd.	Subaye, Inc. (Nasdaq:SBAY)	6.0	100.0	Owns and operates online retailing websites in China
Jan 22	Private Placement	360buy.com	Tiger Global Management LLC	150.0	NA	Beijing-based online retailer and distributor of consumer electronics
Jan 5	Private Placement	Beijing Jiuhe Shangpin Tech. Co., Ltd.	Sequoia Capital	10.0	NA	Operates masamaso.com, which retails various branded high-end men's apparels and accessories
Restaurant and Food Service						
Mar 29	M&A	FU JI Food & Catering Services Holdings Ltd. (OTCPK:FJFC.F)	Anhui Conch Venture Investment Co. Ltd.	88.0	100.0	Provides institutional in-house, on-site, event-based catering and meal delivery services
Jan 22	Private Placement	21Cake Food Co., Ltd.	Legend Capital	10.0	NA	Bakes and sells pastries and cakes through online website and telephone orders
Travel & Leisure						
Mar 12	M&A	China Lodging Group, Ltd. (Nasdaq:HTHT)	Ctrip.com International (Nasdaq:CTRP)	57.7	8.0	Operates budget chain hotels under the "HanTing Express" brand
Mar 12	M&A	BTG-Jianguo Hotels & Resorts Co., Ltd.	Ctrip.com International (Nasdaq:CTRP)	NA	15.0	Operates 71 mid-market business hotels and resorts under the "BTG-Jianguo" brand
Feb 2	M&A	HKWOT (BVI) Ltd.	C-Travel International Ltd. (Subsidiary of Ctrip.com International Ltd.)	127.5	90.0	Hong Kong-based subsidiary of Wing On Travel Holdings, engaged in providing travel agency services
Jan 26	M&A	Zhengzhou Yulongkang Travel Services Co.	Universal Travel Group (NYSE:UTA)	5.7	100.0	Operates as a travel agency, providing travel and hotel booking services
Jan 19	M&A	Hebei Tianyuan Travel Agency	Universal Travel Group (NYSE:UTA)	4.4	100.0	Shijiazhuang-based provider of inbound, outbound and domestic tourism services in China
Marketing						
NA						
Education						
Mar 16	Private Placement	Beijing Tsingda Century Investment Consultant of Education Co., Ltd.	Undisclosed	15.0	NA	Provides offline and online education services focusing on elementary, high school, vocational and language trainings
Mar 15	M&A	Shenzhen Wentai Education Industry Development Co. Ltd.	Noah Education Hold. Ltd. (NYSE:NED)	18.5	70.0	Operates 6 kindergartens and 4 primary schools and provides early childhood education services
Mar 10	Private Placement	Beijing Zhijin Leye Education & Technology Co. Ltd.	Sequoia Capital	4.4	NA	Provides online long-distance medical education and training services
Feb 9	M&A	Oriental University City Co., Ltd.	Khazanah Nasional Berhad	43.9	10.0	Langfang-based subsidiary of Raffles Education Corp. that operates kindergartens, primary, junior high schools and various degree programs

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

VANCL, an online retailer of men's apparels and accessories, successfully closed its US\$100 million series D private placement round with existing investors IDG Capital Partners and Qiming Venture. According to industry source, this placement round is expected to be the last round before an IPO.

360buy.com, an online retailer of consumer electronics, raised US\$150 million from Tiger Global Management. The company intends to use the proceeds to build 3 distribution centers in Beijing, Shanghai and Chengdu and 15-20 distribution centers in second-tier cities across China. 360buy.com also plans to increase call-center seats from 150 to 400 by the end of 2010.

C-Travel International Ltd., a wholly-owned subsidiary of Ctrip.com, acquired 90% of HKWOT (BVI) Ltd. for US\$128 million. HKWOT is a subsidiary of Hong Kong-listed Wing on Travel, which offers travel services in China. The transaction would allow Ctrip to offer a wider breath of products and services to domestic, outbound and inbound travelers.

Selected Capital Markets Transactions in Q1 2010

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/Discount to Market % ⁽¹⁾	Price as of Mar 31	Company Description
Mar 25	IPO	Nasdaq	China Lodging Group Ltd.	Travel & Leisure	126.8	12.25	-	14.98	Operates and franchises budget hotel chain under the "HanTing" brand
Mar 19	IPO	Hong Kong	Zhongsheng Group Holdings Ltd.	Retailing	424.0	1.29	-	1.47	Operates automobile dealerships in China that retails mid-to-high end automobiles
Mar 19	IPO	Hong Kong	Huiyin Household Appliances (Holdings) Co. Ltd.	Retailing	80.1	0.22	-	0.32	Retails and bulk distributes home appliances and consumer electronics in China
Mar 3	Follow-on	Nasdaq	Ctrip.com International Ltd.	Travel & Leisure	236.0	36.00	-1.2	39.20	Provides online and offline travel reservation services
Feb 1	IPO	Australia	Xiaoxiao Education Ltd.	Education	8.8	0.22	/	0.19	Operates 9 kindergartens and Hangzhou Binjiang art training school

⁽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.

In the 1st quarter of 2010, China consumer services companies raised over US\$640 million through 4 IPOs. Approximately US\$504 million was raised through 2 IPOs on the Hong Kong Stock Exchange and US\$136 million through 2 IPOs on overseas stock exchanges. There were no China consumer services IPOs on mainland exchanges.

Zhongsheng Group Holdings Ltd., an automotive dealership operator in China, raised US\$424 million through its Hong Kong IPO. The deal size was reduced to approximately half of the original pre-marketed size due to adverse market conditions. Shares were priced at US\$1.29, towards the low end of the initial pricing range from US\$1.23 to US\$1.65.

There was only 1 secondary offering in the 1st quarter of 2010. Ctrip.com, provider of online and offline travel reservation services, raised US\$236 million at a 1.2% discount to the closing price of the day of pricing.

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