

China Consumer M&A Quarterly

2nd Quarter 2008

Highlights

- **Suning Appliance closed its private placement of US\$347.3 million**

Suning will use the proceeds for new outlet expansion as well as for future acquisitions

- **CITIC Capital acquired Nanshan Dairy for US\$81.4 million**

This was CITIC's second buyout deal of a domestic food company following the acquisition of Guan Sheng Yuan

- **C. Straits Café raised US\$30 million from Goldman Sachs and Whitesun**

C. Straits Café plans to increase the number of outlets from 400 to 1,000 in the coming years

- **Legend Capital increased its investment in New Sinhe Wood Co. Ltd.**

Legend Capital partnered with DCM and invested US\$30 million in the Shanghai-based engineered flooring manufacturer

- **Oriental Cambridge Education Group closed its first round financing of US\$16 million**

Investors Qiming Ventures and Ignition Partners acquired an approximate 20% stake in the company

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks 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 quarterly review of cross-border China M&A activity and private placement in Consumer-related industries, 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 China cross-border Consumer-related M&A and private placement activities in the second quarter of 2008, highlighting selected notable transactions that are relevant to venture capital firms, private equity firms, and strategic buyers/investors. Our review is broken down into two broad categories, (i) Consumer Manufacturing and (ii) Consumer Services, with specific focus on the following eight major sectors:

CONSUMER MANUFACTURING

- Food & Beverage
- Consumer Appliances & Household Products
- Textile & Apparel
- Leisure Equipment & Products

CONSUMER SERVICES

- Retailing
- Travel & Leisure
- Marketing
- Education

Consumer Manufacturing

Food & Beverage

In April, Goldman Sachs and Chinese private equity firm Whitesun Equity Partners announced that it could jointly invest US\$30 million for a 20% stake in Hangzhou-based C. Straits Café restaurant chain. C. Straits Café focuses on western style cuisine and café restaurants, offering buffet dishes, as well as Japanese teppanyaki. C. Straits Café currently operates over 400 restaurants either directly or through franchises. The company plans to use the new capital to expand to 1,000 outlets in the next two to four years.

On the M&A front, the most notable deal would be CITIC Capital's buyout of Nanshan Dairy. CITIC Capital announced on May 5 that it has entered into an agreement with the Shenzhen-listed Hunan AVA Holdings to acquire its infant formula and dairy business for approximately US\$81.4 million. Since 1956, AVA has developed a strong regional brand "Nanshan", which is among the top ten infant formula brands in China and the fifth largest domestic manufacturer. The Nanshan brand is particularly popular in the central and southern regions of China.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 30	Kellogg Co. (NYSE:K)	Zhenghang Food Company Ltd.	NA	100.0	NA	Manufacturer of cookies and crackers in the north and northeastern regions of China
Jun 27	Global Sweeteners Holdings Ltd. (SEHK: 3889)	Jinzhou Yuancheng Bio-Chem Technology Co., Ltd.	66.7	100.0	66.7	Manufactures and sells corn starch and the co-products
Jun 6	NA	Xinjiang Guannong Fruit & Antler Co. Ltd. (SHSE: 600251)	61.3	NA	NA	Engages in the processing of fruits and vegetables
Jun 5	SIG, Walden International, Sequoia Capital, PreIPO Capital	China LiNong International Ltd.	NA	NA	NA	Engages in the production and sales of various vegetables and other agricultural products
May 25	New Hope Group	Feichang Dairy Co., Ltd.	14.3	51.0	28.0	Manufactures dairy products

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 21	Zhejiang Guyue Longshan Shaoxing Wine Co. Ltd. (SHSE: 600059)	Shaoxing Nv'erhong Wine Co., Ltd.	NA	95.0	NA	Engages in the production and sale of wine with the "Nv Er Hong" brand
May 8	Food Junction Holdings Ltd. (SGX: 529)	Shanghai Malone's American Café Co., Ltd.	6.9	100.0	6.9	Café Shop in Shanghai
May 5	CITIC Capital Partners	Hunan Ava Holdings Co. Ltd., Nanshan Infant Formula and Dairy Business	81.4	100.0	81.4	Engages in the production of infant formula milk powder and dairy products under the Nanshan brand
Apr 08	China Mengniu Dairy Co. Ltd. (SEHK: 2319)	Inner Mongolia Mengniu Dairy Industry (Group) Co. Ltd.	386.0	9.0	4,303.6	Engages in the production and distribution of dairy products in China
Apr 7	Purecircle Ltd. (AIM: PURE)	Ganzhou Julong High-Tech Food Industry Ltd.	7.8	40.0	19.6	Produces crude stevia extract and has a production capacity of 1,000 metric tones per annum
Apr 07	Goldman Sachs Group, Merchant Banking Division, Whitesun Equity Partners	C. Straits Café	30.0	20%	150.0	Operates a chain of cafe and franchise stores

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

Consumer Appliances & Household Products

Shanghai New Sihe Wood Co., Ltd., a famous engineered flooring manufacturer, announced on April 2 to receive US\$15 million in its second round of financing from DCM and existing investor Legend Capital. Founded in 2001, New Sihe Wood specializes in the production and sales of 3-layer and multi-layer engineered wood flooring, and solid bamboo flooring. Both the headquarters and the production base of the company are located in Jiading District, Shanghai. New Sihe Wood currently operates 50 stores in China. The company also has established branches in Belgium and the US to target the European and North American markets.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 24	Qingdao Haier Co., Ltd. (SHSE: 600690)	Haier Electronics Group Co., Ltd. (SEHK: 1169)	99.7	21.1	472.0	Engages in the research, development, production, and sale of washing machines and water heaters
May 31	AMVIG Holdings Limited (SEHK: 2300)	Hangzhou Weicheng Printing Co., Ltd.	50.5	100.0	50.5	Engages in the design and printing of color package boxes
Apr 28	3NOD Digital Group Co. Ltd (KOSE: A900010)	Shenzhen Jizhan Co., Ltd.	NA	51.0	NA	Audio product manufacturer in Shenzhen
Apr 8	Leaguer Stock Company Limited (SZSE: 000532)	Shenzhen Lihe Digital Television Co., Ltd.	6.8	15.0	45.0	Television sets manufacturer
Apr 2	Legend Capital, DCM	Shanghai New Sihe Wood Co., Ltd.	15.0	NA	NA	Leading Chinese manufacturer specialized in 3-layer & multi-layer engineered wood flooring, and solid bamboo flooring

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

Textile & Apparel

The State Development and Investment Corporation announced to acquire China Textile Resources Corporation on June 26. The transaction was approved by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council. The transaction amount was not disclosed. China Textile Resources Corporation, through its subsidiaries, engages in production and trading of wool, chemical fibers, cotton, dyeing material, fabrics, and clothing in China. It also engages in science, industry, trade, and cultural exchange and real estate businesses. The company was founded in 1984 and is based in Beijing.

Selected Textile & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 26	State Development and Investment Corp.	China Textile Resources Corporation	NA	100.0	NA	Provides textile raw materials
May 16	Wo Kee Hong Holdings Ltd. (SEHK: 720)	New Conception Fashion Shanghai Co., Ltd.	2.5	60.0	4.2	Engages in the design, marketing, wholesales and retail of men's fashion apparels and accessories
Apr 27	Best Deal Enterprise Ltd.	Shengzhou Dongxin Textiles Co. Ltd.	NA	55.0	NA	Engages in the production and sales of the polyester fabrics of ties

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

Leisure Equipment & Products

Selected Leisure Equipment & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 24	Management (Xu Mubin and Sai Rongchang)	Hubei Eastern Gold Jade Co. Ltd. (SHSE: 600086)	13.8	5.0	276.9	Engages in sales of jewelry products

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

Consumer Services

Retailing

Suning Appliance, the second largest electronic appliance retail chain in China, announced the closing of a private placement of US\$347.3 million on May 7. The round saw participation from CITIC Securities Co., Penghua Fund Management Co, Rongrong Fund Management Co., ICBC Credit Suisse Asset Management Co., GF Fund Management Co. and returning investor China Asset Management Company Limited. Proceeds from the placement will be applied to establish a logistics center in Shenyang and 250 new outlets in China. Suning will also set aside part of the proceeds for future acquisitions.

On the M&A front, Jiangsu Hesheng Investment Guarantee Development Co. acquired Shanghai Fengxian Sporting Goods Development Ltd. for US\$26.8 million from Anta Sports Products Limited. Shanghai Fengxian is engaged in the sportswear retail business selling international branded products such as Adidas, Reebok and Kappa. Shanghai Fengxian recorded audited revenue of approximately US\$27.6 and net loss of approximately US\$0.8 million in 2007.

Parkson Retail Group has announced that the group will acquire two department stores in mainland China for US\$34.3 million from its majority stockholder, Parkson Holdings Berhad, Malaysia. On May 21, Parkson Retail Group announced to acquire the 70% equity interest in Nanning Brilliant Parkson and the 100% equity interest in Tianjin Parkson Retail for US\$20.0 million and US\$14.3 million respectively. Of that total, 50% will be paid in cash and the other 50% will be paid by newly issued shares. In 2007, Nanning Brilliant Parkson recorded US\$50.6 million in revenue and US\$2.4 million in net profit, while Tianjin Parkson recorded US\$38.0 million in revenue and US\$1.3 million in net profit.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 17	China Resources Vanguard Co., Ltd.	Xi'an Aijia Commerce Co., Ltd.	NA	100.0	NA	Operates Supermarket chains in Xi'an City
May 21	Parkson Retail Group Limited (SEHK:3368)	Nanning Brilliant Parkson Commercial Co., Ltd	20.0	70.0	28.6	Operates department stores in Nanning
May 21	Parkson Retail Group Limited (SEHK:3368)	Tianjin Parkson Retail Development Co., Ltd.	14.3	100.0	14.3	Operates department stores in Tianjin
May 16	Jiangsu Hesheng Investment Guarantee Development Co., Ltd.	Shanghai Fengxian Sporting Goods Development Ltd.	26.8	100.0	26.8	Engages in the distribution and retail of sports goods
May 7	China Asset Management Co., Citic Securities, GF Fund Management, ICBC Credit Suisse Asset Management, Penghua Fund Management	Suning Appliance Company Limited (SZSE:002024)	347.3	NA	NA	Engages in chain selling and servicing household appliances, electric products, office equipment, and telecom equipment

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

Travel & Leisure

Hunan Huatian Great Hotel Co Ltd agreed to acquire the entire share capital of Hubei Kaixuanmen Grand Hotel Management Co Ltd, a hotels owner and operator, from Hubei Shuanghuan Real Estate Development Co Ltd, Wuhan Xudong Real Estate Development Co Ltd, for US\$41.1 million. Hunan Huatian Great Hotel Co., Ltd. was founded in 1985 and is based in Changsha, China. The company provides hospitality services and it owns and operates hotels.

On June 10, Blue Horizon Group received US\$10 million investment from Prax Capital. The deal marks Prax's first investment in the hotel industry. Founded in 1994, Blue Horizon is a leading hotel chain operator in Shandong Province. It manages 12 hotels and two independent restaurants. Blue Horizon aims to become one of the top 10 domestic hotel operators in the mid-to-high-end segment by 2012.

Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 14	Hunan Huatian Great Hotel Co., Ltd. (SZSE:000428)	Hubei Kaixuanmen Grand Hotel Management Co., Ltd.	42.1	100.0	42.1	Engages in the hotel business in Hubei Province
Jun 10	Prax Capital	Blue Horizon Group	10.0	NA	NA	Hotel chain in Shandong Province targeting mid-to-high-end consumers
Apr 11	Guangxi Yuchai Machinery Company Ltd.	Guangxi Yulin Hotel Company Ltd.	35.1	100.0	35.1	Engages in the hotel operation in Guangxi Province

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

Education

In May, Oriental Cambridge Education Group successfully closed its Series A financing of US\$16 million. The total investment accounts for less than 20% stake in the company. Investors include Qiming Ventures and Ignition Partners. Founded in 1986, Oriental Cambridge Education is an educational entity that maintains higher (a state-

planned undergraduate unit), basic, preschool and vocational educational facilities. The group owns 18 colleges and schools and has seen accumulatively more than 120,000 students graduated. The group achieved around US\$30 million of revenue in 2007.

On the M&A front, Pearson, the international education and information company, announced on May 28 to acquire two privately-owned English language school chains in China - Learning Education Center (LEC) and Dell English. LEC provides English language instruction for children aged 5 to 12, through 17 schools, principally in Shanghai. Dell English offers English language training to students aged from 15 and 35, through more than 20 schools, principally in Beijing. LEC and Dell achieved combined sales of approximately US\$10 million in 2007.

Following the acquisition of Hefei Wanbo Education in the first quarter, Raffles Education Corp. announced on May 23 to acquire Shaan Xi Ruizhi Education for US\$6.3 million. Ruizhi Education provides investment services in the secondary and higher educational sector and also provides consulting services in relation to vocational and technical education, training, and international education.

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 30	Sherleigh Associates Inc.	ChinaCast Education Corporation (NasdaqGM: CAST)	14.5	NA	NA	Provides e-learning and training services to educational institutions, government agencies, and corporate enterprises in China
Jun 13	Harcourt Companies Inc. (OTCBB: HRCT)	Beijing Yanyuan Rapido Education Company	3.4	60.0	5.7	Training institution founded by the Science Park of Peking University
May 28	Pearson plc (LSE: PSON)	Learning Education Center	NA	80.0	NA	Provides English language instruction for children aged 5 to 12
May 28	Pearson plc (LSE: PSON)	Dell English	NA	70.0	NA	Offers English language training to young students
May 26	Qiming Ventures, Ignition Partners	Oriental Cambridge Education Group	16.0	NA	NA	Provides higher, basic, preschool and professional levels of education
May 23	Raffles Education Corp. (SGX: E6D)	Shaan Xi Ruizhi Education Investment Co., Ltd.	6.3	100.0	6.3	Offers investment services in the secondary and higher educational sector

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

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