

China Consumer M&A Quarterly

1st Quarter 2009

Quarter in Review

China M&A activities remained active this quarter despite the global economic climate change. Amid the tightest credit conditions in decades, corporate buyers with healthy balance sheets continue to make strategic deals in China. Active corporate M&A was reported and deals were closed at reasonable prices. On the other hand, financial buyers/investors have tightened their strings with a clear slowdown in private placement activities is inevitable during the period.

Deal Highlights

- China Resources Snow Breweries Ltd. acquired 3 regional beer brands in February, Anqing Tianzhu Beer, Liaoning Songlin Brewery and Zhejiang Luck beer for US\$110.0 million. In March, China Resources Snow acquired 90.0% of Shandong Amber Beer Group for US\$41.7 million.
- Asahi Breweries acquired 19.9% of Tsingtao Brewery Co. from Belgium-based Anheuser-Bush Companies Inc. for US\$667.0 million. Asahi will become the second largest shareholder and will collaborate with Tsingtao to streamline procurement and expand its China sales network.
- The Carlyle Group announced that it has invested US\$20.0 million into Shenzhen Ellassay Fashion, a luxury women fashion house with 280 retail outlets across China. The proceeds will be used for market expansion and product development.
- IBM acquired a minority stake in Changhong Electric - China's largest producer of TV, air conditioner, MP3 player, set-top box and DVD player.
- US restaurant chain operator, Yum! Brands Inc., acquired 13.9% of Little Sheep from 3i and Prax Capital. The acquisition broadens Yum! Brands' restaurant portfolio in China, which includes KFC, Pizza Hut and Taco Bell.
- 7 Days Inn raised US\$65.0 million from an undisclosed investor. The proceeds will be used to establish an e-commerce booking platform for China's hospitality sector.

Hong Kong

Suite 3518 Jardine House
One Connaught Place
Central, Hong Kong
T +852 3752 2333
F +852 2295 3979

Beijing

Room 705, East Tower
Twin Towers
B12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, China
T +86 (10) 8447 7398
F +86 (10) 8447 7396

Shanghai

5F Crystal Century Tower
567 Weihai Road, Jingan District
Shanghai 200041, China
T +86 (21) 6288 6555
F +86 (21) 6288 6585

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 directly, or through its affiliates, 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 and private placement activities 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 first quarter of 2009, 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 nine major sectors:

CONSUMER MANUFACTURING

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

CONSUMER SERVICES

- Retailing
- Restaurant & Food Service
- Travel & Leisure
- Marketing
- Education

There were no notable transactions announced in the Leisure Equipment & Products and the Education sectors during the first quarter of 2009.

Consumer Manufacturing

Food & Beverage

China Resources Snow Breweries Ltd., a joint venture between China Resources Enterprise and London-based brewer SABMiller, has been aggressively expanding its China presence through numerous acquisitions. In February, the company acquired 3 regional brands, Anqing Tianzhu Beer, Liaoning Songlin Brewery and Zhejiang Luck beer for US\$110.0 million. In March, China Resources Snow acquired 90.0% of Shandong Amber Beer Group for US\$41.7 million. China Resources Snow will inject an additional US\$7.9 million to expand Amber's current production facility from annual production capacity of 270 to 300 kiloliters. The acquisition of Amber will enable China Resources Snow to take market share in China's largest beer consumption province from TsingTao Beer. TsingTao Beer currently dominates the Shandong beer market with approximately 40.0% ownership.

Beijing Sanyuan Foods Co., Ltd. successfully bid and acquired the core assets of Shijiazhuang Sanlu Group, the bankrupt dairy company at the center of the melamine scandal. Sanyuan will acquire core assets including land use rights, buildings, machineries and 98.8% of Sanlu's subsidiaries, Linhe Dairy. Sanlu's 2 production facilities will be auctioned off at a later date.

Asahi Breweries acquired 19.9% of Tsingtao Brewery Co. from Belgium-based Anheuser-Bush Companies Inc. for US\$667.0 million. Asahi will become the second largest shareholder and will collaborate with Tsingtao to streamline procurement and expand its China sales network.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2009	China Resources Snow Breweries Ltd.	Shandong Amber Beer Group	41.7	90.0	46.3	Shandong-based brewer and distributor of malt liquor
Mar 13, 2009	Four Seas Mercantile Holdings Ltd. (SEHK:374)	Pokka Four Seas (Suzhou) Food Co. Ltd.	3.9	70.0	5.6	Manufactures and produces beverages under the "Pokka Four Seas" brand

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 4, 2009	Beijing Sanyuan Foods Co., Ltd. (SHSE: 600429); Hebei Sanyuan Foods Co Ltd.	Core Assets of Shijiazhuang Sanlu Group Co. Ltd.'s	90.1	100.0	90.1	Core assets includes, land use rights, buildings, machineries and equipment and 98.8% of Sanlu's subsidies, Linhe Dairy
Feb 26, 2009	China Resources Snow Breweries Ltd.	80.0% of Anqing Tianzhu Beer, 85.0% of Liaoning Songlin Brewery Group and 100.0% of Zhejiang Luck Beer	110.0	NA	NA	Regional beer breweries
Feb 18, 2009	Kangfulai Group (H.K.) Co. Limited	Qingdao Spiritzone Asiawin Food Co., Ltd	1.3	70.0	1.8	Operates as a food processing plant that specializes in production of appetizers, sweetmeat and snacks
Feb 17, 2009	China Agri-Industries Holdings Limited (SEHK: 606)	Huanglong Food Industry Company Limited	34.8	57.1	60.9	Manufactures and sells corn starch, corn protein feed, corn gluten fodder, corn oil and starch syrup
Jan 23, 2009	Asahi Breweries Ltd. (TSE: 2502)	Tsingtao Brewery Co., Ltd. (SEHK: 168)	667.0	19.9	3,351.8	Produces and distributes beer under TSINGTAO BEER™ trademark
Jan 19, 2009	COFCO Limited	Beijing Wugudaochang Food Technology Development Co. Ltd.	15.9	100.0	15.9	Beijing-based manufacturer of instant noodles
Jan 7, 2009	China Mining Resources Group Limited (SEHK: 340)	Desire Star (China) Tea Industrial Co., Ltd.	82.8	80.0	103.5	Fuzhou-based cultivator, producer and seller of various tea products

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

Consumer Appliances & Household Products

IBM Global Services (China) Co. Ltd., the services and consulting arm of IBM China, acquired 1.6% of Sichuan Changhong Electric for US\$15.8 million. Changhong is currently China's largest producer of TV, air conditioner, MP3 player, set-top box and DVD player. Market observers see the acquisition as IBM's attempt to penetrate Sichuan province through the reconstruction of telecom networks and IT systems in the earthquake-ravaged region.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 31, 2009	Sharpthink Finance Ltd.	Substantially All Assets of Contel Corp. Ltd. (SGX:F75)	22.5	100.0	22.5	Develops and manufactures digital home entertainment products
Jan 16, 2009	IBM Global Services (China) Co. Ltd.	Sichuan Changhong Electric Co. Ltd. (SHSE: 600839)	15.8	1.6	987.5	Manufactures and sells electronic products and home appliances
Jan 7, 2009	Markor International Furniture Co., Ltd. (SHSE: 600337)	Schnadig International Corp	8.9	100.0	8.9	Offers upholstered furniture, dining room and bedroom furniture

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

Textile & Apparel

The Carlyle Group announced that it has invested US\$20.0 million into Shenzhen Ellassay Fashion, a luxury women's fashion house with 280 retail outlets across China. The proceeds will be used for market expansion and product development.

Japanese textile retailer, Itochu Corp., acquired 28.0% of Shanshan Group Co. for US\$111.5 million. Shanshan will look to Itochu's expertise in procurement, operation and distribution management to transform Shanshan's business from manufacturing focus to retailing and logistics.

Selected Textile & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 26, 2009	Great Pacific Investments Ltd.	Yangzhou Pou Jin Clothing Manufacturing Co., Ltd.	3.6	NA	NA	Manufactures and distributes sport and casual apparels
Mar 25, 2009	The Carlyle Group	Shenzhen Ellassay Fashion Industry Co., Ltd.	20.0	NA	NA	Designs, manufactures, and markets fashion apparel and accessories for women in China
Feb 18, 2009	Sinopec Yizheng Chemical Fibre (SEHK:1033)	Yihua Unifi Fibre Industry Company	9.0	50.0	18.0	Manufactures and markets yarns for high performance and intimate apparel
Feb 4, 2009	Yue Yuen Industrial (Holdings) Ltd. (SEHK:551)	Pou Hong (Yangzhou) Shoes Manufacturing Co., Ltd.	6.0	NA	NA	Designs, manufactures and sells sports and casual apparel and sports related accessories
Feb 4, 2009	Prime Asia Leather Corp., a Subsidiary of Yue Yuen Industrial (Holdings) Ltd. (SEHK:551)	Dongguan Yue Xiang Shoe Components Co., Ltd.	3.3	NA	NA	Manufactures and sells footwear materials
Jan 15, 2009	Itochu Corp. (TSE:8001); Itochu (China) Holding Co., Ltd.	Shanshan Group Co., Ltd.	111.5	28.0	398.2	Ningbo-based designer and producer of men's suits, jackets, pants and uniforms
Jan 7, 2009	Fortune International Partners, Jiangsu High-Tech Invest.	Shanghai Bobdog Children's Articles Co. Ltd.	8.0	NA	NA	Produces children's apparel, accessories and other related products

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

Consumer Services

Retailing

Pou Sheng International (Holdings) Ltd. acquired the remaining 70.0% of Dalian Dongzhijie Sports Production Development Co. for US\$122.4 million. The acquisition will enable Pou Sheng to expand its store network across China.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 14, 2009	Pou Sheng International (Holdings) Ltd. (SEHK:3813)	Dalian Dongzhijie Sports Production Develop. Co.	122.4	70.0	174.9	Operates 464 sportswear retailing stores in 6 provinces in China

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

Restaurant & Food Service

US restaurant chain operator, Yum! Brands Inc., has acquired 13.9% of Little Sheep from 3i and Prax Capital. The acquisition will broaden Yum! Brands' restaurant portfolio in China, which includes KFC, Pizza Hut and Taco Bell.

Selected Restaurant & Food Service Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 24, 2009	Yum! Brands Inc. (NYSE:YUM)	Little Sheep Group Ltd. (SEHK:968)	44.3	13.9	318.7	Operates full-service Mongolian hotpot restaurant chain

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

Travel & Leisure

7 Days Inn raised US\$65.0 million from an undisclosed investor. The proceeds will be used to establish an e-commerce booking platform for China's hospitality sector.

Selected Travel & Leisure Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 9, 2009	NA	7 Days Inn	65.0	NA	NA	Operates a budget hotel chain which caters to corporate and leisure travelers
Feb 13, 2009	VLOV, Inc. (OTCBB:VLOV)	Sino Charter Inc.	NA	100.0	NA	Offers jet chartering and other travel related services to business executives and leisure travelers within Asia

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

Marketing

INTAGE Inc. acquired 100.0% of Hyperlink Research from Xinhua Sports & Entertainment for US\$11.8 million. Xinhua's divestiture highlights its commitment to focus on its high margin sports and entertainment broadcast businesses.

Selected Marketing Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 22, 2009	INTAGE Inc. (TSE:4326), INTAGE Marketing Consulting (Shanghai) Co.	Hyperlink Research, Inc.	11.8	100.0	11.8	Offers business research services including market environment evaluation, industry status and trend studies

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

* * * * *

The material is a product of the Investment Banking Department of Cowen Latitude Asia ("Cowen Latitude"). Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the Investment Banking Department of Cowen Latitude and may differ from the views and opinions expressed by Cowen Latitude's other departments or divisions of Cowen Latitude and its affiliates.

This material is provided for information only and is not intended as a recommendation or trading strategy or an offer or solicitation for the purchase or sale of any security or financial instrument. This material is not intended as a recommendation as to the merits of any proxy solicitation with respect to any transaction referenced herein. Cowen Latitude and its affiliates may have positions (long or short), effect transactions or make markets in securities or financial instruments mentioned herein (or options with respect thereto), or provide advice or loans to, or participate in the underwriting or restructuring of the obligations of, issuers mentioned herein.

The information contained herein is as of the date referenced above and Cowen Latitude does not undertake any obligation to update such information. All market prices data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Past performance is not indicative of future results. The investments discussed may fluctuate in price or value. Cowen Latitude Asia is a member of the Securities and Futures Commission. Copyright 2009 Cowen Latitude Asia. All rights reserved.

