



China Consumer M&A Quarterly

3rd Quarter 2009

Quarter in Review

Deal flow continues to recover. 3Q marks the strongest quarter of 2009 in VC investment, but still down by 41% from same period last year.

The 3rd quarter saw a fresh outlook in VC investment structure featured by investments in consumer sectors surpassing that of broad IT.

The stage distribution of VC investment remained stable, with expansion-stage enterprises claiming most of the dollars. Middle-scale and small-scale investment remained dominant.

Deal Highlights

- The Carlyle Group acquired 17.3% of Guangdong Yashili Group Co., Ltd., one of China's largest infant formula providers
- Goldman Sachs Principal Strategies and the management team of the Yunan Yinmore Sugar Industry each sold a 30.0% stake in Yunan Yinmore to Bright Foods Group Co. Ltd. for a total of US\$116.8 million
- State-owned COFCO (HK) Ltd. and private equity firm, HOPU Jinghua (Beijing) Investments, jointly acquired a 20.0% stake of China Mengniu Dairy for US\$784.2 million
- TPG, Legend Holdings and Hony Capital acquired 11.0% of Wumart Stores Inc. for US\$212.9 million
- e-Hi Car Rental Co., Ltd. closed its series B private placement round and raised US\$20.0 million from CDH China, JAFCO and Qiming Venture
- ChinaCast Education Corp. acquired two accredited universities in China as part of its strategy to expand post-secondary degree offerings and overall footprint in China
- Xueersi Group closed its series B private placement round and raised US\$40.0 million from Tiger Global and KTB Fund

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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 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 third 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 and Food Service
- Travel & Leisure
- Marketing
- Education

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

Consumer Manufacturing

Food & Beverage

The Carlyle Group acquired 17.3% of Guangdong Yashili Group Co., Ltd., one of China's largest infant formula providers. Carlyle has outlined plans to install a seasoned Chief Quality Officer to oversee and manage quality controls and establish R&D partnerships with a number of renowned global research institutes to bolster Yashili's nutritional research.

Goldman Sachs Principal Strategies and the management team of Yunan Yinmore Sugar Industry each sold a 30.0% stake in Yunan Yinmore to Bright Foods Group Co. Ltd. for a total of US\$116.8 million. Post transaction, Goldman Sachs and Yinmore's management will continue to hold 35.0% and 5.0% respectively. This acquisition is expected to strengthen Bright Foods' sugar production and distribution capabilities. Yinmore has obtained approval from Hong Kong Listing Committee for an IPO in HKEX. However, Yinmore has no immediate listing plans.

State-owned COFCO (HK) Ltd. and private equity firm, HOPU Jinhua (Beijing) Investments, jointly acquired a 20.0% stake of China Mengniu Dairy for US\$784.2 million. Mengniu plans to leverage COFCO's extensive domestic and global experience and distribution networks to develop and strengthen its market presence.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 24, 2009	Kunwu Jiuding Capital	Fuzhou Baiyang Haiwei Seafood Stuff Co. Ltd.	11.7	NA	NA	Processes and trades saltwater and freshwater aquatic products
Sep 20, 2009	The Carlyle Group	Guangdong Yashili Group Co., Ltd.	NA	17.3	NA	Leading infant formula provider in China
Aug 17, 2009	Bright Foods Group Co., Ltd.	Yunan Yinmore Sugar Industry Co., Ltd.	116.8	60.0	194.7	Leading sugar producer in China with annual capacity of 450,000 tonnes
Aug 11, 2009	Sequoia Capital	American Dairy, Inc. (NYSE:ADY)	63.0	10.7	588.8	Produces and distributes infant milk and soybean milk powder products

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jul 27, 2009	China Huiyuan Juice Group Ltd. (SEHK:1886)	Shangdong Zibo Huiyan Food & Beverage Co., Ltd.'s Milk Beverage Assets	19.2	100.0	19.2	Properties, equipment and inventories related to the production of milk beverages
Jul 24, 2009	Shenzhen Fortune Venture Capital	Jiangxi Huangshanghuang Group Co., Ltd.	5.3	8.0	66.3	Operates as a poultry breeder, slaughter house operator and meat processor
Jul 15, 2009	China Resources Snow Breweries (China) Ltd.	Shenyang Huarunchuangye Beer Co., Ltd.	7.0	20.0	35.0	Brews and sells "SNOW" branded beer in Shenyang
Jul 6, 2009	COFCO (HK) Ltd., HOPU Jinghua (Beijing) Investments	China Mengniu Dairy Co., Ltd. (SEHK:2319)	784.2	20.0	3,921.0	Produces and distributes dairy products such as milk, yogurt and ice cream under the "Mengniu" brand

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

Consumer Appliances & Household Products

ShangpinZhaipei Dwelling (Group) Co., a made-to-measure home furniture manufacturer, raised US\$10.2 million via a private placement round with Shenzhen Fortune Venture Capital. The made-to-measure furniture market segment represents 10.0% of the overall furniture market in China and is expected to grow 20.0% annually.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 19, 2009	Shenzhen Fortune Venture Capital	ShangpinZhaipei Dwelling (Group) Co. (aka Shangpin Homedecro)	10.2	NA	NA	Operates as a regional manufacturer of made-to-order furniture in China
Aug 19, 2009	Undisclosed	KXD Digital Entertainment Ltd. (SGX:K07)	1.1	16.7	6.6	Manufactures and sells audiovisual entertainment appliances

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

Textile & Apparel

Guangzhou Meishang successfully closed its series A private placement round and raised US\$10.0 million from Legend Capital. The company operates over 1,800 retail stores under the "Beauty in Fashion" brand and sells hair ornaments and cosmetic products. Guangzhou Meishang is targeting to add over 200 new retail stores and exceed annual revenue of US\$110.0 million for 2009.

Selected Textile & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 29, 2009	ARC China, Inc.	VLOV, Inc.. (OTCBB:VLOV)	8.0	14.9	53.7	Designs, sources and distributes casual apparels and accessories under the "V.LOV" brand name in China
Sep 29, 2009	Activeworlds Corp. (OTCBB:AWLD)	Wuhan Kingold Jewelry Co., Ltd.	5.0	100.0	5.0	Leading Chinese designer and manufacturer of 24K gold jewelries
Sep 18, 2009	IDG - Accel China	Bosideng International (SEHK:3998)	32.0	2.8	1,142.9	Designs, procures and sells apparel products in China

Sep 7, 2009	Legend Capital	Guangzhou Meishang	10.0	NA	NA	Designs, operates and sells hair ornaments and cosmetics under the "Beauty in Fashion" brand
Sep 3, 2009	Itochu Corp. (TSE: 8001)	Dalian Yawen Underwear Co., Ltd.	10.8	28.0	38.6	Designs and produces ladies' lingerie and swimsuits
Jul 29, 2009	New Horizon Capital	Exceed Co. Ltd. (Previously known as Xdlong Int'l. Co. Ltd.)	30.0	NA	NA	Designs and wholesales casual apparels and footwear under the "XIDELONG" brand name

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

Consumer Services

Retailing

TPG, Legend Holdings and Hony Capital collectively acquired 11.0% of Wumart Stores Inc. for US\$212.9 million. The deal is structured as a combination of H-shares and unlisted domestic shares, paving the road for an eventual China domestic public listing. Wumart will use the proceed to add 20 convenience stores and 10 super markets to its existing network of 426 supermarkets and convenience stores. In a separate transaction, Wumart acquired the remaining 25.0% of Beijing Merrymart Chainstores for US\$116.9 million.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 21, 2009	Undisclosed	Deer Consumer Products, Inc. (Nasdaq: DEER)	15.0	11.7	128.2	Designs, manufactures and sells home and kitchen appliances such as blenders, soy milk makers and popcorn makers
Sep 10, 2009	Wumart Stores Inc. (SEHK: 8277)	Beijing MerryMart Chainstores Development Co. Ltd.	116.9	25.0	467.6	Operates a chain of super markets in Beijing
Aug 25, 2009	P.D. International Pty Ltd.	Wuhan Jissbon Sanitary Products Company Ltd.	3.7	5.0	74.0	Sells "Jissbon" branded condoms to the retail market in China
Aug 15, 2009	FDS China Capital	Dongguan Sun High (Convenience Store) Co., Ltd.	NA	35.0	NA	Operates over 500 convenience stores in the Guangdong Province
Aug 12, 2009	TPG, Legend Holdings, Hony Capital	Wumart Stores Inc. (SEHK: 8277)	212.9	11.0	1,935.5	Operates and manages mini-marts in Beijing, Zhejiang, Tianjin and Hebei
Aug 6, 2009	Pypo China Holdings Ltd. (OTCBB: PYPC.F)	Shanghai Xieheng Telecommunications Equipment Co., Ltd.	48.3	100.0	48.3	Owns and operates over 200 mobile phone and accessory retail outlets across China

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

Restaurant and Food Service

FU JI Catering sold a 30.0% stake of Golden Hans Restaurant Chain to an individual investor for US\$42.6 million. Golden Hans generated approximately US\$73.2 million sales and US\$10.9 million net profit for 2008. Proceed from this divestment will be used to reduce Fu Ji Catering's indebtedness.

Selected Restaurant and Food Service Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 19, 2009	Individual	Golden Hans Restaurant Chain	42.6	30.0	142.0	Offers western-styled barbeque buffet and self-brewed beer

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

Travel & Leisure

e-Hi Car Rental Co., Ltd. closed its series B private placement round and raised US\$20.0 million from CDH China, JAFCO and Qiming Venture. The proceeds will be used to roll out sales outlets across China and increase the vehicle fleet from 2,000 to over 10,000 vehicles by the end of 2012. e-Hi Car is targeting a China domestic public listing by 2011.

Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 6, 2009	Huaqiao Fund, Dojane Capital	Lvmama.com	NA	17.5	NA	Operates an online ticketing platform for various tourist destinations across China
Jul 22, 2009	Undisclosed	DerbySoft (Shanghai) Co., Ltd.	5.0	NA	NA	Operates an online reservation platform for the hospitality and tourism industries in China
Jul 8, 2009	CDH China, JAFCO, Qiming Venture	e-Hi Car Rental Co., Ltd.	20.0	NA	NA	Shanghai-based provider of car rental services

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

Education

As part of its strategy to expand post-secondary degree offerings and overall footprint in China, ChinaCast Education Corp. acquired two accredited universities. ChinaCast paid US\$53.4 million to acquire 100.0% of Lijiang College of Guangxi Normal University and US\$19.9 million for a 20.0% stake in Foreign Trade & Business College of Chongqing Normal University.

Xueersi Group closed its series B private placement round and raised US\$40.0 million from Tiger Global and KTB Fund. The proceed will be used to improve classroom facilities, recruit additional teachers and purchase teaching equipments. Xueersi currently operates over 30 service centers and 70 wholly-owned teaching centers across China with over 1,000 teachers on staff.

8D World Inc. closed its series A private placement round and raised US\$7.0 million from Spark Capital and Gobi Partners. 8D World operates WizWorld Online, a virtual environment that encourages English-language learners to practice oral English. The innovative learning platform has gained market traction and is currently collaborating with 6 Shanghai government agencies to develop learning modules for the upcoming Shanghai World Expo.

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28, 2009	ChinaCast Education Corporation (Nasdaq: CAST)	Lijiang College of Guangxi Normal University	53.4	100.0	53.4	An accredited college affiliated with Guangxi Normal University that offers bachelor and diploma degrees

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 17, 2009	Individuals	ChinaCast Education Corporation (Nasdaq: CAST)	19.9	6.7	297.0	Operates an e-learning platform and provides accredited degree programs through a network of universities
Sep 10, 2009	Tiger Global, KTB Fund	Xueersi Group	40.0	NA	NA	Offers after-school tutoring services to middle and primary school students
Aug 11, 2009	Yupei Training Information Technology Co., Ltd., a subsidiary of ChinaCast Education	Foreign Trade & Business College of Chongqing Normal University	19.9	20.0	99.5	An accredited college affiliated with Chongqing Normal University that offers bachelor and diploma degrees
Jul 23, 2009	Today's Teachers Technology and Culture Ltd.	Yu Cheng Yuan Consulting and Service Ltd.	0.5	60.0	0.8	Offers online education products and consulting services
Jul 20, 2009	Spark Capital, Gobi Partners	8D World Inc.	7.0	NA	NA	Operates WizWorld Online, a virtual world dedicated to provide English-language learners an immersive learning experience

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

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