

China Consumer M&A Quarterly

4th Quarter 2008

Quarter in Review

Despite the global economic downturn, the last quarter of 2008 continued to witness active deal flow in China's consumer-related industries.

It is clear that private equity and venture capital investors are still eager to put money into this emerging marketplace and, in many areas, they are actually accelerating the pace of investments. Restaurant / food service and education - the areas closely tied to emerging economies and are believed to be counter-cyclical, attracted the most attention from investors. Private equity firm Actis Capital closed three major transactions and became the most active investor in the quarter. Ambow Education eclipsed its own record for attracting the single largest round of private placement investment in China's education sector.

The M&A market also picked up pace as major domestic and international players race to consolidate what is still a fragmented market. Listed public companies helped to boost most of the M&A transactions in the past quarter, while the food and beverage sectors saw regional players such as Ting Hsin International and Uni-President announcing major acquisitions.

Deal Highlights

- Uni-President injected US\$35.1 million to Jianlibao to start producing carbonated drinks; Uni-President also acquired 10.6% of Andre Juice for US\$23.2 million to strengthen its beverage business in China.
- Fujian-based supermarket chain Yonghui Group received US\$35.0 million from its existing investor HSBC Private Equity. HSBC invested US\$75.0 million in total in exchange for 24.0% ownership in Yonghui Group.
- ARC Capital acquired 10.8% of Orient Home for US\$65.8 million; the acquisition was followed by ARC's US\$10.0 million investment into Sichuan-based convenience store chain WOWO.
- Private equity firm Actis paid US\$50 million for a majority stake in Chinese hot pot chain Xiabu Xiabu, in a bet that the affordable fast food company can withstand the economy downturn.
- High end restaurant chain South Beauty Group secured US\$43.8 million investment from CDH Investments and CICC. South Beauty's LAN Club and SUBU were excluded from the deal.
- Guangzhou-based economy hotel chain 7 Days Inn completed its third round of financing, raising US\$65.0 million from Actis Capital and Warburg Pincus.
- Ambow Education received US\$103.0 million from Actis Capital, Avenue Capital and Macquarie Group, representing the largest single round of private placement in China's education sector.
- The Carlyle Group invested US\$50.0 million in Hao Yue Education to enter China's private higher-education 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 200040, 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 fourth 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 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 the Marketing sectors during the fourth quarter of 2008.

Consumer Manufacturing

Food & Beverage

Mengniu Modern Dairy Group announced on December 23 that it had secured US\$100.0 million of investment from two private equity investors, Kohlberg Kravis Roberts ("KKR") and CDH Investments. The investment, the size of which reaches the upper limit of foreign investment in the sector that China encourages, is pending approval by the Department of Commerce of Anhui Province. Mengniu Modern Dairy Group is engaged in milk cow breeding and pasture planting.

In November, Goldman Sachs has reportedly taken a 25% stake in Chinese liquor maker Kou Zi Jiu Ye for US\$44.0 million. Kou Zi Jiu Ye, founded in 1949, produces five different series of liquor products through five subsidiaries located across China. The deal marks the third foreign player to team up with a Chinese liquor maker following LVMH Moet Hennessy Louis Vuitton and Diageo Plc's partnerships in the Chinese liquor industry.

On the M&A front, Ting Hsin International Group ("Ting Hsin"), the parent company of Tingyi (Cayman Islands) Holding Corporation (SEHK: 0322) ("Tingyi"), announced on November 23 it will buy back a 10.0% stake in Tingyi-Asahi-Itochu Beverages Holding ("JV") from its Japanese partners for US\$280.0 million. The JV was set up by Asahi Breweries, Itochu Corporation and Tingyi in early 2004. Subsequent to the buy back, Ting Hsin will have an aggregate stake of 60.0% in the JV. As the largest profit contributor to Tingyi, the JV's beverage business achieved turnovers of US\$703.6 million in the third quarter of 2008, leaping 34.0% from Q3 2007 and accounting for 53.3% of the Hong Kong-listed company's total revenues.

Following Coca-Cola's acquisition of Huiyuan Juice, Uni-President Enterprises Corp. (TSEC: 1216) ("Uni-President") made two notable investments in China's juice sector in the fourth quarter of 2008. On December 16, Uni-President injected US\$35.1 million into its subsidiary Sanshui Jianlibao Commerce Co. Ltd. ("Jianlibao"). After the acquisition by Uni-President in 2005, Jianlibao is responsible for the manufacture and sale of Uni-President and Jianlibao-branded beverages, while Uni-President drives the consolidation of the sales networks of the two brands. Following the cash injection, Jianlibao will start to produce carbonated drinks in China.

On December 12, Uni-President also acquired an additional 10.6% in Yantai North Andre Juice Co Ltd (HKSE: 8259) ("Andre Juice") for US\$23.2 million. Upon completion of the deal, Uni-President holds approximately 15.0% in total in Andre Juice. Based in Yantai, Shandong Province, Andre Juice is one of the largest apple and pear juice

concentrate manufacturers in China. Uni-President said it would continue to strengthen and develop its food and beverages business through investments in other mainland food and beverage companies.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 24	China Resources Snow Breweries	Zhejiang Luoke Breweries	35.6	100.0	35.6	Produces beer under the "Luoke" Brand
Dec 23	KKR, CDH	Mengniu Modern Dairy Group	100.0	NA	NA	Engages in the business of raising milk cows
Dec 22	Maanshan Yurun Food Co., Ltd.	Hunan Huihong Food Company Limited	23.2	49.0	47.4	Engages in the business of hog slaughtering
Dec 16	Uni-President Enterprises Corp. (TSEC:1216)	Sanshui Jianlibao Commerce Co., Ltd.	35.1	NA	NA	Produces beverages under the "Jianlibao" brand
Dec 12	Uni-President Enterprises Corp. (TSEC:1216)	Yantai North Andre Juice Co. Ltd. (SEHK:8259)	23.2	10.6	219.1	Engages in the manufacture and sale of concentrated juice in China
Nov 28	Hengan International Group Co. Ltd. (SEHK:1044)	Qinqin Foodstuffs Group Co., Ltd.	33.4	51.0	65.5	Engages in the manufacture and distribution of snack foods in China
Nov 23	Tingyi (Cayman Islands) Holding Corp. (SEHK:0322)	Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.	280.3	10.0	2,802.8	Engages in the research, development, manufacture, and distribution of beverages
Nov 17	Regal Life Concepts, Inc. (OTCBB:RGLC)	Guangzhou Awa Wine Co., Ltd.	NA	51.0	NA	Engages in importing and distributing wines in China
Nov 10	Tsingtao Brewery Co., Ltd. (SEHK:168)	Yantai Beer Asahi Co., Ltd.	NA	39.0	NA	Produces and markets Yantai beer and Asahi super dry
Nov 10	Goldman Sachs	Kou Zi Jiu Ye	NA	25.0	NA	Engages in the production and sale of white wine
Nov 7	Wei-Chuan Foods Corp. (TSEC:1201)	Hangzhou Wei Chuan Foods Co. Ltd.	10.8	100.0	10.8	Produces, distributes and sells beverage products
Oct 30	Shanghai Join Buy Co., Ltd. (SHSE:600838)	Shanghai Join Buy Zhongtang Wine Industry Co. Ltd.	NA	100.0	NA	Produces liquor products in China
Oct 22	China Water and Drinks Inc. (OTCBB:CWDK)	Beijing Changsheng Taoda Co., Ltd.	6.0	100.0	6.0	Owns and operates a production facility to manufactures small bottles
Oct 22	China Water and Drinks Inc. (OTCBB:CWDK)	Changsha Rongtai Co., Ltd.	5.7	100.0	5.7	Operates as a bottled water Producer

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

Consumer Appliances & Household Products

Cantronic Systems Inc. (TSXV:CTS)("Cantronic") announced on November 12 that it would acquire Guangzhou Aebell Electrical Technology Co. Ltd. ("Aebell"). Following the acquisition of Aebell, Cantronic will own a profitable ISO 9001 certified Chinese manufacturer and distributor of CCTV Cameras, surveillance and software security products with forecasted annual revenues in excess of US\$15.4 million and net profit in excess of 15.0% in its current fiscal year, ending December 31. Cantronic expects this strategic acquisition to significantly broaden its existing product portfolio and revenue growth potential.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 8	Guangdong Midea Electric Appliances Co. Ltd. (SZSE:000527)	Hefei Rongshida Washing Machine Co. Ltd.	9.9	25.0	39.6	Manufactures household electrical appliances
Nov 25	Guangdong Midea Electric Appliances Co. Ltd. (SZSE:000527)	Wuxi Little Swan Co. Ltd. (SZSE:200418)	2.1	27.0	7.6	Engages in the manufacture and sale of household electric appliances and accessories, and fittings and industrial ceramics in China
Nov 12	Cantronic Systems, Inc. (TSXV:CTS)	Guangzhou Aebell Electrical Technology Co., Ltd.	17.9	100.0	17.9	Supplies CCTV cameras, CCTV box cameras, and CCTV water-resistant cameras
Nov 4	Sichuan Changhong Electric Co. Ltd. (SHSE:600839)	Hefei Meiling Co. Ltd. (SZSE:200521)	13.1	7.8	168.5	Operates in the household appliance industry
Oct 28	Shanghai Zijiang Enterprise Group Co., Ltd. (SHSE:600210)	Shanghai Zidan Printing Co., Ltd.	7.7	25.0	30.7	Operates as a packaging and printing company

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

Textile & Apparel

On November 28, 2008, Dongguan Your Moon Textile Co., Ltd. ("Your Moon") announced that it received US\$19.6 million of investments from Capital Today. Your Moon has two factories located in Dongguan City, Guangdong Province. Your Moon plans to apply the proceeds to establish new factories and expand its businesses both domestically and abroad.

Selected Textile & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 28	Capital Today	Dongguan Your Moon Household Textile Co., Ltd.	19.6	NA	NA	Designs, manufactures and distributes household textile products
Nov 11	Shaoxing China Light & Textile City Market Development Management Co., Ltd.	Zhejiang China Light & Textile Industrial City Group Co., Ltd. (SHSE:600790)	50.9	15.6	325.3	Operates broadwoven fabric and weft knit fabric mills

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

Consumer Services

Retailing

Fujian-based supermarket chain Yonghui Group ("Yonghui") announced that it received US\$35.0 million in its Series B financing from HSBC Private Equity on December 18, 2008. Together with its Series A investment of US\$40.0 million in August 2007, HSBC Private Equity owns an aggregate of 24.0% of stake in the chain. Established in 1998, Yonghui is one of the primary Chinese circulation enterprises to introduce fresh produces in supermarkets. It owns 79 chain supermarkets in 9 cities in Fujian Province, and more than 120 across China. Yonghui plans to enter the Beijing market through the opening of five supermarkets in 2009. Yonghui recorded total sales revenue of around US\$1.0 billion in 2008.

Sichuan-based convenience store chain WOWO Convenience Chain Store ("WOWO") received US\$10 million of investment from ARC Capital on November 17, 2008. Founded in 2005, WOWO operates 189 directly-managed 24-hour stores in Chengdu, Sichuan Province as of October 2008. WOWO plans to use the proceeds to extend its

business to provincial capital cities such as Chongqing, Changsha, Wuhan, and Kunming, and to increase the number of its stores to 500 over the next two years. According to press releases, WOWO has been preparing for listing on Nasdaq and has cleared US SEC review.

Another notable investment by ARC Capital in this quarter was the US\$65.8 million equity investment into Orient Home. Orient Home is the largest domestic brand and the second largest retailer in the Chinese home improvement sector. It operates 25 chain stores in 16 first and second tier cities including Beijing, Shenyang and Chengdu. With over 800,000 square meters of retail space and its integrated retail platforms - Home Plaza, Orient Decoration Center and ohome.com, Orient Home is a leading "one-stop" home improvement shopping center operator in the retail market.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 18	HSBC Private Equity	Fujian Yonghui Group Co., Ltd	35.0	NA	NA	Operates a chain of superstores in Fujian Province
Dec 17	Convenience Retail Asia Ltd. (SEHK:8052)	Convenience Retail Southern China Limited	2.2	25.0	8.8	Engages in operation of a convenience store chain in Guangdong Province under the brand name of Circle K
Nov 17	ARC Capital	Sichuan WOWO Convenience Chain Store Management Co., Ltd	10.0	NA	NA	Convenience store chain in Sichuan province
Nov 11	ARC Capital Holdings Limited (AIM:ARCH)	Orient Home Co., Ltd.	65.8	10.8	609.3	Owns and operates retail stores offering home improvement products

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

Restaurant and Food Service

Deal flow in the restaurant and food service sector in the fourth quarter was relatively light compared to the previous quarter. However, the size of such investments was significant.

Xiabu Xiabu Catering Management Co., Ltd. ("Xiabu"), a Beijing-based hot pot chain, announced on November 11 that it has received US\$50.0 million from Actis Capital. Xiabu operated 53 outlets in Beijing at time of the investment. The majority of Xiabu's outlets are located in office blocks and shopping malls that attract crowds of white collar diners looking for fresh and healthy food tailored to Chinese tastes. Xiabu plans to apply proceeds from the Actis investment to triple the number of its outlets over the next three years.

Chinese restaurant chain South Beauty Group has clinched a 300 million yuan investment (approximately US\$43.8 million) in December from the Chinese private equity firm CDH Investments and China International Capital Corp. ("CICC"), a Chinese investment bank. CDH and CICC will respectively invest 200 and 100 million yuan for an aggregate of less than 10 percent stake in Beijing South Beauty Food & Beverage Company. South Beauty's other two premium brands LAN Club and SUBU are excluded from the deal. Established in 2002, South Beauty operates 40 high-class restaurants in major cities across China. The company posted revenue of 650 million yuan in 2007.

On October 10, Chongqing Caigenxiang ("CGX") announced that it has secured a total of US\$56.3 million in investments from China US Bridge Capital over the next three years. Founded in 1998 in Chongqing, Sichuan Province, CGX currently operates approximately 300 franchise restaurants across China, with Sichuan-style food. The proceeds will be used to expand to high-end and magnificent restaurants.

Selected Restaurant and Food Service Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 15	CDH, CICC	South Beauty Catering Management Group	43.8	NA	NA	Owns and operates a network of restaurants in China

Selected Restaurant and Food Service Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 11	Actis Capital	Xiabu Xiabu Catering Management Co., Ltd.	50.0	NA	NA	Owns and operates a chain of hotpot restaurants
Oct 10	China US Bridge Capital	Chongqing Caigenxiang	56.3	30.0	187.7	Sichuan food restaurant chain with 300 restaurants in China

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

Travel & Leisure

Guangzhou-based economy hotel chain 7 Days Inn has completed its third round of funding of US\$65 million. The investment was led by Actis Capital and joined by Warburg Pincus. 7 Days Inn has established a strong nationwide brand among budget hotels. It has been the fastest growing company in China's chain hotel industry for the past three consecutive years, according to a 2008 survey by the Ministry of Commerce and the Hotel Association of China. 7 Days Inn has already attracted more than three million members to its membership programme, the largest of any budget hotel chain in China. 7 Days Inn has altogether raised US\$170.0 million over the past three rounds of financing. The funds from this round will be used to drive expansion of its national hotel network and to optimize capital structure.

HUBS1 received investments from Matrix Partners and GGV Capital in December 2008. The amount of the investment was not disclosed. HUBS1 is a leading next-generation GDS (Global Distribution System) in China that provides the hospitality industry with the leading web-based platform to book travel inventory, especially hotel rooms, as well as efficient management on distribution for travel suppliers. HUBS1 expects to speed up development and bring renewed drive to the domestic hotel distribution and management sector.

Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 4	Matrix Partners, GGV Capital	HUBS1	NA	NA	NA	Provides Global Distribution System (GDS) services to hospitality industry
Nov 11	NA	Shanghai Jin Cang Mandarin Hotel Company Limited	17.6	50.0	35.2	Owns and operates a hotel Shanghai JC Mandarin
Nov 3	Park Hotel Group	Grand Park Xian	NA	100.0	NA	5-star hotel in Xi'an City
Oct 23	Hunan Huatian Great Hotel Co., Ltd. (SZSE:000428)	Changchun Huatian Hotel Management Co. Ltd.	58.5	100.0	58.5	Operates Huatian Hotel in Changchun City
Oct 16	Actis Capital, Warburg Pincus	7 Days Inn	65.0	NA	NA	Operates a chain of hotels for budget corporate and leisure travelers in China
Oct 1	SOKO Fitness & Spa Group, Inc. (OTCBB:SOKF)	Harbin Tai Ai Beauty Co. Ltd.	1.1	100.0	1.1	A LEA Spa in Sofitel Wanda Harbin
Oct 1	SOKO Fitness & Spa Group, Inc. (OTCBB:SOKF)	Shenyang Letian Yoga Fitness Center	NA	51.0	NA	Yoga club in Shenyang City

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

Education

Investments into the education sector were very active, especially given the global economic situation.

Ambow Education ("Ambow") received US\$103 million in its third round of financing from Actis Capital and existing investors Avenue Capital and Macquarie Group. It was the second time that Ambow set record of single round of

private placement in China's education sector. This investment could be comparable to New Oriental Education's IPO in 2006, which raised US\$112.5 million. Ambow is a market leader in personalized education and training services in China's K-12 and vocational training sector. Ambow is founded on a "student-centric" education philosophy with the goal to maximize each student's learning potential. The company has built its school network both by partnering with and operating its own schools to provide education services that complement the national curriculum. In October 2007, Ambow raised US\$54.0 million from Avenue, CID, Cisco and Macquarie Group.

Another sizable investment was Hao Yue Education's US\$50.0 million raise from The Carlyle Group. Hao Yue is one of China's most prominent private higher-education service providers. Founded in 1997, it has grown to have more than 30,000 students with two campuses in Beijing and more than 200 hectares of campus space. Carlyle's investment was funded by the Carlyle Asia Growth Partners Group. It will support Hao Yue's plan to increase student enrollment in the next three years through campus expansion and acquisitions of other private vocational schools. The investment will also support launch of short-term training programs.

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 11	SAIF Partners	Global Education (aka Globa IELTS)	5.0	NA	NA	Provides training services of IELTS examination
Dec 5	Gobi Partners, Ambient Sound Investments	Idapted Ltd.	NA	NA	NA	Provides live on-demand Mandarin and English language training
Nov 27	The Carlyle Group	Hao Yue Education Group	50.0	NA	NA	Provides private higher education services in Beijing
Nov 26	JAFCO Asia, IDG	Tarena Technologies	10.0	NA	NA	IT training provider of high-end vocational training in China
Oct 21	Actis Capital, Macquarie, Avenue Capital	Ambow Education Co. Ltd.	103.0	NA	NA	Provides e-Learning technologies and educational services in China
Oct 14	NA	Digital Knowledge World	NA	NA	NA	Children's educational service provider, partnering with Tsinghua University

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

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