



China Consumer Quarterly Update

2nd Quarter 2010

Quarter in Review

- Capital continues to flow into the China consumer sector. Active deal flow was captured in the 2nd quarter of 2010 with a good balance of IPO, M&A and private placement activities.
- In the 2nd quarter of 2010, China consumer manufacturing companies raised over US\$1.4 billion through 13 IPOs. US\$739 million were raised through 5 IPOs on the Shenzhen Stock Exchange, US\$244 million through 3 IPOs on the Hong Kong Stock Exchange, US\$244 million through 2 IPOs on the Chinext and US\$245 million through 3 IPOs on overseas stock exchanges. IPO listings on the Shenzhen Stock Exchange remain robust.
- IPOs of China consumer services companies raised approximately US\$623 million. All of which were listings on the Shenzhen Stock Exchange

Sector Highlights

- The Carlyle Group paid US\$181 million for a 14% stake in China Fishery Group Ltd.
- A consortium including Warburg Pincus, Fosun Group, CITIC Private Equity and Bohai Industrial invested US\$381 million in Chinese furniture retailer, Red Star Furniture Group
- Moonbasa, a Shanghai-based B2C online retailer of women lingerie, raised US\$20 million from GSR Ventures and China Renaissance Capital
- Beijing Redbaby Yipai Innovation Tech. Development Co., Ltd. has successfully closed its fourth fund raising round and raised US\$100 million from Kleiner, Perkins, Caufield & Byers, New Enterprise Associates and Northern Light Venture Capital
- Happigo Home Shopping Co., Ltd. has closed its series-A fund raising round and raised US\$48 million from Beijing Hony Future Investment, CITIC Private Equity and Sequoia Capital

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Consumer Manufacturing

Selected M&A/Private Placements in Q2 2010

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Food & Beverage						
Jun-29	PIPE	China Fishery Group Limited (SGX: B0Z)	The Carlyle Group	180.8	13.6	Sells fish and other marine catches and produces fishmeal and fish oil
Jun-29	PIPE	Xiwang Sugar Holdings Co. Ltd. (SEHK: 2088)	International Finance Corp.	5.0	2.2	Manufactures, distributes and sells starch sugar and syrup in China
Jun-28	M&A	Shenzhen Meiming Wenshi Trading Ltd.	Bio Dynamic Group Ltd. (SEHK: 39)	8.5	100.0	Operates a liquor distribution network that distributes Diancang Jiugui and Xiaoxiangquan liquor brands across China
Jun-10	M&A	Chongqing Brewery Co., Ltd. (SHSE: 600132)	Carlsberg Brewery Hong Kong Ltd.	349.2	12.3	Brews and sells Mc.EWAN's, Chong Qing and Shancheng branded beer
May-20	Private Placement	Beijing Bainian Liyuan Eco-agriculture Co., Ltd.	Shenzhen Tiantu Venture Capital	4.4	NA	Manufactures and markets organic eggs and chicken to consumers in China
May-14	Private Placement	Xifeng Liquor Group Co., Ltd.	CITIC Mianyang Private Equity Fund, Hai Tong (HK) Financial Holdings	146.4	NA	Baoji-based brewery and wholesaler of liquor
May-12	M&A	Florentina International Holdings Ltd.	Asia Food & Properties Ltd. (SGX: A26)	142.9	100.0	Manufactures snack noodles, instant noodles and frozen products
May-12	Private Placement	Zhejiang Qinglian Food Co. Ltd.	Kunwu Jiuding Capital Co., Ltd.	7.3	NA	Operates a complete supply chain from livestock farming to meat processing
Apr-22	PIPE	China Yurun Food Group (SEHK: 1068)	Consortium	276.9	5.4	Slaughters, processes and sells chilled frozen meat under the Yurun, Furun, Wangrun and Popular Meat Packing brands
Apr-21	PIPE	Asian Citrus Holdings (AIM: ACHL)	Undisclosed	49.9	8.7	Plants, cultivates and sells orange plantations
Apr-19	Private Placement	Sichuan Huiji Food Industry Co. Ltd.	Orchid Asia Group Mgmt. Ltd.	NA	NA	Produces and offers roasted seeds, nuts and dairy products and exports to America, Middle East and Western Europe
Apr-1	Private Placement	Xiangya Group	SAIF Partners	20.0	NA	Manufactures cereals, herbal and other medicated food products
Consumer Appliances & Household Products						
Jun-30	M&A	Jiangxi Guya Lighting Co. Ltd.	Midea Group Co., Ltd.	29.5	100.0	Leading manufacturer and retailer of electrical lights
Jun-18	Private Placement	Red Star Furniture Group Co., Ltd.	Bohai Industrial Invest., CITIC Private Equity Funds, Fosun Group, Warburg Pincus LLC	380.7	NA	Owens and operates retail outlets that sells children and traditional Chinese furniture
May-6	PIPE	Shell Electric Manufacturing (SEHK: 81)	Undisclosed	26.4	5.6	Manufactures and markets electric fans and other electrical household appliances
Textile & Apparel						
May-10	M&A	Zhongguo Pengjie Fabrics Ltd.	Individuals	21.8	37.0	Manufactures and sells pure cotton yarns, blended combed yarns and other fabrics
Leisure Equipment & Products						
Jun-28	Private Placement	Parel (Guangzhou) Cosmetics Ltd.	AID Partners Capital Ltd.	36.8	NA	Manufactures cosmetic products for Pierre Cardin and owns exclusive distribution rights to the Dr. Series from Japan and Wonder Girls from Korea
Apr-23	PIPE	China Zaino International Ltd (SGX: FP1)	Undisclosed	8.7	4.8	Designs and manufactures luggage and backpacks under the DAPAI brand
Apr-13	Private Placement	Aesthetic International Holdings Group Ltd.	Green Pine Capital Partners Co., Ltd.	8.8	NA	Develops, sells and franchises beauty and skincare products and related services
Apr-12	PIPE	Shenzhen Fiyta Holdings Ltd. (SZSE: 200026)	CATIC Shenzhen Holdings Ltd. (SEHK: 161)	73.2	9.8	Designs, manufactures and sells timepieces under the HARMONY and FIYTA brands

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

The Carlyle Group is among one of the recent investors entering into China's agricultural industries and paid US\$181 million for a 14% stake in China Fishery Group Ltd. China Fishery plans to use the new capital to pursue potential strategic investments and enhance its operational efficiency. Majority of China's Fishery sales is in China with the balance attributable to West Africa, Northeast Asia and Europe.

A consortium including Warburg Pincus, Fosun Group, CITIC Private Equity and Bohai Industrial invested US\$381 million in Chinese furniture retailer, Red Star Furniture Group. Red Star currently operates 66 retail outlets across China and focuses on selling children's and traditional Chinese furniture. The company expects to expand to 200 retail outlets by 2020.

Selected Capital Markets Transactions in Q2 2010

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market % ⁽¹⁾	Price as of Jun 30	Market Cap as of Jun 30 (US\$ MM)	Company Description
Jun-25	IPO	Chinext	Zhanjiang Guolian Aquatic Products Co. Ltd.	Food & Beverage	168.9	2.11	-0.6	NA	NA	Breeds, processes and sells prawns and fish food products
Jun-25	Follow-on	Nasdaq	Synutra International Inc.	Food & Beverage	62.7	19.00	-4.2	16.29	933.4	Produces, packages and sells dairy-based nutritional products under the Super, U-Smart, Mingshan and Synutra brands
Jun-18	IPO	Hong Kong	Costin New Materials	Textile & Apparel	73.3	0.31	-0.8	0.27	216.0	Produces and sells non-woven fabric and chemical fibers for apparels, footwear and luggage products
Jun-17	IPO	AMEX	China Intelligent Lighting & Electronics Inc.	Consumer Appliances & Household Products	10.1	3.00	-1.7	2.87	37.9	Provides residential, commercial, outdoor and LED lighting products
Jun-15	Follow-on	Hong Kong	China Lilang Ltd.	Textile & Apparel	87.3	1.09	4.5	1.13	1,356.0	Designs, manufactures and sells business and casual menswear in China
Jun-10	IPO	Chinext	Great Wall Group Co. Ltd. Guangdong	Consumer Appliances & Household Products	75.0	3.00	12.6	2.90	290.0	Develops and manufactures various porcelain and ceramic products
Jun-10	IPO	Hong Kong	International Taifeng Holdings Ltd.	Textile & Apparel	73.9	0.26	-18.9	0.16	160.0	Manufactures and distributes cotton yarns and bedding products
Jun-10	IPO	NYSE	China New Borun Corp.	Food & Beverage	40.1	7.00	0.0	5.85	150.3	Produces and distributes corn-based edible alcohol used in the production of baijiu, a grain-based alcoholic beverage
May-28	IPO	Shenzhen	Shenzhen MTC Co. Ltd.	Consumer Appliances & Household Products	246.0	4.39	10.0	3.36	1,587.6	Manufactures LCD TV, mobile TV, portable frames, DVD systems and home theatres
May-25	IPO	Shenzhen	Kaiser (China) Holding Co. Ltd.	Textile & Apparel	87.0	3.22	13.2	3.40	363.8	Designs, manufactures and sells leather garments, shoes and accessories
Apr-28	IPO	Hong Kong	Sijia Group	Textile & Apparel	96.7	0.42	12.2	0.36	298.4	Develops and manufactures polymer processed high strength polyester composite fabric for use in protective garment and inflatable boats and tents
Apr-24	IPO	Shenzhen	ZheJiang Jiaxin Silk Corp. Ltd.	Textile & Apparel	107.9	3.22	-1.9	2.62	349.8	Manufactures, prints and dyes silk fabric and garment
Apr-19	Follow-on	AMEX	NIVS IntellIMedia Technology Group Inc.	Consumer Appliances & Household Products	24.0	3.29	0.0	2.34	112.3	Designs, manufactures and sells home audio and video products
Apr-16	IPO	Shenzhen	Hunan Mendale Hometextile Co. Ltd.	Textile & Apparel	119.5	7.47	18.0	5.25	496.1	Manufactures bedding collections and mats
Apr-13	IPO	Shenzhen	Jiangsu Lianfa Textile Co. Ltd.	Textile & Apparel	178.1	6.59	37.8	5.63	607.4	Spins, dyes, weaves and prints yarn and manufactures garments
Apr-7	IPO	Singapore	China Minzhong Food Corp. Ltd.	Food & Beverage	194.9	0.86	-6.7	0.85	457.2	Produces and sells over 100 types of processed vegetables

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

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Secondary offering activities remain slow and raised a total of US\$174 million.

Consumer Services

Selected M&A/Private Placements in Q2 2010

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Retailing						
Jun-29	Private Placement	Moonbasa	GSR Ventures Mgmt. Co. Ltd., China Renaissance Capital Investment	20.0	NA	Shanghai-based B2C online and catalogue retailer of women lingerie products
Jun-24	Private Placement	VIPstore.com	Shenzhen Green Pine Capital Partners, Chinese Founder Fund	NA	NA	Community-based website focusing on discount sales of luxury goods in China
Jun-23	Private Placement	Shanghai Moushi Trading Co. Ltd.	Doll Capital Management, Mandra Capital Ltd., Shanghai Venture Capital Co. Ltd., Zero2IPO Group	10.0	NA	Operates member-based direct sales website Yesmywine.com and Yesmytea.com
Jun-7	Private Placement	Chengdu Hongqi Chain Store Co., Ltd.	Kunwu Jiuding Capital Co. Ltd.	21.9	NA	Chengdu-based owner and operator of supermarket chain stores
Jun-7	M&A	Ouku.com	LightInTheBox Ltd.	10.0	100.0	Online B2C retailer of electronic educational products and other consumer electronics
Jun-5	Private Placement	Lashou.com	GSR Ventures, Tajshan Angel Fund	5.0	NA	Community-based group purchase website
Jun-4	M&A	Tuanlele.com	Lashou.com	-	NA	Xi'an-based group buy website focused on coordinating group purchases in the Xi'an area
May-25	Private Placement	5151tuan.com	Undisclosed	29.3	NA	Operates group discount website
May-5	Private Placement	China T-Star Group Ltd.	Orchid Asia Group Management Ltd.	-	NA	Manufactures and sells sportswear products under the T-Star brand mainly in second and third tier cities in China
Apr-30	M&A	Beijing Yipai Innovation Technology Development Co., Ltd.	Funtalk China Holdings Ltd. (Nasdaq:FTLK)	15.4	100.0	Retails mobile phones and provides after sales services
Apr-28	Private Placement	Beijing Redbaby Information Technology Co., Ltd.	Kleiner, Perkins, Caufield & Byers, New Enterprise Associates, Northern Light Venture Capital	100.0	NA	Online B2C retailer of baby care products
Apr-27	Private Placement	Grand Ocean Department Store Group Co., Ltd.	First SteamShip Co., Ltd. (TSEC:2601)	29.3	NA	Nanjing-based owner and operator of department stores
Apr-21	M&A	Goodcar.cn	China Auto Logistic Inc. (Nasdaq:CALI)	6.0	100.0	Operates an automotive portal and markets related products and services
Apr-19	Private Placement	BLOVES Inc.	Tiantu Capital Co., Ltd.	4.4	NA	Online B2C retailer of diamond wedding ring and other jewelries
Apr-6	M&A	Hubei Eastern Gold Jade Co., Ltd. (SHSE:600086)	CITIC Trust & Investment Co. Ltd.	20.6	5.1	Distributes jade, emerald and gold jewelries in China
Apr-1	Private Placement	Happigo Home Shopping Co., Ltd.	Beijing Hony Future Investment, CITIC Private Equity Funds, Sequoia Capital China	48.3	NA	Provides home shopping service through television, Internet and magazines
Restaurant and Food Service						
Apr-30	M&A	San Pin Wang	Jollibee Worldwide Pte Ltd.	4.4	55.0	Operates a low-priced beef noodle restaurant chain with 34 stores across southern China
Travel & Leisure						
Jun-2	M&A	Et-china.com Int'l Holdings. Ltd. (AIM:ETC)	Kuoni Reisen Holding AG (SWX:KUNN)	63.9	66.8	Offers flight and train ticketing, hotel reservation, packaged tours and conference organization services to corporate and retail clients
May-4	M&A	Tianjin Hongxun Aviation Agency Co., Ltd.	Universal Travel Group (NYSE:UTA)	5.9	100.0	Provides flight, hotel, train and car booking services
May-4	M&A	Kunming Business Travel Agency Co., Ltd.	Universal Travel Group (NYSE:UTA)	5.7	100.0	Provides golf-related travel, reservation, event planning and competition services
May-4	M&A	Shandong Century Aviation Development Co., Ltd.	Universal Travel Group (NYSE:UTA)	5.6	100.0	Provides flight, hotel, train, group tour and business cargo services
May-4	M&A	Shanxi Jinyang Travel Agency Co., Ltd.	Universal Travel Group (NYSE:UTA)	2.3	100.0	Provides flight and hotel booking services
Apr-30	Private Placement	Letao, Inc.	DT Capital Partners, The Tiger Fund	10.0	NA	Fengtai-based seller of toys such as remote control vehicles, pop corn machine and Kung Fu Panda dolls
Apr-30	M&A	Sinohotel Travel Network	eLong Inc. (Nasdaq:LONG)	-	100.0	Operates a multilingual website that allows foreign travelers to book China domestic flights, car rental and local tours
Apr-29	PIPE	SOKO Fitness & Spa Group (OTCBB:SOKF)	IDG Capital, Guerrilla Capital	10.0	18.3	Operates centers that offer professional fitness, yoga, beauty salon, and spa services
Apr-27	M&A	Sozhen.com	Ctrip.com International Ltd. (Nasdaq:CTRP)	-	100.0	Operates as an online travel agency focusing on providing travel services to historic locations in China
Marketing						
NA						
Education						
May-3	PIPE	ChinaCast Education (Nasdaq:CAST)	Individual	29.3	0.8	Provides post-secondary education and e-learning services
Apr-27	M&A	The Nanyang Zhixing Kindergarten	Xiaoxiao Education Ltd. (ASX:XXL)	-	100.0	Beijing-based provider of pre-school education services

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Moonbasa, a Shanghai-based B2C online retailer of women lingerie, raised US\$20 million from GSR Ventures and China Renaissance Capital. This transaction represents the company's second private equity fund raising round. Moonbasa has achieved daily sales of over US\$200K by March this year and has been adding approximately 200K new customers each month.

Beijing Redbaby Yipai Innovation Tech. Development Co., Ltd. has successfully closed its fourth fund raising round and raised US\$100 million from Kleiner, Perkins, Caufield & Byers, New Enterprise Associates and Northern Light Venture Capital.

Happigo Home Shopping Co., Ltd. has closed its series-A fund raising round and raised US\$48 million from Beijing Hony Future Investment, CITIC Private Equity and Sequoia Capital. To date, Happigo has marketed over 6,000 products on its home shopping platform and boasts over 3 million members. The company expects to use the new proceeds to expand market coverage.

Selected Capital Markets Transactions in Q2 2010

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market % ⁽¹⁾	Price as of Jun 30	Market Cap as of Jun 30 (US\$ MM)	Company Description
May-18	IPO	Shenzhen	Rainbow Department Store Co. Ltd.	Retailing	293.6	5.86	-7.4	5.01	2,004.5	Operates department stores that offers food products and daily necessities
May-14	IPO	Shenzhen	Shenzhen Aisidi Co. Ltd.	Retailing	329.5	6.59	-2.4	5.77	2,846.3	Distributes mobile phones and other consumer electronics
May-5	Follow-on	Hong Kong	Little Sheep Group Ltd.	Restaurants	24.2	0.54	-0.7	0.60	620.3	Operates and franchises full-service hot pot restaurant chain under the Little Sheep brand
Apr-22	Follow-on	Nasdaq	China Jo-Jo Drugstores Inc.	Retailing	17.5	5.00	-4.4	4.20	56.7	Owens and operates retail pharmacy chain that sells prescription, over-the-counter and traditional Chinese medicine

⁽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, PRNewswire and ECM Analytics.

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Secondary offering activities include Little Sheep Group's US\$24 million on the Hong Kong Stock Exchange and China Jo-Jo Drugstores Inc.'s US\$18 million on Nasdaq.

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