

China Consumer M&A Quarterly

2nd Quarter 2009

Quarter in Review

- China had robust 7.9% GDP growth in the second quarter. Data from the National Bureau of Statistics suggests that expansion in domestic consumption will make up for the slow down in exports
- Domestic consumption plays have gained traction in the second quarter. A number of private placement activities took place in the food & beverage, textile & apparel and education sub-sectors
- Private placement activities in the capital market are expected to pick up as the capital market has re-opened. A number of recent Chinese company IPOs were well received by institutional and retail investors

Deal Highlights

- Shandong's beer market consolidation continues as Tsingtao Brewery Co. acquired 100.0% of Ji'nan Beer Group General Co. for US\$36.6 million
- Daphne International Holdings Ltd. raised US\$80.1 million from TPG Capital
- Fujian Peak Group closed a US\$58.3 million private placement with China Construction Bank International, Legend Capital and Sequoia Capital
- Suning Appliance raised US\$408.8 million through a private placement to brokerages, insurers, qualified foreign investors and other institutions
- GOME Electrical Appliances Holding Ltd. raised US\$233.0 million from Bain Capital
- Yum! Restaurants (China), acquired 7.0% of KFC Shanghai from Shanghai Jinjiang International Hotels Development for US\$11.7 million. This transaction will increase Yum!'s stake from 49% to 58% controlling stake
- Noah Education Holdings Ltd. acquired 100.0% of Little New Star Education Group for US\$113.0 million
- Pearson plc acquired 100.0% of Wall Street English for US\$145.0 million

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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 second 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 Consumer Appliances & Household Products, Leisure Equipment & Products and Marketing sectors during the second quarter of 2009.

Consumer Manufacturing

Food & Beverage

Yayi International Inc., a Tianjin-based processor and manufacturer of goat milk products, issued series A preferred shares and raised US\$15.0 million from SAIF Partners. The proceeds will be used to expand production capacity and to boost sales and marketing initiatives for market expansion across China.

Shandong's beer market consolidation continues as Tsingtao Brewery Co. acquired 100.0% of Ji'n'an Beer Group General Co. for US\$36.6 million. The regional beer brewery will add an annual output of 300,000 kiloliters and 30% to 40% of Jinan's market share to Tsingtao. Shandong province leads China in beer consumption and has been a focal point of beer brewers. Earlier in March, China Resources Snow Breweries acquired Shandong Amber Beer Group for US\$41.7 million.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 26, 2009	Citic Private Equity Funds Management, Mianyang Tech. City Industrial Investment	Kuajishan Shaoxing Wine Co., Ltd. (Previously known as Dongfeng Shaoxing Wine Co. Ltd.)	26.3	NA	NA	Keqiao-based owner and operator of vineyards and distillers
Jun 18, 2009	SAIF Partners	Yayi International Inc. (OTCBB: YYIN)	15.0	NA	NA	Processes, manufactures and distributes goat milk formula powder, tablets and related drinks
Jun 5, 2009	Tsingtao Brewery Co., Ltd. (SEHK: 168)	Ji'n'an Beer Group General Co.	36.6	100.0	36.6	Shandong-based regional beer brewery
May 15, 2009	International Beverage Holdings Ltd.	Yunnan Yulinquan Liquor Co., Ltd.	10.1	100.0	10.1	Yuxi-based operator of a white spirit distillery

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 11, 2009	Oceanus Group Ltd. (Catalist: 579)	Long Ze Aquaculture Co., Ltd.	6.9	NA	NA	Farms and processes abalone and fish
May 7, 2009	Individual	Tsingtao Brewery Co., Ltd. (SEHK: 168)	235.5	7.0	3,364.6	Produces and distributes beer product
May 6, 2009	Cranshire Capital, Downsvie Capital, Hudson Bay Capital, Iroquois Capital	AgFeed Industries, Inc. (Nasdaq: FEED)	10.0	5.7	165.7	Develops, manufactures and sells fodder and feed for the domestic husbandry market in China
May 1, 2009	Wilmar International Ltd. (SGX: F34)	Water Enterprises Ltd.	25.5	25.0	102.0	Manufactures and sells bottled mineral water
Apr 8, 2009	Individual	Golden Hans Restaurant Chain	34.2	20.0	171.0	Operates a chain of buffet restaurants that serve western-styled barbecued food and self-brewed beer
Apr 8, 2009	China Angel Food Ltd. (SGX: CL8)	Hunan Yiqi (Tech) Agri Products Co., Ltd.	2.1	70.0	3.0	Processes and trades agricultural products and related by-products
Apr 8, 2009	Quest Marine Resource Ltd.	Dalian JiXiang Food Co., Ltd.	6.4	100.0	6.4	Provides processing services for seafood such as: anchovy, octopus, scallop and shrimp

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

Textile & Apparel

Daphne International Holdings Ltd., a manufacturer and distributor of Daphne and other license branded apparels, raised US\$80.1 million through a private placement of convertible bonds and warrants to TPG Growth ("TPG"). Upon the conversion of the convertible bonds and warrants, TPG Growth will own approximately a 14.5% stake. The proceeds will be used to expand Daphne's retail network.

Fujian Peak Group, a sportswear producer of track suits and related sporting accessories, closed a US\$58.3 million private placement with China Construction Bank International, Legend Capital and Sequoia Capital. The proceeds will be used for product research and development and marketing initiatives. Fujian Peak currently operates over 5,100 retail outlets across China and employs approximately 3,000 staff.

Selected Textile & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 5, 2009	Atlantis Investment Management Ltd.	Hua Lien International Holding Co. Ltd. (SEHK: 969)	7.6	8.2	92.7	Manufactures, markets and sells leather in US and China
May 24, 2009	TPG Growth	Daphne International Holdings Ltd. (SEHK: 210)	80.1	NA	NA	Manufactures, distributes and sells footwear, apparel and accessories under the Daphne and licensed brand names
May 15, 2009	Bosideng International Holdings Ltd. (SEHK: 3998)	Jiangsu Kangbo Apparel Co., Ltd.	94.8	100.0	94.8	Designs, produces and sells men apparel and accessories

Selected Textile & Apparel Transactions

Apr 29, 2009	Individual	China Zaino International Ltd. (SGX: FP1)	33.0	28.8	114.6	Designs, manufactures and sells backpacks and luggage under the DAPAI brand name
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Apr 27, 2009	Fountain Set Holdings Ltd. (SEHK: 420)	Dongguan Fuan Textiles Limited	10.0	39.0	25.6	Produces textiles related products
Apr 23, 2009	CCB Int'l, Legend Capital, Sequoia Capital	Fujian Peak Group Co., Ltd.	58.3	24.0	242.9	Produces sportswear such as track suits, ski jackets and basketball shoes

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

Consumer Services

Retailing

Suning Appliance raised US\$408.8 million through a private placement to brokerages, insurers, qualified foreign investors and other institutions. The proceeds will be used to build and expand its logistics centers in Beijing, Tianjin, Chongqing and Chengdu. As of April 2008, Suning operates more than 700 flagship, central and community retail outlets.

GOME Electrical Appliances Holding Ltd. raised US\$233.0 million through its private placement of 7-year convertible bonds from Bain Capital. Upon conversion, Bain will effectively own 12.0% of GOME. The new funding would provide the operator of 800 retail outlets with sufficient capital to repay its US\$686.1 million convertible bond that will mature next year.

China Resources Enterprise's retail subsidiary, China Resources Vanguard, acquired 100.0% of Wuxi-based Yong'an Supermarket for an undisclosed amount. This deal will add 25 retail outlets in Wuxi to China Resources Enterprise's current network of 2,698 outlets across China. To date, China Resource Vanguard has invested US\$1.5 billion into the Wuxi market.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 22, 2009	Consortium	Suning Appliance Co. Ltd. (SZSE: 002024)	408.8	NA	NA	Retails consumer appliances, computers and communication products
Jun 7, 2009	Bain Capital LLC	GOME Electrical Appliances Holding Ltd. (SEHK: 493)	233.0	NA	NA	Retails electrical appliances and consumer electronic devices
Apr 30, 2009	China Resources Vanguard Co., Ltd.	Yong'an Supermarket	NA	100.0	NA	Wuxi-based supermarket chain operator

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

Restaurant and Food Service

Yum! Restaurants (China), acquired 7.0% of KFC Shanghai from Shanghai Jinjiang International Hotels Development for US\$11.7 million. This transaction will increase Yum!'s stake from 49% to a 58% controlling stake.

Selected Restaurant and Food Service Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 25, 2009	Little Sheep Group Ltd. (SEHK: 968)	8 Franchisee Restaurants	8.6	100.0	8.6	Operates franchisee restaurants of Little Sheep, a Mongolian hotpot restaurant chain
Apr 28, 2009	Yum! Restaurants (China) Invest. Co., Ltd.	Shanghai Kentucky Fried Chicken Co., Ltd.	11.7	7.0	167.1	Owns and operates KFC restaurant chain in Shanghai

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

Travel & Leisure

Swiss-based Kuoni Group, a leader in Europe's hospitality services, acquired 31.8% of ET-China.com International for US\$8.8 million to become the largest single shareholder. The news sent ET-China.com shares up 32.4% on the next day of trading. Et-China operates one of the largest travel call centers in southern China and has over 1.5 million clients using its online platform.

Selected Travel & Leisure Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 22, 2009	Fame Harvest (Hong Kong) Limited	China Travel International Ltd.	26.3	100.0	26.3	Provides inbound and outbound China travel packages and visa services
Jun 3, 2009	Kuoni Reisen Holding AG (SWX:KUNN)	Et-china.com Int'l Hold. Ltd. (AIM:ETC)	8.8	31.8	27.7	Guangzhou-based provider of airline and train ticketing, hotel reservations and related travel products and services in China
May 7, 2009	Ctrip.com International Ltd., Asset Management Arm	Home Inns & Hotels Management Inc. (Nasdaq:HMIN)	50.0	9.5	526.3	Develops, leases, operates and franchises economy hotel chains under the Home Inn brand name

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

Education

Noah Education Holdings Ltd. acquired 100.0% of Little New Star Education Group for US\$113.0 million. Little New Star is a Changsha-based provider of English training for children from 3 to 19 years old. The transaction will contribute approximately US\$2.0 million net profit to Noah in 2010.

Pearson plc acquired 100.0% of Wall Street English for US\$145.0 million. With this transaction, Pearson's annual education related sales in China will exceed US\$100.0 million and is expected to be adjusted earnings accretive in 2010. Wall Street has approximately 35,000 students and operates 39 company-owned training centers across seven Chinese cities.

Selected Education Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 25, 2009	ID TechVentures	HiTeam Software Engineering Academy	5.0	NA	NA	Provides IT related higher education, on-job training and pre-job education
May 22, 2009	Noah Education Holdings Ltd. (NYSE:NED)	Little New Star Education Group	113.0	100.0	113.0	Provides English language training through its directly owned schools and sells English teaching material through franchised learning centers
May 5, 2009	iD TechVentures, DT Capital, CID Group	Everlearn Group	1.2	NA	NA	Shanghai-based educational training programs catered for 3 to 6 years olds children
Apr 15, 2009	Pearson plc (LSE:PSON)	Wall Street English	145.0	100.0	145.0	Provides English language training services for adults and business professionals in China

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

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