



China Consumer Quarterly Update

4th Quarter 2009

Quarter in Review

The pace of capital market transactions in both consumer manufacturing and consumer services sectors experienced exponential increases in both deal volume and value during the fourth quarter of 2009. The Hong Kong Stock Exchanges remains to be the most active market for consumer companies.

Comparatively, the M&A and private placement markets reported lighter activities in the last quarter of 2009. Food and beverages companies dominated transactions in the consumer manufacturing sector, while education companies outshined their peers and became the hottest target especially for private placement financings.

Sector Highlights

- Goldman Sachs Group divested half of its stake (4.5%) in Henan Shineway Group Co. Ltd. to CDH China Holdings Management Co. Ltd. for US\$150.0 million
- Li & Fung Ltd.'s US subsidiary acquired 100.0% of Wear Me Apparel Corp. for US\$401.8 million
- Shenguan Holdings (Group) Co., the leading manufacturer of edible collagen sausage casings in China, raised US\$184.0 million through its IPO on HKEX
- South Korea's second-largest retailer, Lotte Shopping Holdings, has emerged as the victor for the bid for Times Ltd., a leading operator of hypermarkets and supermarkets in China
- 7 Days Group, which owns, operates and franchises budget hotels in China, raised US\$127.8 million through an IPO on NYSE
- China consumer manufacturing companies raised over US\$1.6 billion through IPOs and US\$1.3 billion through follow-on transactions, while China consumer services companies raised a total of over US\$1.3 billion through 6 IPOs

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Consumer Manufacturing

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Food & Beverage						
Dec 31	Private Placement	Sky-Scenery Food	Shenzhen Fortune VC, SAIF Partners, Green Pine Capital and NewMargins Ventures	NA	NA	Processes and distributes corn-based agricultural products and beverages
Dec 23	M&A	Maverick Food Co., Ltd.	COFCO Ltd.	27.8	100.0	A JV between Smithfield Foods and Artal Holland, which provides processed and frozen meat under the "Maverick" brand in China
Dec 23	M&A	Hanyuan Sanjiu Lihong Food Co., Ltd.	Ng Fung Hong Ltd.	6.8	44.0	Produces and exports oil products and seasonings for US, Japan and Canada
Dec 15	M&A	Dong Ma Oils & Fats Co.	Kwantas Corp. Bhd (KLSE:KWANTAS)	13.0	49.0	Refines, produces and trades palm oil, soy bean oil and other vegetable oil
Dec 15	M&A	Jilin Changrong Seed Co., Ltd.	Origin Agritech Ltd. (Nasdaq:SEED)	3.5	10.0	Leading hybrid crop seed producer in Northern China
Dec 10	M&A	ASC Fine Wines (Shanghai) Co. Ltd.	Suntory Liquor Ltd.	51.2	70.0	Shanghai-based importer and distributor of foreign wine
Nov 3	Private Placement	American Lorain (AMEX:ALN)	Consortium	12.0	16.6	Develops, manufactures and sells various chestnut products, ready-to-eat meals and frozen, canned and bulk food
Oct 30	M&A	Henan Shineway Group Co., Ltd.	CDH China	150.0	4.5	Luohe-based leading sausage and packaged meat processor
Oct 23	Private Placement	Huasen Health Int'l Group Corp. Ltd.	Milestone China Management	19.0	NA	Shenzhen-based producer and marketer of health food and drinks
Oct 22	Private Placement	Merit Times International Ltd.	Consortium	17.0	NA	Produces and sells fruit juice concentrate under the "Laiyang Pear" brand name
Oct 21	Reverse Takeover	2020 ChinaCap Acquire Inc.	Xulong International Co., Ltd. Ltd. (nka Exceed Co., Ltd. (Nasdaq:EDS))	NA	NA	Designs, develops and wholesales sport and leisure footwear, garments and apparels under the "Xidelong" brand
Oct 8	Private Placement	China Nutrifruit Group Ltd. (AMEX:CNLG)	Consortium	13.3	1.1	Produces and distributes specialty fruits including golden berries, crab apples, blueberries and raspberries
Consumer Appliances & Household Products						
NA						
Textile & Apparel						
Dec 21	Private Placement	Zhuhai Wiseman Fashion Stock Co., Ltd.	Kunwu Jiuding Capital Co., Ltd.	7.4	NA	Designs, produces and retails women garments and fashion accessories
Dec 1	Private Placement	VLOV, Inc.	Longboard Capital, Sandor Advisors	1.9	3.9	Designs and distributes casual apparels under the "VLOV" brand name
Nov 17	Private Placement	VLOV, Inc. (OTCBB:VLOV)	Consortium	8.0	14.9	Designs and distributes casual apparels under the "VLOV" brand name
Oct 19	M&A	Wear Me Apparel Corp.	Li & Fung Ltd.	401.8	100.0	New York-based designer, manufacturer and marketer of children's and infant's apparels
Leisure Equipment & Products						
NA						

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

Goldman Sachs Group divested half of its stake (4.5%) in Henan Shineway Group Co. Ltd. to CDH China Holdings Management Co. Ltd. for US\$150.0 million. Industry analysts indicate that this transaction would help Goldman Sachs reap approximately 4 to 5 times return. Goldman Sachs and CDH China were reported to have jointly invested approximately US\$250.0 million in Shineway's 2006 leverage buyout.

Li & Fung Ltd.'s US subsidiary acquired 100.0% of Wear Me Apparel Corp. for US\$401.8 million. The transaction structure is in the form of US\$101.8 million cash upfront and US\$300.0 million contingent upon achieving certain performance milestones. The New York-based Wear Me Apparel operates under "Kids Headquarters" and manages a portfolio of licensed national brands such as Calvin Klein, Ecko, Timberland, etc. This deal represents Li & Fung's 6th US-acquisition and will further bolster Li & Fung's presence in the US young men segment.

Selected Capital Markets Transactions in Q4 2009

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market ⁽¹⁾	Price as of Dec 31	Market Cap as of Dec 31 (US\$ MM)	Company Description
Dec 24	Follow-on	Taiwan	Oceanus Group Ltd.	Food & Beverage	\$58.7	\$0.29	-	-	-	Breeds, produces and sells abalones and various seafood
Dec 23	IPO	Hong Kong	Hontex International Holdings Co. Ltd.	Textile & Apparel	138.6	0.28	-	0.25	500.0	Manufactures and sells multi-functional fabrics in China, primarily used for golf outfit and undergarment
Dec 22	IPO	Shenzhen	Shandong Delisi Food Co. Ltd.	Food & Beverage	121.6	1.93	-	-	-	Produces and distributes fresh chilled and quick-frozen convenience meat products
Dec 22	IPO	Shenzhen	Guangxi Royal Dairy Co., Ltd.	Food & Beverage	79.5	2.94	-	-	-	Produces and distributes dairy product in China
Dec 17	IPO	Shenzhen	Shenzhen Fuanna Bedding and Furnishing Co., Ltd.	Textile & Apparel	114.2	4.39	-	-	-	Manufactures and sells printed and embroidery bedding products
Dec 17	IPO	Hong Kong	China Corn Oil Ltd.	Food & Beverage	93.2	0.46	-	0.79	415.8	Manufactures and distributes edible corn oil, sunflower seed oil and olive oil
Dec 16	Follow-on	Hong Kong	Belle International Holdings Ltd.	Textile & Apparel	300.5	1.19	-7.6	1.16	9,783.7	Manufactures, sells and distributes various branded footwear

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Dec 14	IPO	Hong Kong	Perception Digital Holdings Ltd.	Consumer Appliances & Household Products	16.0	0.09	-	0.10	62.3	Provides firmware and turnkey solutions for digital signal-based consumer electronics
Dec 11	IPO	Toronto Venture	Zungui Haixi Corp.	Textile & Apparel	37.8	3.08	-	3.37	48.2	Manufactures and sells sportswear and casual footwear in China
Dec 10	Follow-on	Nasdaq	Deer Consumer Products Inc.	Consumer Appliances & Household Products	75.9	11.00	-30.6	11.31	358.5	Designs, manufactures and sells home and kitchen appliances
Dec 8	Follow-on	Hong Kong	Tingyi Cayman Islands Holding Corp.	Food & Beverage	529.7	1.39	-	2.46	13,743.5	Manufactures and sells instant noodles, beverages and bakery products
Dec 7	Follow-on	Hong Kong	Kam Hing International Holdings Ltd.	Textile & Apparel	15.9	0.26	-19.7	0.27	216.9	Manufactures and sells knitted fabrics, dyed yarn and sewing threads
Dec 4	IPO	Shenzhen	Henan Huaying Agricultural Development Co., Ltd.	Food & Beverage	92.0	2.49	-	3.90	573.3	Breeds, slaughters and processes duck related products
Nov 27	Follow-on	Shenzhen	Zhejiang Baoxiniao Garment Co. Ltd.	Textile & Apparel	117.2	2.92	-9.7	3.30	956.0	Manufactures and sells garments under the "Baoxiniao" brand
Nov 18	IPO	Hong Kong	China Tontine Wines Group Ltd.	Food & Beverage	76.8	0.16	-	0.22	374.4	Produces and sells grape wine under the "Tongtian" and "Tongtian Hong" labels
Nov 17	IPO	Shenzhen	Guangdong Haid Group Co., Ltd.	Food & Beverage	229.7	4.10	-	5.50	1,232.0	Researches, produces and distributes feed for aquatic animals
Oct 30	IPO	Malaysia	XiDeLang Holdings Ltd.	Textile & Apparel	16.9	0.17	-	0.15	60.0	Fujian-based producer and seller of sportswear, apparels and accessories
Oct 28	Follow-on	NYSE	SkyPeople Fruit Juice Inc.	Food & Beverage	9.3	3.00	-42.9	15.61	74.2	Produces and sells concentrated fruit juice and freeze-dried vegetables and fruits
Oct 26	IPO	Shenzhen	Jiangsu Yanghe Brewery Joint-stock Co., Ltd.	Food & Beverage	395.9	8.80	-	16.69	7,510.5	Brews, distills and distributes liquor under the "Yanghe Blue Classic", "Yanghe Daqu" and "Dunhuang Guniang" brands
Oct 23	Follow-on	Hong Kong	ANTA Sports Products Ltd.	Textile & Apparel	103.2	1.29	-6.7	1.48	3,688.3	Designs, manufactures and markets sports footwear, apparels and accessories
Oct 12	Follow-on	Hong Kong	China Water Property Group Ltd. (Previously known as China Botanic Development Holdings Ltd.)	Food & Beverage	26.6	0.01	-83.6	0.02	169.6	Produces and sells snack foods, convenience frozen food
Oct 9	IPO	Shenzhen	Shenzhen Comix Stationery Co. Ltd.	Consumer Appliances & Household Products	91.4	2.93	-	5.15	641.6	Manufactures and distributes stationery products and accessories
Oct 9	Follow-on	Nasdaq	Zhongpin Inc.	Food & Beverage	61.0	13.25	-9.3	15.61	538.5	Specializes in the processing of pork, pork products, vegetables and fruits
Oct 7	IPO	Hong Kong	Shenguan Holdings (Group) Co.	Food & Beverage	184.0	0.40	-	0.91	1,510.6	Produces and sells edible collagen sausage casings for sausage manufacturers in China
Oct 6	IPO	Hong Kong	Eternite International Co. Ltd.	Leisure Equipment & Products	5.2	0.03	-	0.05	24.0	Designs and sells gemstone and precious metal jewelries

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing
Source: Company announcements, Dealogic, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

In the 4th quarter of 2009, China consumer manufacturing companies raised over US\$1.6 billion through 15 IPOs. Over US\$1.1 billion were raised through 7 IPOs in the Shenzhen Stock Exchange, US\$513.8 million through 6 IPOs in the Hong Kong Stock Exchange and US\$54.7 million through 2 IPOs in overseas stock exchanges. Food & beverage companies dominated the primary issuance, representing 5 of the 7 Shenzhen IPOs and 3 of the 6 Hong Kong IPOs.

The buoyant IPO activities in Shenzhen is the result of the newly-established Shenzhen ChiNext in late October 2009. All listings surged on the first day, with returns ranging from 120.0% to 226.0% compared to their respective IPO prices.

Shenguan Holdings (Group) Co., the leading manufacturer of edible collagen sausage casings in China, raised US\$184.0 million through its Hong Kong IPO. The shares were priced at approximately 15.5 times Shenguan's 2009 forecasted net income. For the first 6 months in 2009, Shenguan achieved US\$46.6 million of sales and approximately US\$21.8 million in net profit.

China consumer manufacturing companies were also active in the follow-on market, raising a total of US\$1.3 billion. The Hong Kong Stock Exchange led the pack with 5 follow-on transactions and raised a total of US\$975.9 million.

Consumer Services

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Retailing						
Dec 30	M&A	Citicall Retail Management Ltd.	Suning Appliance Co. Ltd. (SZSE:002024)	27.7	100.0	Retails consumer electronics and home appliances in Hong Kong
Dec 15	M&A	Times Ltd. (SEHK:1832)	Lotte Shopping Holdings (HK) Co., Ltd.	694.7	99.5	Operates hypermarkets and supermarkets in China
Restaurant and Food Service						
Oct 20	M&A	Little Sheep Group Ltd. (SEHK:968)	Yum! Brands, Inc. (NYSE:YUM)	38.5	7.3	Operates full-service Mongolian hotpot restaurant chain
Travel & Leisure						
Dec 17	M&A	Huangshan Holiday Travel Service Co.	Universal Travel Group (NYSE:UTA)	2.9	100.0	Offers guided and self-guided tour packages and airline and hotel booking services
Dec 15	Private Placement	Universal Travel Group (NYSE:UTA)	Consortium	20.0	9.1	Provides airline and hotel reservation, tour planning, tour guiding and ground transportation services
Dec 11	Private Placement	Tony Studio Co., Ltd.	ChinaEquity Group, Inc.	NA	NA	Owns and operates hair dressing and skincare studios
Marketing						
NA						
Education						
Dec 29	Private Placement	Beijing Huatu Education Group	Shenzhen Fortune VC	29.3	NA	Provides civil servant examination training, tutoring and related publications
Dec 21	Private Placement	ChinaCast Education Corp. (Nasdaq:CAST)	Individuals	5.0	1.5	Provides interactive distance learning applications, multimedia education content delivery and vocational training services
Dec 17	M&A	Beijing Aoni CAMI Software Develop. Pty Ltd.	Media Education International Pty. Ltd.	NA	NA	Offers educational software for children from 3 years old and up, focusing on English and mathematics training
Nov 23	Private Placement	Wuhan New Dynamic Institute	Matrix Partners, WI Harper Group	10.0	NA	Provides English language training services to professionals in China
Oct 13	Private Placement	Beijing Oriental Baby Consulting Co., Ltd.	Vertex Venture Holdings	NA	NA	Operates early education and training centers for infant

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

South Korea's second-largest retailer, Lotte Shopping Holdings, has emerged as the victor for the bid for Times Ltd. Although Lotte's US\$694.7 million tender offer was not the highest, the offer was superior to other bids because it was a cash offer. Lotte's bid has also won the backing from Times Ltd.'s Chairman, which along with his family, owns 72.3% of Times Ltd. When it was acquired, Times Ltd. operated over 60 retail outlets across Shanghai and four other coastal provinces in China.

A noteworthy development during the quarter was Sequoia Capital China's announcement that it holds a 14.9% stake in Sparkle Roll Group and has become its second largest shareholder. Sparkle Roll is a Hong Kong-listed distributor of ultra-luxury automobile brands such as Rolls-Royce, Bentley, Lamborghini and Bugatti. The company also distributes luxury Swiss watches and fine French wine. Subsequent to the announcement, Sequoia has become a member of Sparkle Roll's board.

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Dec 31	IPO	Shenzhen	Ren Ren Le Chain Store (Group) Ltd.	Retailing	395.1	3.95	-	-	-	Operates supermarket and department chain stores
Dec 27	Follow-on	Hong Kong	Wumart Stores Inc.	Retailing	64.5	1.53	-6.6	1.57	1,964.5	Operates and manages superstores and mini-marts in Beijing, Zhejiang, Tianjin and Hebei
Dec 17	Follow-on	Nasdaq	Funtalk China Holdings Ltd.	Retailing	21.7	7.00	-15.2	6.69	348.5	Retails and distributes wireless handsets and accessories in China
Dec 10	IPO	Hong Kong	PCD Stores (Group) Ltd.	Retailing	434.0	0.25	-	0.39	1,647.8	Operates high-end department stores offering luxury apparels and accessories
Dec 10	IPO	Shenzhen	Shenzhen Hongtao Decoration Engineering Co. Ltd.	Travel & Leisure	118.6	3.95	-	4.86	583.2	Provides interactive distance learning applications, multimedia education content delivery and vocational training services
Dec 1	Follow-on	Nasdaq	ChinaCast Education Corp.	Education	46.7	6.85	-6.0	7.56	334.9	Provides interactive distance learning applications, multimedia education content delivery and vocational training services
Nov 19	IPO	NYSE	7 Days Group	Travel & Leisure	127.8	11.00	-	12.48	609.0	Owns, operates and franchises budget hotel chains in China
Nov 19	Follow-on	Nasdaq	QKL Stores, Inc.	Retailing	39.7	5.75	-0.35	6.70	191.0	Operates supermarket chains in northern China
Nov 2	IPO	Shenzhen	Beijing Xiangqing Co., Ltd.	Travel & Leisure	138.4	2.77	-	4.88	976.9	Owns, operates and franchises the "Xiangqing" branded restaurant chain
Oct 27	IPO	Hong Kong	Trinity Ltd.	Retailing	109.5	0.21	-	0.41	645.5	Retails men's wear brands such as "Altea", "Cerruti 1881", "D'urban", "Gieves & Hawkes", "Intermezzo" and "Kent & Curwen" in Greater China

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing

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

7 Days Group, which owns, operates and franchises budget hotels in China, raised US\$127.8 million through its IPO on NYSE. For the first 9 months in 2009, 7 Days achieved US\$121.7 million of sales, representing 70.5% growth over the same period in the previous year. At the end of September 30, 2009, 7 Days operates 283 hotels with 28,266 hotel rooms in 41 cities.

China consumer services companies raised a total of over US\$1.3 billion through 6 IPOs, among which US\$652.1 million were raised through 3 IPOs in the Shenzhen Stock Exchange, US\$543.5 million through 2 IPOs in the Hong Kong Stock Exchange and US\$127.8 million through 1 IPO in another overseas stock exchange. Retailing and travel & leisure companies dominated the primary issuance.

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