

Consumer Sector

4th Quarter 2005

China Consumer M&A Quarterly

Highlights

- Fonterra Cooperative Group, a New Zealand dairy company, made a US\$107.0 million strategic investment into Shijiazhuang San Lu Group

The largest foreign dairy investment in China

Shijiazhuang San Lu Group is China's biggest producer of blended dairy powders for over 12 years

- Legrand, a French producer of wiring devices, expanded into China with a US\$29.0 million purchase of TCL International Electrical ("TCLIE") & TCL Building Technology ("TCLBT")

Legrand's first China acquisition

TCLIE is China's largest producer of wiring devices, while TCLBT is the leader in data communication installation products and systems

- Umbro, a UK sports clothing outfit marketer, acquired 25% of Team & Sports Ltd. for US\$12.0 million

Team & Sports Ltd. is the leading distributor and retailer of Umbro products in China

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INTRODUCTION

We are pleased to present our inaugural quarterly review of cross-border Consumer M&A and private placement activity in China, 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 cross-border consumer M&A and private placement activities in the previous quarter, highlighting notable selected transactions that are relevant to venture capital, private equity, 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 seven major consumer sectors:

- | <u>CONSUMER MANUFACTURING</u> | <u>CONSUMER SERVICES</u> |
|--|--------------------------|
| ▪ Food & Beverage | ▪ Retailing |
| ▪ Consumer Appliances & Household Products | ▪ Travel & Leisure |
| ▪ Textiles & Apparel | ▪ Entertainment |
| ▪ Leisure Equipment & Products | |

However, during the 4th quarter, there were no notable transactions in the Travel & Leisure sector. Notable transactions that do not fit in the above-mentioned categories are listed under Other Transactions at the end of this report.

CONSUMER MANUFACTURING

Food & Beverage

Food & Beverage manufacturers continued to be popular investment targets. Most notable transaction in the quarter was the US\$107.0 million purchase by New Zealand-headquartered Fonterra Cooperative Group, of a 43% stake in Shijiazhuang San Lu Group, China's leading dairy products manufacturer, which has maintained the #1 position in both production and sales of blended powders nationally for 12 consecutive years. This joint venture partnership marked one of the largest foreign dairy investments in China and reflected Fonterra's confidence in the future of China's dairy industry. The new joint venture, with an established sales and distribution network reaching more than 600 Chinese cities, together with some of the most modern milk processing facilities, will continue to focus on the manufacture, marketing and distribution of consumer dairy products in China.

Selected Food & Beverages Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 22, 2005	Midsummer Investment Ltd. ⁽¹⁾	New Dragon Asia Corp. (China, AMEX listed)	\$9.5	NA	NA	Manufacturer, seller and distributor of flour and related products in China
December 1, 2005	Fonterra Cooperative Group (New Zealand)	Shijiazhuang San Lu Group (China)	\$107.0	43.0	\$248.8	Leading dairy products manufacturer ⁽²⁾
November 30, 2005	Icelandic Group Plc. (Iceland, ICSE listed)	Dalian Three Star Co. Ltd. (China)	\$2.7	97.0	\$2.8	Operator of a seafood processing plant in Dalian
November 24, 2005	Kirin Brewery Co. Ltd. (Japan)	Zhuhai Kirin President Brewery (China)	\$40.5	40.0	\$101.3	Brewery with facilities in Zhuhai ⁽³⁾
October 31, 2005	Groupe Danone (France)	Bright Dairy & Food Co. Ltd. (China)	\$8.9	1.9	\$468.4	Leading milk, yogurt, and cheese manufacturer

(1) Lead institutional investor in the transaction

(2) New Joint Venture ("JV")

(3) JV buyout

Consumer Appliances & Household Products

The fourth quarter saw a higher level of transaction volume in this sector compared to the third quarter, with investors' interest particularly focusing on electrical appliance manufacturers. Of note was worldwide wiring devices leader Legrand acquiring 100% stake in TCL International Electrical, a leading Chinese wiring devices company, & TCL Building Technology, the Chinese leader in data communication (i.e. voice, data, & image etc.) installation products and systems, in an effort to develop its geographic presence in China and reinforce its world leadership position in the wiring devices market.

Shortly after Legrand's acquisition, Dutch electronics group Philips announced its US\$25.3 million purchase of TCL shares from the Huizhou municipal government. The transaction boosted Philip's holding of TCL to 7.5%. TCL is a major distributor of Philip's products in China.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 28, 2005	Philips Electronics NV (Netherlands)	TCL Corporation (China)	\$25.3	5.0	\$506.0	Manufacturer and distributor of electrical appliances
December 9, 2005	Legrand (France)	TCL International Electrical, & TCL Building Technology (China) ⁽¹⁾	\$29.0	100.0	\$29.0	Leading consumer electronics and wiring devices producer
October 12, 2005	Leggett & Platt Inc. (US, NYSE listed)	Jia Jiang Furniture Mechanism Facility (China)	NA	100.0	NA	Manufacturer of furniture mechanisms in China

(1) Subsidiaries of TCL Corporation

Textiles & Apparel

Selected Textiles & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
October 10, 2005	Performance Fibers Asia, LLC ⁽¹⁾	Performance Fibers Kaiping Co. Ltd. (China)	NA	30.0	NA	Manufacturer of fibers, industrial polyester yarns, twisted yarns, tire cord fabrics, and industrial canvas ⁽²⁾

(1) Multi-national group Performance Fibers' Asian subsidiary; Performance Fibers and Performance Fibers Asia are affiliates of Sun Capital Partners, Inc. – a private investment company

(2) JV buyout

Leisure Equipment & Products

In the Leisure Equipment & Products sector, G-Baby Holdings Ltd., a private investment holding company, acquired 100% of Geoby International Holdings, a firm that produces and sells childrens products, including strollers and bicycles, in China.

Selected Leisure Equipment & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
November 11, 2005	G-Baby Holdings Ltd. (BVI) ⁽¹⁾	Geoby International Holdings (Cayman)	\$122.5	100.0	\$122.5	A leading provider of childrens products including strollers and bicycles in China

(1) Owned by Pacific Alliance II L.P. – A private investment company which is among the three institutional investors of Goodbaby Child Products Company Ltd., a private company based in Jiangsu province that carries "Geoby" as one of their brands for children products

CONSUMER SERVICES

Retailing

The overall M&A activity in the retailing sector grew dramatically as compared to the third quarter, and the industry coverage was quite broad ranging from sports clothing outfit to supermarket, books, and automotive sectors. Leading the way was the US\$12.0 million purchase of Chinese Team & Sports Ltd. by Umbro, UK's leading sports clothing outfit provider.

Also of note was Carrefour China Holding's 35% stake purchase of Kunming Carrefour Supermarket Co. Ltd. for US\$5.2 million. The transaction is part of Carrefour's continued consolidation of its China operations since the beginning of 2005 when PRC laws were relaxed to permit overseas retailers to set up wholly-owned units in China. Carrefour has expanded its presence in China since entering the country in 1995, with 65 retail outlets and 13 global procurement centers.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 28, 2005	Scania AB (Sweden, OM listed)	Griffin Automotive Ltd. (Taiwan)	NA	100.0	NA	Distributor of cars, and trucks as well as operator of vehicle sales and maintenance business
December 28, 2005	Autobahn International Inc. (US, OTCPK listed)	ZX Auto Corp. (China)	NA	NA	NA	Marketer and retailer of automobiles
December 02, 2005	Alrosa Co. Ltd. (Russia)	Arcos Hong Kong Ltd. (Hong Kong)	NA	100.0	NA	Marketer and retailer of diamonds and other precious stones
November 23, 2005	Cornell Capital Partners LP, Highgate House Funds Ltd. ⁽¹⁾	Xinhua China Ltd. (China, OTCBB listed)	\$1.3	NA	NA	Book retailer
October 26, 2005	Carrefour China Holdings B.V. (France)	Kunming Carrefour Supermarket Co. Ltd. (China)	\$5.2	35.0	\$14.9	Supermarket operator ⁽²⁾
October 3, 2005	Umbro (UK, LSC listed)	Team & Sports Ltd. (China)	\$12.0	25.0	\$48.0	Distributor and retailer of sports clothing and products in Guangdong province

(1) Private Equity Investors

(2) JV buyout

Entertainment

Selected Entertainment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 19, 2005	Navstar Media Holdings Inc. (US)	Dong Fang Zheng Yi Film and TV Communication Company, & Dong Fang Zheng Yi Film Investment Consulting Co. Ltd. (China)	NA	70.0	NA	Producer and distributor of Chinese television programs

OTHER TRANSACTIONS

Sheffield United Plc., the English second division soccer team, popularly known as the Blades, announced the purchase of a 90% stake in China's second division team Chengdu Five Bull Football Club. This marked the first foreign club to take over a Chinese team. The Blades actually already have a presence in the country, where they run the Hainan Soccer Academy in South China. As one of the main clubs in Sichuan, the fan base of Chengdu Five Bull would give a huge branding development potential to both sides. Similarly, Real Madrid last year signed a deal to provide commercial and managerial support to Beijing Guo'an; and Scotland's Glasgow Rangers has a coaching and management contract with Shenzhen Jianlibao.

Other Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 12, 2005	Sheffield United Plc. (UK, LCE listed)	Chengdu Five Bull Football Club (China)	NA	90.0	NA	A soccer club with a team based in Chengdu

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