

Consumer Sector

1st Quarter 2006

China Consumer M&A Quarterly

Highlights

- Inbev S.A., a leading Belgium brewer, acquired 100% of Fujian Sedrin Brewery for US\$703 million

Fujian Sedrin Brewery is the largest brewer in Fujian province and the eighth largest nationally. The transaction represents one of the largest foreign acquisitions to-date in China.

- Pacific Alliance Group completed a leveraged buyout of China's Goodbaby Group for US\$122.5 million

Goodbaby Group commands a leadership position in the childrens' fashion apparel and products market in China. The Pacific Alliance deal is notable in that it is a secondary buyout and also one of China's first leveraged buyouts.

- Warburg Pincus acquired 9.7% of GOME Electrical Appliances Holdings Ltd.

Warburg Pincus invested US\$153 million in GOME, the leading electronics and electrical products retail chain operator in China.

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INTRODUCTION

We are pleased to present our quarterly review of cross-border Consumer M&A 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 eight major consumer sectors:

CONSUMER MANUFACTURING

- Food & Beverage
- Consumer Appliances & Household Products
- Textiles & Apparel
- Leisure Equipment & Products

CONSUMER SERVICES

- Retailing
- Travel & Leisure
- Entertainment
- Education

During the first quarter of 2006, there were no notable transactions in either the Travel & Leisure or Entertainment sectors.

CONSUMER MANUFACTURING

Food & Beverage

Overall M&A activity in the Food & Beverage sector slowed slightly in the first quarter of 2006 as compared to the previous quarter, although several notable transactions took place. Among these, was the US\$730.3 million purchase by Belgium based InBev S.A., of a 100% stake in Fujian Sedrin Brewery, the largest brewer in Fujian province and also the eighth-largest brewer in China. Fujian Sedrin has a significant footprint in southeastern China and possesses a strong management team as well as ongoing local government support. In 2004, the company captured approximately 45% and 18% market share in Fujian and Jiangxi provinces respectively. InBev S.A. invested over US\$400 million in other breweries in 2005 and has become one of the largest brewing groups nationally. The company currently has 30 plants in 8 major provinces with the majority of them commanding leading market positions.

China has become a core focus of the world's major brewers in the last two years amidst weak beer sales in the United States and Europe. In 2004, Anheuser-Busch paid US\$694.0 million to acquire Harbin Brewery, based in northeastern China, and in April 2005, tripled its stake in Tsingtao Beer to 27 percent. Tsingtao is the nation's largest brewer.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 21, 2006	Unipresident Enterprise Corp. and Nissin Hualong Food Co. (Japan, Taiwan)	Jinmailang Beverage (Beijing) Co. Ltd. ⁽¹⁾ (China)	\$74.6	100	\$74.6	A new beverage manufacturing JV between Unipresident and Nissin Hualong Food Co.
January 23, 2006	InBev S.A. (Belgium)	Fujian Sedrin Brewery (China)	\$730.3	100	\$730.3	The eighth largest brewer in China
January 11, 2006	Bunge Ltd. (US, NYSE listed)	A soybean crushing and refining plant in Nanjing (China)	NA	100	NA	An integrated soybean crushing and refining plant of Dalian Huanong Group

(1) New Joint Venture ("JV")

Consumer Appliances & Household Products

Selected Consumer Appliances & Household Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 27, 2006	Koncepts International Ltd. (Hong Kong)	Singing Machine Co. Inc. (US, AMEX listed)	\$3.0	NA	NA	Manufacturer of consumer karaoke audio equipment, accessories and recordings

Textiles & Apparel

Selected Textiles & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 20, 2006	Chargeurs (France)	Ningbo Yak Kyokuyo Textile & Ningbo Yinzhou Lailang Garment Interling ⁽¹⁾ (China)	NA	100	NA	Leading Chinese woven entoilage ⁽²⁾

(1) Subsidiaries of Ningbo Yak Technology Industry Co., Ltd.

(2) Woven interlining

Leisure Equipment & Products

There were two notable M&A transactions in the Leisure Equipment & Products sector in the first quarter. Pacific Alliance Group, a private investment fund, completed the leveraged buyout of China's Goodbaby Group for US\$122.5 million. The transaction marked one of the first instances of a foreign enterprise taking over a local Chinese business through a leveraged buyout. Goodbaby Group, headquartered in Shanghai, designs and manufactures childrens' products. It commands more than a 70% market share in the domestic childrens' product industry and has branches throughout the U.S., Japan and Europe. Pacific Alliance Group will hold a 68% share in Goodbaby while the remaining 32% will be held by existing management. The transaction is a secondary buyout from domestic and foreign venture capital funds.

In addition, Ansell Ltd., a global leader in healthcare barrier protective products, completed the purchase of a 75% stake in China's Wuhan Jissbon Sanitary Products Co. Ltd., a leading Wuhan-based condom manufacturer and marketer, for US\$18.0 million. This was the first acquisition for Ansell since 2000 and the main attractions of Jissbon include strong domestic brand recognition; 10% share of the retail condom market; and its progressive management team. Ansell also has an option to acquire the remaining 25% of the company.

Selected Leisure Equipment & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 5, 2006	Pacific Alliance Group ⁽¹⁾	Goodbaby Group (China)	\$122.5	68	\$180.2	China's leading childrens' fashion apparel and products designer, manufacturer and retailer
February 15, 2006	Ansell Ltd. (Australia)	Wuhan Jissbon Sanitary Products Co. Ltd. (China)	\$18.0	75	\$24.0	Leading Chinese condom manufacturer and marketer

(1) Private Equity Investor(s)

CONSUMER SERVICES

Retailing

The overall level of M&A activity in the retailing sector dropped significantly when compared to the previous quarter. Warburg Pincus, a global leading private equity firm, announced its acquisition of a 9.7% of GOME, the leading Chinese electronic and electrical products retailing chain operator, for US\$153.0 million (including bonds and warrants), implying a US\$1.4 billion pre-money valuation. This price represents a 23% premium over its 30-day average market capitalization prior to the announcement.

The transaction marked the largest investment for Warburg Pincus in China and reflects confidence in GOME’s position in the electrical appliance retail industry. GOME will take the advantage of its association with Warburg Pincus to improve operating efficiencies and enhance its overall competitive position in the market place.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm) ⁽²⁾	Description of Target
February 4, 2006	Warburg Pincus ⁽¹⁾ (US)	GOME Electrical Appliances Holdings Ltd. (HK, HKSE listed)	\$153.0	9.7	\$1,577.3	China's leading electronic and electrical products retailing chain operator

(1) Private Equity Investor(s)

(2) Post Money Valuation on a Fully Diluted Basis

Education

Selected Other Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 23, 2006	Kaplan, Inc. ⁽¹⁾ (US)	Hong Kong Putonghua Vocational School (Hong Kong)	NA	NA	NA	Leading provider of Mandarin language training in Hong Kong

(1) Subsidiary of Washington Post Company

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