

## Consumer Sector

1st Quarter 2007

## China Consumer M&A Quarterly

### Highlights

- CVC Asia Pacific acquires 29% of Zhuhai Zhongfu Enterprise Co.

CVC Asia Pacific becomes the largest shareholder of Zhuhai Zhongfu Enterprise Co. by investing US\$211.5 million to acquire a 29% ownership stake. Zhuhai Zhongfu Group manufactures and sells bottles for a variety of beverages.

- China Resource Enterprise acquires 100% of Blue Sword (Group) Co.

Blue Sword (Group) owns and operates 14 Blue Sword breweries located in Sichuan Province. Upon the close of the transaction, China Resource Enterprise will increase its ownership stake in Blue Sword (Group) from 62% to 100%.

- Parkson Group acquires Jiangxi Kaimei

Parkson group acquires Jiangxi Kaimei, the operator of K&M Stores in China. K&M is one of the largest department stores in Nanchang City.

- Wal-Mart acquires 35% of Trust-Mart Co. Ltd.

Wal-Mart continues to aggressively expand its presence in China. It acquired 35% of Trust-Mart Co., which operates a chain of 100 supermarkets and hypermarkets across 34 cities in China.

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## INTRODUCTION

We are pleased to present our quarterly review of cross-border China M&A activity 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 first quarter of 2007, 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 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 2007, there were no notable transactions in the Consumer Appliances & Household Products, Textiles & Apparel, Entertainment, and Education sectors.

## CONSUMER MANUFACTURING

### Food & Beverage

There were heavy deal flows in the Food & Beverage sector, during the first quarter of 2007. Aria Investments Partners III, LP, one of the funds managed by CLSA Capital Partners, invested US\$25.0 million in Win Power Investment Ltd., the holding company of Fujian Yuansheng Food Industry Co., Ltd. Fujian Yuansheng is one of the leading processors and distributors of seafood products in China. It currently operates through a processing plant in Fuzhou with annual capacity of 15-kilo tons and is in the process of constructing a second processing facility with similar capacity to be completed by the middle of 2007.

CVC Asia Pacific acquired 199.6 million shares or 29% of Zhuhai Zhongfu Enterprise Co. at approximately US\$1.07 a share, for a total cash consideration of US\$213.6 million. After the close of the transaction, CVC Asia Pacific will become the largest shareholder followed by Zhuhai Zhongfu Group. Zhuhai Zhongfu Enterprise manufactures and sells bottles for a broad variety of drinks such as carbonated soft drinks, mineral and distilled water, tea, juice and beer.

Texas Pacific Group (TPG) announced that it has agreed to invest US\$15.0 million in Yunnan Red Wine Company. The new funding will be used to improve and expand Yunnan Red Wine Company's current sales network.

On January 4<sup>th</sup>, China Resources Enterprise announced that it has agreed to acquire 100% of Blue Sword (Group) Co., Ltd. for US\$320.5 million cash. Prior to the close of transaction, all the non-brewery related assets will be transferred out and what remains in Blue Sword will be 38% equity interest in 14 breweries in Sichuan Province and a 100% interest in a brewery based in Guizhou Province. The remaining 62% equity interest of the Sichuan breweries are owned by CR Snow (previously known as CRE Brewery), a subsidiary of China Resources Enterprise Ltd. The Sichuan breweries are the product of a strategic joint venture formed in October 2001, between CRE Brewery and Blue Sword (Group) Co., Ltd. The breweries currently serves up to 70% of the Sichuan market with additional sales to neighboring provinces including Chongqing, Yunnan, Guizhou, Tibet, Shaanxi and Gansu.

### Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 20, 2007	CLSA Capital Partners	Fujian Yuansheng Food Industry Co., Ltd.	\$25.0	NA	NA	Process and distribute seafood products in China
Mar 28, 2007	CVC Asia Pacific	Zhuhai Zhongfu Enterprise Co. [SZSE: 000659]	\$213.6	29.0%	\$736.6	China's leading beverage bottling company
Mar 15, 2007	TPG Growth Fund	Yunnan Red Wine Company	\$15.0	NA	NA	6 <sup>th</sup> largest winery in China
Mar 12, 2007	Uni-President Enterprises Corp. [TWSE: 1216]	Nissin Hualong Foods Co. & Hebei Nissin Hualong Paper Co.	NA	NA	NA	Two food processing companies in China

### Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 7, 2007	Olam International [SGX:O32]	Chinatex Corporation	\$13.5	35.0%	\$38.6	A China state-owned enterprise with established presence in industries such as: cotton, grains and oil, wool and chemical fibers and textiles and apparel
Feb 1, 2007	Shenzhen Fortune	Fujian Sunner Group Co. Ltd.	\$7.7	NA	NA	The largest chicken breeding and meat processing factory in southern China
Jan 12, 2007	Orchid & Shenzhen Capital	Yunnan Longsheng Group	\$7.1	22.0%	\$32.3	China's leading tea producer
Jan 11, 2007	ARC Capital, Wumart, and Yinchuan Xinhua Department Store Ltd.	Ningxia Xiajin Milk Group Co.	\$16.8	70.8%	\$23.7	Producer of milk and milk powder
Jan 11, 2007	GGV, IDGVC, SIG, FMI, FMCG, and Tong	Chamate	\$10.7	NA	NA	Casual chain restaurant operator and tea retailer
Jan 4, 2007	China Resources Enterprise Ltd. [HKSE: 291]	Blue Sword (Group) Co., Ltd.	\$320.5	100.0%	\$320.5	Local brewery with operations in Sichuan and Guizhou Province

### Leisure Equipment & Products

During the quarter, there were two notable deals in the Leisure Equipment & Product sector. Rexcapital Financial Holdings agreed to acquire all the outstanding shares of Global Union and Huge Rich, which indirectly owns 18.9% of Shenzhen Sinodata Technology. The deal is valued at approximately US\$32.4 million, of which US\$3.2 million will be cash settled and the remaining US\$29.2 million will be satisfied by 300 million shares of Rexcapital Financial valued at approximately US\$0.10 a share. Upon closing, Rexcapital Financial's ownership in Sinodata will increase from 46% to 65%. Sinodata develops and provides proprietary lottery machines, related operating software and network services for the welfare lottery industry in China. With a sales network covering 13 Chinese provinces, Sinodata achieved US\$5.7 billion in sales for 2006 and accounts for approximately 90% of China Welfare Lottery's total sales.

Beauty China Holdings announced that it will acquire all the outstanding shares of Fu Teng International for US\$37.6 million, comprising of US\$28.2 million cash and US\$9.4 million worth of new shares. Approximately 14 million new shares will be issued at a price of US\$0.67 per share. Fu Teng is the sole owner of Mei Zhi Hui Ri Hua, which manufactures and sells refined chemical products, as well as cosmetics and health products. Beauty China expects to manufacture proprietary beauty products and improve profitability through upward integration.

### Selected Leisure Equipment & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 19, 2007	Rexcapital Financial Holdings Ltd. [HKSE:555]	Shenzhen Sinodata Technology Ltd.	\$32.4	18.9%	\$171.2	Supplier of lottery machine and system to the welfare lottery business in China
Feb 27, 2007	Beauty China Holdings [SGX:B15]	Fu Teng International	\$37.6	100.0%	\$37.6	Owens and operates Zhuhai City Mei Zhi Hui Ri Hua Co., Ltd, a new cosmetics production facility in Zhuhai, China

## CONSUMER SERVICES

### Retailing

M&A activities in the Retailing sector gained pace in the first quarter of 2007. Parkson Group agreed to pay a consideration of US\$65.4 million to acquire all of the outstanding shares of Golden Village Group Ltd., which wholly owns Jiangxi Kaimei Co. Jiangxi Kaimei manages and operates the K&M Store and is one of the leading department chain stores in Nanchang City. With convenient store locations and established reputation, K&M Store's revenue grew approximately 45% from US\$13.3 million in 2005 to US\$19.2 million in 2006.

Morgan Stanley Principal Investments, Blue Ridge China Partners and Citadel Investment Group raised US\$70.0 million for ITAT Group Ltd. in the latest Series B round. The new capital will be used towards the expansion of ITAT's retail store network across China. ITAT expects to have 1,000 Membership Stores and 60 Super Clubs in operations by the end of 2007.

Wal-Mart Stores purchased 35% of Trust-Mart Co. Ltd. in pursuit of gaining market share in China. The value and details of the deal were not publicly disclosed; however, Wal-Mart is expected to assume a majority stake in Trust-Mart by 2010. Trust-Mart operates a network of 100 retail outlets across 34 cities in China and employs approximately 31,000 employees. Wal-Mart already operates 73 stores with more than 37,000 staffs in China and is the second largest foreign retailer behind Carrefour.

ARC Capital Holdings agreed to acquire 93.6% stake in Jiadeli Supermarket Co. Ltd. for a consideration of US\$62.4 million. The deal will be financed with an undisclosed combination of debt and equity. Based in Shanghai, Jiadeli operates a chain of 130 supermarkets and is ranked as the fourth largest supermarket chain by sales volume in China. Jiadeli reported US\$306.2 million of sales and US\$11.3 million of EBITDA for the year of 2006.

Selected Retailing Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 22, 2007	Parkson Group [HKSE: 3368]	Jiangxi Kaimei Co.	\$65.4	100.0%	\$65.4	Operates K&M department stores in Nanchang City
Mar 9, 2007	Morgan Stanley, Blue Ridge China, Citadel Investment Group	ITAT Group	\$70.0	NA	NA	International branded apparel retail chain operator in China
Feb 26, 2007	Wal-Mart Stores Inc. [NYSE:WMT]	Trust-Mart Co. Ltd.	NA	35.0%	NA	Operates supermarket and hypermarket chain in Guangzhou
Feb 14, 2007	ARC Capital Holdings [AIM:ARCH]	Jiadeli Supermarket Co. Ltd.	\$62.4	93.6%	\$66.7	Owens and operates supermarket chain with 130 stores across China
Feb 13, 2007	Beijing Jingkelong Co. Ltd. [HKSE:8245]	Beijing Shou Lian Group Enterprises Co.	\$6.5	11.0%	\$59.1	Operates 3 hypermarkets, 21 supermarkets, 1 discount and 16 convenience stores in Beijing
Feb 8, 2007	Umbro [LSE:UMB]	Team & Sports Ltd.	\$16.5	15.0%	\$110.0	Sport apparel distributor in China
Feb 5, 2007	Bain Capital, Inc., CBL & Associates Properties Inc.	Jinsheng Group	\$60.0	NA	NA	Mall operator and real estate developer in China

### Travel & Leisure

Starworth Ltd. paid US\$15.1 million to purchase all of the outstanding shares of Evergreen Holdings, a subsidiary of China Rich Holdings Ltd. Evergreen operates the Gaoming Silver Ocean Golf Resort, which is situated along side the Dasha Reservoir, in the Gaoming District of Foshan City. Knight Frank Petty Limited, an independent third party valuer, has appraised the 100% interest of Gaoming Silver Ocean Resort to be worth approximately US\$16.2 million as of December 31, 2006. China Rich disclosed in a public document, that its decision to sell Evergreen was based on Evergreen's poor financial performance. Evergreen experienced a consolidated net loss of US\$1.2 million in 2005 and US\$1.8 million in 2006.

Selected Travel & Leisure Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 26, 2007	Starworth Ltd.	Evergreen Holdings	\$15.1	100.0%	\$15.1	Owens and operates the Gaoming Silver Ocean Golf Resort

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