

Consumer Sector

2nd Quarter 2007

China Consumer M&A Quarterly

Highlights

- Goldman Sachs and CDH Investment acquire 25% of Henan Shuanghui Investment and Development Co.

The latest round of investment increases the joint ownership in China's largest meat processor to 64%.

- Moët Hennessy acquires 55% of Wenjun Liquor

Moët Hennessy looks to break into China's premium wine segment.

- Microsoft Corp. becomes strategic investor of Sichuan Changhong Electric Co.

The two companies are set to collaborate and introduce a variety of digital home entertainment products.

- Oaktree Capital acquires 100% of Fu Sheng Industrial Co. Ltd.

Oaktree Capital made a tender offer for 100% of Fu Sheng; however, the deal is currently subject to Taiwan Financial Supervisory Commission's review and approval.

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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 second quarter of 2007, highlighting notable selected 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 eight major sectors:

CONSUMER MANUFACTURING

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

CONSUMER SERVICES

- Retailing
- Travel & Leisure
- Marketing
- Education

CONSUMER MANUFACTURING

Food & Beverage

Two main themes in the second quarter were consolidation of beverage producers and investments in packaged food processors.

Rotary Vortex Ltd., a JV between Goldman Sachs and CDH Investment, announced that it would acquire an additional 25.0% stake in Henan Shuanghui Investment and Development Co., China's largest meat producer, for US\$74.1 million. Before this transaction, Rotary Vortex already indirectly held a 39.3% stake after it had purchased Henan Shuanghui (Shineway) Food Co. Ltd. in January. The board of Henan Shuanghui welcomes the investment and expects the foreign investors to assist in improving current management.

China Water and Drinks Inc. closed its series A private placement round in May, raising US\$30.0 million from Pinnacle China Fund LP. The proceeds were subsequently used to acquire all of the outstanding shares of Pilpol (HK) Biological Ltd. for US\$11.8 million. By acquiring the bottled water supplier, China Water and Drinks anticipates market expansion into the Guangxi Province in the short term and further penetration into Guizhou, Sichuan and Yuannan Provinces in the longer term.

SDIC Zhonglu Fruit Juice Co. Ltd. closed a round of private placement in April and utilized a portion of the funding to acquire all of the operational assets of fruit juice maker, Zhaotong Baoqing Fruit Co., Ltd for US\$5.2 million.

Moet Hennessy announced that it will acquire a 55.0% stake in Wenjun Liquor to localize Moet's premium liquor sales channels. Analysts foresee this acquisition as the stepping stone for acquiring Jiannanchun. Jiannanchun is the remaining 45.0% stakeholder of Wenjun Liquor and is especially appealing to Moet due to its comprehensive sales and distribution network.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 28, 2007	Uni-President Enterprises Corp. [TSE:1216]	Yantai North Andre Juice Co. Ltd. [SEHK:8259]	\$19.9	11.0%	\$180.9	Produces and sales fruit juice and related products in China
Jun 25, 2007	Rotary Vortex Ltd. (A JV between Goldman Sachs & CDH Investment)	Henan Shuanghui Invest. & Develop. Co. [SZSE:000895]	\$74.1	25.0%	\$296.4	China's largest meat processor
Jun 25, 2007	Apollo Asia Opportunity Master Fund	AgFeed Industries, Inc. [OTCBB: AGFI]	\$3.0	NA	NA	A leader in China's premix feed for pets
Jun 22, 2007	Fine Lake International Ltd. (A subsidiary of China Water and Drinks Inc. [OTCBB:CWDK])	Pilpol (HK) Biological Ltd.	\$11.8	100.0%	\$11.8	Owns and operates Nanning Taoda Drink Co. Ltd., a Nanning City based bottled water supplier

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 18, 2007	SDIC Zhonglu Fruit Juice Co. Ltd. [SHSE: 600962]	Operational assets of Zhaotong Baoqing Fruit Co., Ltd.	\$5.2	100.0%	\$5.2	Fruit juice and canned fruit producer
Jun 15, 2007	China Huiyuan Juice Group Ltd [HKSE: 1886]	Jiangsu Huiyuan Food & Beverage Co. Ltd.	\$14.4	100.0%	\$14.4	Producer of fruit juice and vegetable puree
Jun 4, 2007	China Fishery Group Ltd. [SGX: B0Z]	Pesquera El Pilar S.A.C. and Pesquera Maru S.A.C.	\$26.0	100.0%	\$26.0	Producer and distributor of fish meals and related products
Jun 1, 2007	Citadel Equity Fund	American Dairy Inc. [ARCA:ADY]	\$80.0	NA	NA	Beijing based producer of dairy and soybean products and markets product under Feihe brand name
May 31, 2007	Pinnacle China Fund LP	China Water and Drinks Inc. [OTCBB:CWDK]	\$30.0	Minority	NA	Leading producer of bottled water and markets product under Darcunk brand name
May 30, 2007	New York Life, IFC, SSIF and three other non-publicly disclosed financial investors	Sichuan Baijia Food Co., Ltd.	\$5.3	30.0%	\$17.7	Sichuan-based food processor
May 16, 2007	Moet Hennessy	Wenjun Liquor	NA	55.0%	NA	Premium white wine producer
Apr 16, 2007	China Otsuka Pharmaceutical Co. Ltd., VV Group	Xuzhou VV Food & Beverage Co., Ltd. [SHSE:600300]	\$90.9	Minority	NA	Produces soybean related food and beverages in China
Apr 9, 2007	NA ¹	SDIC Zhonglu Fruit Juice Co., Ltd. [SHSE:600962]	NA	5.8%	NA	Produces and sells concentrated fruit and vegetable juices

Consumer Appliances & Household Products

China's Commerce Ministry recently approved Goldman Sachs bid to acquire a 10.7% strategic stake in Guangdong Midea Electric Appliances Co. for US\$94.0 million. The approval was granted shortly after the Chinese government's decision to allow foreign investors to acquire strategic stakes in publicly traded Chinese companies.

Microsoft Corp. became a strategic investor of Sichuan Changhong Electric Co. by purchasing 0.8% of Changhong's outstanding shares for US\$12.3 million. Changhong will use the proceeds to acquire 75.0% of Sterope Investments BV, owner of a South Korean plasma panel maker.

TCL Corporation closed a private investment of US\$301.8 million with 10 institutional investors. The new capital will be invested in LCD panel production and working capital.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 26, 2007	Citra International Invest. Ltd.	Daka Designs Ltd. [SGX: D19]	NA	100.0%	NA	Designs and manufactures sports, leisure and marine electronic products
Jun 25, 2007	GS Capital Partners Aurum Holdings (A unit of Goldman Sachs)	Guangdong Midea Electric Appliances Co. [SZSE:000527]	\$94.0	10.7%	\$878.5	A leading appliance maker in China
Jun 25, 2007	Microsoft Corp.	Sichuan Changhong Electric Co. [SHSE:600839]	\$12.3	0.8%	\$1,537.5	China's second largest TV and appliance maker
Jun 16, 2007	NA	TCL Corporation [SZSE:000100]	\$301.8	NA	NA	Manufacturer of multimedia consumer electronic in China
Apr 13, 2007	Alpha Technologies Corp. Ltd. [ASX:ASU]	Panache Global Holdings Pty Ltd. Hand Sanitizer and Hand Dryers Business	\$7.3	100.0%	\$7.3	Manufacturers and sells anti-bacterial hand sanitizers and hand dryers

¹ Placed with no more than 10 institutional investors. SDIC will take up one third of the placement.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Apr 3, 2007	Svenska Cellulosa Aktiebolaget, SCA [OM: SCA B]	Vinda Paper	\$46.7	20.0%	\$233.5	China's leading paper napkin producer

Textiles & Apparel

Tack Fat Group, a Hong Kong based apparels manufacturer, acquired 90.0% of Best Favour Investment Ltd. for US\$42.3 million. Best Favour is the operator of the XXESS brand and related retail stores in China. After the close of transaction, Tack Fat will distribute its products through Best Favour's distribution channels. The transaction is expected to be accretive to Tack Fat's earnings.

VF Corporation acquired The North Face branded operation in China from Youngone Corporation. The deal includes North Face's wholesale business and the Beijing retail store. The value of the transaction was not publicly disclosed.

Selected Textiles & Apparel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 31, 2007	Tack Fat Group [SEHK: 928]	Best Favour Invest. Ltd.	\$42.3	90.0%	\$47.0	Manages the XXESS apparel brand and operates related retail stores in China
Apr 30, 2007	Legend Capital	Saturday Shoes Co., Ltd.	NA	NA	NA	Chinese shoe manufacturer
Apr 4, 2007	Youngor Group Co., Ltd. [SHSE:600177]	Ningbo Yak Technology Industrial Co., Ltd. [SZSE:002036]	NA	17.0%	NA	Produces woven interlinings for Chinese and international garment makers
Apr 2, 2007	VF Corp. [NYSE:VFC]	Youngone Corp (Licensee of North Face in China) [KOSE:A009970]	NA	100.0%	NA	Korea based manufacturer of specialty apparels and accessories

Leisure Equipment & Products

Oaktree Capital has initiated a 100.0% tender offer for Fu Sheng Industrial Co. Ltd. for a sum of US\$848.3 million. The deal is currently pending Taiwan Financial Supervisory Commission's approval. The regulator is assessing the potential impact on the Taiwanese stock market and has expressed concerns regarding the protection for minority shareholders and Fu Sheng's valuation.

A win-win deal was struck between International Game Technology and China LotSynergy in early May. International Game agreed to invest approximately US\$103.0 million in LotSynergy to gain access to the booming Chinese Lottery market. LotSynergy will be tapping International Game to source advanced gaming technology for launching in the Chinese market.

Selected Leisure Equipment & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 28, 2007	Oaktree Capital Management, LLC	Fu Sheng Industrial Co. Ltd. [TSEC:1520]	\$848.3	100.0%	\$848.3	Manufacturer of golf club heads and air compressors
May 2, 2007	International Game Technology [NYSE: IGT]	China LotSynergy Holdings Ltd. [SEHK: 8161]	\$103.0	NA	NA	Provides technology, equipment and consultancy services for public welfare lottery business

CONSUMER SERVICES

Retailing

Suning Appliance Company Ltd. closed a private placement of US\$148.7 million with a consortium of fund management firms and institutional investors. The proceeds will be used to open approximately 250 outlets across China and a logistics management centre in Shenyang.

Chia Tai Enterprises International Ltd. acquired 100.0% of Shanghai Lotus Supermarket Chain Store Co. Ltd. for US\$359.0 million. This enables Chia Tai to gain access to 19 hypermarkets across China and is a part of Chia Tai's effort to refocus its core business on hypermarkets.

Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 23, 2007	NA	Suning Appliance Company Ltd. [SZSE:002024]	\$148.7	NA	NA	Operates appliance, office and telecom equipments retail chain
Jun 18, 2007	Jollibee Foods Corp. [PSE: JFC]	Shanghai YongHe King Co., Ltd.	\$6.0	15.0%	\$40.0	Operates fast food retail chain
May 28, 2007	NA	Wuhan Department Store Group Co. Ltd. [SZSE:000501]	\$148.8	Minority	NA	Wholesales and retails general merchandise primarily in central and southern China
May 23, 2007	Total Giant Group, Total Shine Group, Victory High Invest. and Think Big Trading Ltd.	Home System Group [OTCBB:HSYT]	\$6.5	Minority	NA	Distributor of home appliances in China
May 17, 2007	Chia Tai Enterprises International Ltd. [HKSE: 121]	Shanghai Lotus Supermarket Chain Store Co., Ltd.	\$359.0	100.0%	\$359.0	Supermarket chain store

Travel & Leisure

Universal Travel acquired all of the outstanding shares of Xi'an Golden Net Travel Serve Service Co., Ltd. for US\$1.8 million. Chairman and CEO of Universal Travel commented that Xi'an Golden Net's packaged tour business will be synergistic to Universal Travel's existing air ticket booking service. The acquisition is expected to be accretive to Universal Travel's revenue and net income.

Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 20, 2007	Universal Travel Group [OTCBB: UTVG]	Xi'an Golden Net Travel Serve Service Co., Ltd.	\$1.8	100.0%	\$1.8	Sells air tickets, train tickets and provides other services

Marketing

Grey Global Group Inc., a subsidiary of WPP Group, announced that it will acquire 51.0% of Star Echo. However, no financial metrics were publicly released.

Selected Marketing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 21, 2007	Grey Global Group Inc. (A subsidiary of WPP Group PLC [LSE: WPP])	Star Echo	NA	51.0%	NA	Chinese marketing agency

Education

China Ivy School Inc. announced that it has successfully closed a round of private placement and raised US\$13.0 million.

Selected Education Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 29, 2007	Arjuno Invest. Ltd., Billion Hero Invest. Ltd., Even Bright Invest. Ltd., Nation City Invest Ltd. and Innovation Gaining Invest. Ltd.	China Ivy School, Inc. [OTCBB:CIVY]	\$13.0	Minority	NA	Operates the Blue Tassel School and provides education services in China
May 8, 2007	Barron Partners LP	China Education Alliance Inc. [OTCBB:CEDA]	\$3.4	Minority	NA	Provides educational services through online portals and educational software and media

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