

Consumer Sector

3rd Quarter 2007

China Consumer M&A Quarterly

Highlights

- Li & Fung acquired Regatta (USA) for US\$300.0 million and Peter Black Holdings for US\$96.0 million

The acquisitions are part of the buyer's three year plan to focus on footwear, health care, beauty and cosmetic products

- Merrill Lynch, Deutsche Bank and Warburg Pincus invested US\$95.0 million in 7 Days Inn

The new funding will enable the hotel operator to expand its hotel network from 100 to 150 outlets across China

- Jollibee Foods acquired 100% of Hongzhuangyuan for US\$50.5 million

The Philippines fast food giant continues its acquisition spree by snapping up Hongzhuangyuan, a Beijing based Chinese congee focused restaurant chain

- Carlyle Group to invest US\$20.0 million in NeWorld Education Group

NeWorld, a private language school operator, will apply the proceeds to expand from its current 65 schools to 120 by the end of 2009

- SAIF Partners invested US\$15.9 million in Shenzhen Millennium Star Holdings

Shenzhen Millennium Star, a jewelry designer and distributor, will use the proceeds to expand its domestic and global sales and distribution channels

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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 third quarter of 2007, highlighting selected notable 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 & Apparels
- Leisure Equipments & Products

CONSUMER SERVICES

- Retailing
- Travel & Leisure
- Marketing
- Education

During the third quarter of 2007, there were no notable transactions in the Retailing and Marketing sectors.

CONSUMER MANUFACTURING

Food & Beverage

Australian listed Suntech Environment Group Ltd. has agreed to inject US\$35.0 million into a joint venture with Inner Mongolia Niumama Dairy. The joint venture will enable Niumama to distribute its dairy products exclusively through Suntech's sales channels in Taiwan, Hong Kong and other Southeast Asian countries. The two companies are expecting to list the joint venture on an overseas stock exchange within the next 3 years.

Philippine fast food giant Jollibee Foods Corp., continues to aggressively increase its market share in China by acquiring Hongzhuangyuan, a Beijing based restaurant chain, for US\$50.5 million. Hongzhuangyuan operates 33 branches across China, with 5 more to begin operation by the time this transaction closes. The transaction marks the second acquisition by Jollibee this year. In June 2007, Jollibee bought the remaining 15.0% share of Yonghe King for US\$6.0 million, making it the sole owner of Yonghe King.

COFCO Coca-Cola Beverages Ltd. ("CBL") entered into a deal with Coca-Cola China Industries Ltd. ("CCCI") to restructure the CBL and CCCI's interest in the beverage bottling plants in China. The deal consists of two transactions. Upon the first closing, CBL will transfer its interest and shareholder's loans in the six bottling plants in exchange for CCCI's equity interest in CCCI (Qingdao) bottling plant and US\$6.7 million of cash. Upon the second closing, CBL will acquire 40.0% of CCCI's (Beijing) bottling plant for US\$35.5 million. This restructuring gives CBL a contiguous block of territory covering 118.0 million people and distribution rights to 12 provinces and 4 cities.

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 21, 2007	Suntech Environmental Group Ltd. [ASX:SCE]	Inner Mongolia Niumama Dairy Co., Ltd.	35.0	NA	NA	A joint venture between Suntech Environmental Group and Inner Mongolia Niumama Dairy Ltd., the 3 rd largest dairy producer in Inner Mongolia
Sep 21, 2007	Jollibee Foods Corp. [PSE:JFC]	Hongzhuangyuan	50.5	100.0	50.5	Restaurant chain operator with 33 branches across Beijing
Sep 17, 2007	China Resources Enterprise Ltd. [HKSE:291]	Hangzhou United Meat Group Co., Ltd.	10.2	19.0	53.7	Engages in meat distribution, meat and food processing and storing and refrigerated food trading services

Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 31, 2007	China Water and Drinks Inc. [OTCBB:CWDK]	Hutton Holdings Corp.	25.4	48.0	52.9	Owns and operates Guozhu Holdings Ltd, a leader in bottled water and beverage sector in China
Aug 31, 2007	China Pharmaceutical Group Ltd. [HKSE: 1093]	Shijiazhuang Pharma Group Inner Mongolia Zhongkang Sugar Co., Ltd.	17.3	100.0	17.3	Manufactures and distributes corn refined products
Aug 28, 2007	Tonghua Grape Wine Co., Ltd. [SHSE:600365]	King's Court Estate Winery	6.6	75.0	8.8	Operates as a distributor of VQA Canadian wines to other wineries in bulk or bottles worldwide
Aug 28, 2007	China Flavors And Fragrances Co., Ltd. [SEHK:3318]	Teng Zhou Shi Wu Tong Fragrances Co. Ltd.	15.4	50.0	30.8	Manufactures and distributes flavors, fragrances and food additives
Aug 20, 2007	Citigroup Venture Capital International	Guangxi Yongkai Sugar Industry Co., Ltd.	50.0	NA	NA	Guangxi based manufacturer and processor of sugar products
Aug 7, 2007	Coca-Cola China Industries Ltd.	COFCO Coca-Cola Beverages Ltd.	45.6	100.0	45.6	Operates 6 beverage bottling plants located in: Chengdu, Harbin, Kunming, Taiyuan, Wuhan, and Jilin
Aug 7, 2007	COFCO Coca-Cola Beverages Ltd.	Coca-Cola China Industries (Beijing)	35.5	100.0	35.5	Holds 40% equity stake in Beijing Coca-Cola Beverage Co., a bottling plant
Jul 25, 2007	Citadel Investment Group, LLC	Origin Agritech Ltd. [NASDAQ:SEED]	40.0	NA	NA	Develops and sells crop seeds in China
Jul 9, 2007	Vilmorin Hong Kong Ltd.	Hunan Xindaxin Group	35.0	46.5	75.3	Owns and operates Yuan Longping High-tech Agriculture, which engages in seedling's cultivation and sale of hybrid rice and vegetables

Consumer Appliances & Household Products

Haier Electronics Group Co., Ltd. acquired the remaining 30.0% of both Haier Indesit Washing Machine and Haier Indesit Electrical Appliance for a total of US\$19.5 million. The acquisition enables Haier Electronics to better manage resources, improve operating efficiencies and broaden the company's earning base.

Merrill Lynch injected US\$20.0 million into NVC Industrial Development Co., Ltd. for an undisclosed share of ownership. NVC will use the proceeds to integrate upstream resources and to make acquisitions. Further, NVC has obtained relevant government approvals for a public listing and is expecting to list on the New York Stock Exchange during 2008.

Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 4, 2007	Haier Electronics Group Co., Ltd. [SEHK:1169]	Haier Indesit Washing Machine Co. Ltd & Haier Indesit Electrical Appliance Ltd.	19.5	30.0	65.0	Develops, manufactures and distributes front loading washing machines in China
Aug 21, 2007	Merrill Lynch	NVC Industrial Development Co., Ltd.	20.0	NA	NA	Manufactures and distributes lighting products
Aug 17, 2007	Global Green Tech Group Ltd. [SEHK:274]	Global Cosmetics (China) Co. Ltd.	4.7	13.0	36.2	Engages in the marketing of cosmetics and skincare products

Textiles & Apparels

Li & Fung Ltd. acquired Regatta (USA) for US\$300.0 million and Peter Black Holdings for US\$96.0 million as part of the company's three year plan to strengthen its business in the footwear, health, beauty and cosmetic segments.

Selected Textiles & Apparels Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 15, 2007	Li & Fung Ltd. [SEHK:494]	Regatta (U.S.A.) L.L.C.	300.0	100.0	300.0	New York based female apparel company
Aug 15, 2007	Li & Fung Ltd. [SEHK:494]	Peter Black Holdings Ltd.	96.0	100.0	96.0	Supplies European footwear and provides personal care services

Leisure Equipments & Products

Kelti Daily Product Co. Ltd. successfully raised US\$20.0 million from Prax Capital. Kelti operates 2,400 beauty salons across 29 provinces in China under the brand name Chlitina. Prax Capital will be working with Kelti to expand its sales channels and enhance its service offerings to include nutritional supplements.

China LotSynergy continues to make bolt on acquisitions to further enhance its computerized lottery services. The company acquired 80.0% of both Guangzhou Lottnal Holdings Ltd. and Guangzhou Sanhuan Yongxin Technology Co., both of which are engaged in the development and distribution of computerized lottery systems and equipments in China.

SAIF Partners invested US\$15.9 million in Shenzhen Millennium Star Holdings, a leading Shenzhen based jewelry producer. The proceeds will be used to expand Millennium Star's domestic and international sales network and brand promotion. The company has already engaged Guosen Securities and Shujin Law Firm in preparation for a public listing by late 2008 to early 2009.

Selected Leisure Equipments & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 20, 2007	Prax Capital	Kelti Daily Product Co. Ltd	20.0	NA	NA	One of the largest beauty care chains in China with presence in 29 provinces
Sep 13, 2007	China LotSynergy Holdings Ltd. [SEHK:8161]	Guangzhou Lottnal Holdings Ltd. & Guangzhou Sanhuan Yongxin Tech. Co., Ltd	28.7	80.0	35.9	Researches, develops, manufactures and supplies computerized lottery systems and equipments in China
Sep 13, 2007	SAIF Partners	Shenzhen Millennium Star Holdings Limited	15.9	NA	NA	Provides services in jewelry design, production, distribution, retail, and import and export
Jul 4, 2007	LottVision Ltd. [SGX: M22]	Wu Sheng Technology Co., Ltd.	61.7	100.0	61.7	Manufactures and distributes point of sale systems for the lottery market in China
Jul 3, 2007	NA	Jiangsu Holly Corp. [SHSE:600128]	68.4	NA	NA	Manufacturer of various Chinese handcrafted products

CONSUMER SERVICES

Travel & Leisure

Singapore Airlines Ltd. agreed to pay US\$602.0 million for a 15.7% stake and Temasek Holdings Pte. also agreed to pay US\$320.0 million for an 8.3% stake of China Eastern Airlines Corp. This long awaited deal was originally announced in May and has finally come to an agreement. The strategic alliance will allow Singapore Airlines to transfer managerial expertise and

capital to help China Eastern Airlines to turnaround after two consecutive years of losses mainly due to high jet fuel costs and intensive competition.

Merrill Lynch, Deutsche Bank and return backer, Warburg Pincus jointly invested US\$95.0 million in China's 7 Days Inn. The new funding will be used to expand 7 Days Inn's hotel network from the current 100 hotels mainly in the southern and middle region of China to more than 150 with an emphasis on shifting to the Yangtze River Delta region.

Hanting Hotels Inc. closed its first round of fundraising and raised US\$85.0 million from 5 venture capital investors. The hotel operator will use the new capital to boost the number of hotels under management to a total of 100 by the end of 2007.

Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 2, 2007	Singapore Airlines [SGX:C6L], Temasek Holdings	China Eastern Airlines Corp. [SEHK:670]	922.0	24.0	3,841.7	Chinese state-owned carrier based in Shanghai, rank 3 rd largest with a fleet size of 205 aircrafts by the end of 2006
Sep 1, 2007	Merrill Lynch (Asia Pacific) Ltd., Deutsche Bank AG [DB:DBK], Warburg Pincus LLC	7 Days Inn	95.0	Minority	NA	Hotel chain operator with over 100 hotels mainly in the southern and middle region of China
Aug 28, 2007	Aetos Capital, LLC	Tian Rui Hotel Corp.	50.0	Minority	NA	Master franchisor of Super 8, an economy hostel chain operator
Jul 11, 2007	NA ¹	Star Cruises Ltd. [SEHK:678]	339.7	14.0%	2,426.4	Operates cruise lines in the Asia-Pacific region
Jul 9, 2007	CDH Venture, Chengwei Ventures, IDG-Accel, Northern Light, PinPoint Asset Management	Hanting Hotels Inc.	85.0	Minority	NA	Shanghai based mid-market hotel operator with 40 hotels across 30 cities in China

Education

China's education sector proves to be one of the hottest sectors in the past quarter with a number of investments by leading private equity firms.

Carlyle Group made an investment of US\$20.0 million in NeWorld Education Group for an undisclosed share of ownership. Newworld will use the new capital to grow from the existing 65 schools to a total of 120 with presence in 20 Chinese cities by the end of 2009.

Juren Holdings Inc. closed its Series A round and raised US\$20.0 million with Qiming Ventures Partners as lead investor and participation from SIG. The new funding will enable Juren to further expand its learning center network and course offerings.

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 6, 2007	SAIF Partners	Huayu International Education Group	10.0	NA	NA	Beijing based IT training institution focused on software engineering
Sep 5, 2007	ChinaCast Education Corporation [OTCBB:CEUC]	Wuhan Media and Communications College	40.0	51.0	78.4	Operates as an independent college affiliated with Huazhong Normal University

¹ Investment made by an individual investor.

Selected Education Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 4, 2007	Carlyle Group	NeWorld Education Group	20.0	Minority	NA	Operates 65 private language schools that specialize in providing Japanese language courses
Sep 3, 2007	Qiming Ventures, SIG	Juren Holdings Inc.	20.0	NA	NA	Largest after-school tutoring service provider with 23 schools and 100 learning centers across China
Jul 23, 2007	Huaxi Hope Group	Sichuan May Flower Computer Professional College	19.7	51.0	38.7	IT training institution based in the Sichuan Province
Jul 18, 2007	ChinaCast Education Corporation [OTCBB:CEUC]	Beijing Jing Shi Li Yun Education Tech. Ltd.	5.0	51.0	9.8	Provides e-Learning services for K-12 (primary, middle and high) schools in China

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