

## Consumer Sector

4th Quarter 2007

### China Consumer M&A Quarterly

#### Highlights

- Capital Today and Lian Dong Investment Corp invested US\$40.0 million in KungFu Catering Management, a Chinese fast food chain

KungFu Catering plans to use the new funding to build 100 new outlets by the end of 2008

- Lotte Shopping acquired 49.0% of CTA Makro Commercial, a warehouse storage chain, for US\$82.6 million

Lotte Shopping will control CTA Makro's 7 warehouses, which will serve as the logistical hub for Lotte's hypermarkets

- Gome Electrical Appliance acquired 100.0% of Beijing Dazhong Electronics for US\$488.5 million

Gome will absorb Dazhong's 81 stores, mainly in Beijing and Tianjin. The deal will further bolster Gome's already dominant position in northeast China

- Beiersdorf AG acquired 85.0% of C-BONS Group's hair care and styling business for US\$381.0 million

This acquisition will add a wide range of hair care and related products to Beiersdorf's skin care segment

- Raffles Education acquired 100.0% of Oriental University City for US\$266.1 million

This transaction marks Raffles Education's second purchase in China's education sector in 2007

#### Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong  
+852 2973 5311

#### Beijing

Room 705, East Tower, Twin Towers  
B12 Jianguomenwai Avenue  
Chaoyang District  
Beijing 100022, China  
+86 (10) 8447 7398

#### Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China  
+86 (21) 6288 6555

info@latitudecapital.com  
www.latitudecapital.com

## 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 fourth 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

## CONSUMER MANUFACTURING

### Food & Beverage

KungFu Catering Management Co., a Chinese fast food chain, raised US\$40.0 million from venture capital firms, Capital Today and Guangdong-based Lian Dong Investment. Following the transaction, the company claims that it has obtained adequate capital and it plans to boost the number of its outlets five-fold to 1,000 in three years before going public. KungFu is aiming to add 100 on top of its existing 200 chain outlets by the end of 2008.

Shanghai Dairy Group and SI Food Products Holdings, the major shareholders of Shanghai Bright Dairy & Food acquired an additional 20.0% of Shanghai Bright from Danone Asia Pte Ltd. for US\$127.1 million. This transaction is a result of Shanghai government's drive to consolidate the food sector in 2007. Upon completion, Shanghai Dairy and SI Food Products will each own 35.2% in Shanghai Bright, up from 25.2% each.

FU JI Food and Catering Services Holdings acquired 60.0% of Sky Charm Group for US\$103.1 million. Sky Charm owns and operates the Golden Hans Chain Restaurants, which serves South American-style barbeque buffet and operates 33 restaurants across 24 cities in China. This acquisition enables FU JI to consolidate its existing raw materials procurement and distribution network with Golden Hans' and enjoy significant cost savings.

### Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 20, 2007	Carlyle Group	DIO F&B Group	21.0	NA	NA	A western cuisine and coffee chain store with 300 outlets across 23 provinces in China
Nov 2, 2007	Sequoia Capital, SIG Asia Investment	Country Style Cooking Co., Ltd.	20.0	NA	NA	Chinese fast food restaurant chain with 45 restaurants across Chongqing, Shanghai and Chengdu
Oct 26, 2007	Capital Today Group, Lian Dong Investment Corp.	Kungfu Catering Management Co., Ltd.	40.0	NA	NA	Chinese fast food chain with 200 outlets in Guangdong, Shanghai and Beijing.
Oct 15, 2007	Shanghai Dairy Group Co., SI Food Products Holdings Ltd.	Shanghai Bright Dairy And Food Co., Ltd. [SHSE: 600597]	127.1	20.0	635.5	Produces and sells dairy products, such as fresh and calcium milk, yogurt, butter and cheese
Oct 1, 2007	NA <sup>1</sup>	Zhongpin Inc. [OTCBB: ZHNP]	50.0	NA	NA	Specializes in processing pork products, vegetables and fruits in China

<sup>1</sup> Not publicly disclosed.

### Selected Food & Beverage Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Oct 1, 2007	FU JI Food and Catering Services Holdings Limited [HKSE: 1175]	Sky Charm Group Ltd.	103.1	60.0	171.9	Operates Golden Hans, a buffet restaurant chain, with 33 restaurants across China
Sep 28, 2007	SAIF Partners	Jiangxi Runtian Natural Beverage and Food Co., Ltd	26.7	NA	NA	Produces natural beverages with 3 production plants across China

### Consumer Appliances & Household Products

Beiersdorf AG paid US\$381.0 million to acquire 85.0% of C-BONS Group's hair care and styling business. This acquisition will complement Beiersdorf's skin care business with C-BONS' wide range of hair care products.

### Selected Consumer Appliances & Household Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 20, 2007	SEB SA [ENXTPA: SK]	Zhejiang Supor Cookware Co., Ltd. [SZSE: 002032]	311.3	22.7	1,371.0	Manufactures and sells cookware in China
Nov 19, 2007	Hisense Kelon Electrical Holdings Company Limited [SZSE: 000921]	White Goods Business of Qingdao Hisense Air-conditioning Company Ltd.	382.5	100.0	382.5	Manufactures, sells and markets air-conditioners and refrigerators
Nov 13, 2007	Guangzhou Chengxin Venture	Lucky Film Co., Ltd. [SHSE: 600135]	37.0	20.0	185.0	Produces and sells photography films and related products
Dec 25, 2007	Morgan Stanley Private Equity	Kebao & Boloni Kitchen & Bathroom Furniture Co., Ltd.	19.0	10.0	190.0	Designs, produces and distributes kitchen and bathroom furniture
Nov 17, 2007	Plantation Timber Products Group	Asia Dekor Holdings Ltd. [SGX: A73]	175.0	100.0	175.0	Manufactures, distributes, and sells laminated floor and related products in Asia
Oct 18, 2007	Legend Capital	Shanghai Sihe Wood Co., Ltd.	20.0	NA	NA	Leading manufacturer of specialized 3-layer & multi-layer engineered wood and solid bamboo flooring
Oct 2, 2007	Beiersdorf AG [DB: BEI]	C-BONS Group	381.0	85.0	448.2	Leading provider of personal hygiene and hair care products in China

### Textiles & Apparels

New Belle (Shenzhen) Footwear Co, a wholly-owned unit of Belle International Holdings Ltd., paid US\$75.9 million to acquire 100% of Shanghai Aurora Footwear Co. By acquiring Shanghai Aurora, New Belle will vertically integrate Aurora's Shanghai-based production and warehouse facility with New Belle's current business model, which significantly improves production capacity and efficiency.

Youngor Group Co., a leading apparel manufacturer, paid US\$120.0 million to acquire 100% of Smart Shirts Ltd. This acquisition gives Youngor access and control to Smart Shirts' manufacturing facilities in China, Sri Lanka, Philippines and Singapore. Upon completion of the transaction, Youngor will become the world's largest manufacturer of men's wear.

### Selected Textiles & Apparels Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 18, 2007	New Belle (Shenzhen) Footwear Co., Ltd.	Shanghai Aurora Footwear Co., Ltd.	75.9	100.0	75.9	Original equipment manufacturer of footwear products
Nov 15, 2007	Li Ning Co., Ltd. [SEHK: 2331]	Shanghai Double Happiness Co., Ltd.	41.1	57.5	71.5	Develops, manufactures and distributes table tennis and badminton equipments
Nov 13, 2007	Belle International Holdings Limited [SEHK: 1880]	5 subsidiaries of Jiangsu Senda Group Co., Ltd.	18.7	100.0	18.7	Manufactures and distributes footwear products through brands such as: "Senda" and "Basto"
Nov 7, 2007	Youngor Group Co., Ltd. [SHSE: 600177]	Smart Shirts Ltd.	120.0	100.0	120.0	Produces shirts and blouses through manufacturing facilities in China, Sri Lanka, Philippines and Singapore
Oct 28, 2007	Belle International Holdings Limited [SEHK: 1880]	Ossia Marketing Co., Ltd.; Ossia International (HK) Limited	77.4	100.0	77.4	Distributes footwear products in Hong Kong, Macau and Mainland China

### Leisure Equipments & Products

Singapore-based Hosen Group Ltd. invested US\$36.4 million to acquire 49.0% of Shenzhen Catic System Integration Co., Ltd. Shenzhen Catic provides patented cashless self-service payment gateways through its lottery terminals in China. It is the first and only such company to be licensed by China's Welfare Lottery System, and it expects to roll out the system to two more major cities over the next six months.

### Selected Leisure Equipments & Products Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 27, 2007	Hosen Group Ltd. [SGX: 5EV]	Shenzhen Catic System Integration Co., Ltd.	36.4	49.0	74.3	Provides patented cashless lottery payment gateway through its lottery terminal
Nov 23, 2007	GTECH Global Services Corporation	Tabcorp International Hong Kong Ltd.	20.0	50.0	40.0	Provides lottery operating systems, terminals and technical support

## CONSUMER SERVICES

### Retailing

South Korea-based Lotte Shopping Co., Ltd. acquired 49.0% of CTA Makro Commercial Co., Ltd., a warehouse storage chain, for US\$82.6 million. Lotte Shopping will control CTA Makro's 7 warehouses, which will serve as the logistical hub for Lotte's hypermarkets. Lotte expects to roll out 100 hypermarkets across China over the next five years.

Gome Electrical Appliance Holdings acquired 100.0% of Beijing Dazhong Electronics Appliance Ltd. for US\$488.5 million. This strategic acquisition was sealed shortly after arch-rival, Suning Appliance, scrapped its plan to acquire Dazhong. Gome will absorb Dazhong's 81 stores in Beijing and Tianjin, which further enhances Gome's already dominant position in northeast China.

### Selected Retailing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 17, 2007	Lotte Shopping Co., Ltd. [KOSE: A023530]	China Trade Association Makro Commercial Ltd.	82.6	49.0	168.7	Provides warehouse storage services with 5 locations in Beijing and 2 in Tianjin
Dec 14, 2007	GOME Electrical Appliances Holding Ltd. [SEHK: 493]	Beijing Dazhong Electrical Appliance Co., Ltd.	488.5	100.0	488.5	Fourth largest electrical appliances retail chain with 81 stores across China
Oct 30, 2007	Warburg Pincus	Redstar Macalline Furniture Group	200.0	20.0	1,000.0	Retails household products with 37 outlets across 25 cities in China
Oct 23, 2007	Beijing Wang Fu Jing Department Store (Group) Co., Ltd. [SHSE: 600859]	Chengdu Wang Fu Jing Department Store Co., Ltd.	38.3	42.5	90.1	Retails household products, appliance and apparels in Chengdu
Oct 15, 2007	Shanghai Agriculture Industry Commerce Supermarket Co., Ltd.	Kedi Convenience Store Co., Ltd.	30.2	81.0	37.3	Convenience store chain with 1,200 stores across 21 cities in China
Oct 12, 2007	Sichuan Xinhua Winshare Chainstore Co., Ltd. [HKSE: 811]	Xinhua Liutong Co., Ltd.	16.0	45.0	35.5	A sino-foreign joint venture that wholesales and retails books, newspapers and periodicals

### Travel & Leisure

Home Inns & Hotels Management, an economy hotel chain, paid US\$45.3 million to acquire 100.0% of Shanghai Top Star Hotel Management, which operates 26 economy hotels across 18 Chinese cities. With this acquisition, Home Inns controls a network of more than 320 hotels across 80 Chinese cities.

### Selected Travel & Leisure Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 7, 2007	NA	Lotus Foot Massage Co., Ltd.	10.0	NA	NA	Operates a foot massage chain with over 100 franchise stores in more than 40 Chinese cities
Oct 22, 2007	Home Inns & Hotels Management Inc. [NASDAQ: HMIN]	Shanghai Top Star Hotel Management Co., Ltd.	45.3	100.0	45.3	Operates an economy hotel chain with 26 hotels across 18 Chinese cities

### Marketing

Germany-based GfK Market Consulting, a leading market research and surveying company, acquired two Chinese market research companies, Beijing China Market Monitor and SINO Market Research for US\$6.7 million and US\$13.3 million respectively. The acquisitions significantly enhance GfK's market research capabilities in China.

### Selected Marketing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Oct 16, 2007	GfK Market Consulting (Shanghai) Co., Ltd.	China Media Monitor Co., Ltd.	6.7	100.0	6.7	Provides market research and consulting services in consumer, pharmaceuticals, and retail sectors
Oct 16, 2007	GfK Market Consulting	Sino Market Research Co., Ltd.	13.3	100.0	13.3	Provides market research services in telecom,

**Selected Marketing Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
	(Shanghai) Co., Ltd.					consumer and home electronics sectors
Oct 1, 2007	WPP Group plc [LSE:WPP]	Dawson Integrated Marketing Communications	NA	51.0	NA	Offers marketing services to clients such as Nokia and Guangdong Mobile

**Education**

Ambow Education Group, a leading education service provider in China, raised US\$54.0 million from Macquarie Bank Group, CID Capital, Cisco Systems and Avenue Capital. This transaction is the largest private placement round to date for the Education sector. Ambow plans to apply the funding for business expansion and acquisitions.

Raffles Education Co. acquired 100.0% of Oriental University City for US\$266.1 million and further expands its market share in China's education market. Raffles Education already operates 8 design colleges and 1 vocational and technical institute in China. The company is planning to list Raffles Education China, the holding company of its Hong Kong and China assets, before the end of 2008.

**Selected Education Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 14, 2007	NA	Wejax International Education Group	50.0	NA	NA	Provides business administration training services
Nov 1, 2007	Shenzhen Daxin Investment Co., Ltd.	Best Study (aka Guangzhou Zhuoyue Educational Institute)	8.0	NA	NA	Provides 1-on-1 interactive after-class educational services in Guangzhou
Oct 18, 2007	CDH Investments	Xueda Education Technology Co. Ltd (21edu.com)	10.0	NA	NA	Provides 1-on-1 online education service to K-12 students
Oct 10, 2007	Macquarie Bank Group, CID Capital, Cisco Systems and Avenue Capital	Ambow Education	54.0	NA	NA	Provides online learning platforms and services to schools
Oct 10, 2007	Raffles Education Corp. [SGX: R17]	Oriental University City	266.1	100.0	266.1	Engages in the development, operation and management of educational assets in Langfang, Hebei Province

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### **Hong Kong**

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong

Tel +852 2973 5311  
Fax +852 2295 3979

### **Beijing**

Room 705, East Tower, Twin Towers  
B12 Jianguomenwai Avenue  
Chaoyang District, Beijing 100022, China

Tel +86 (10) 8447 7398  
Fax +86 (10) 8447 7396

### **Shanghai**

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China

Tel +86 (21) 6288 6555  
Fax +86 (21) 6288 6585

[info@latitudecapital.com](mailto:info@latitudecapital.com)

[www.latitudecapital.com](http://www.latitudecapital.com)

 **LATITUDE**  
CAPITAL GROUP