

ASIAN CONSUMER & LUXURY NEWSLETTER

DECEMBER 2010, ISSUE 1

A quarterly newsletter of developments in the consumer & luxury products sector in Asia

Welcome to the Asian Luxury & Consumer Products Newsletter. This publication was initiated to address the increasing M&A activity in the luxury and consumer sectors. 2010 has underscored the importance of Asian markets to luxury and consumer brands, and we expect inbound and outbound M&A activity to accelerate in 2011.

Brands which are attractive to Asian consumers will see M&A interest from established Western and Japanese consumer and luxury acquirers, and increasingly from Greater China and other Asian markets. The need for foreign brand owners to gain access to the growing middle class and luxury goods consumers in Asia will drive

significant M&A and investment activity in the near term.

Business Development Asia (“BDA”) is an investment banking firm which advises on cross-border transactions in Asia, especially acquisitions, divestments, joint ventures and capital raising. We have offices throughout Asia, the Middle East, Europe, and the US. If you think that BDA’s services may be useful to you, or you would like to speak to a member of our Luxury Goods Practice team, please contact us at one of our offices or email me at pdigiacomobdallc.com.

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CONTENTS	
FASHION & LUXURY	1
FOOD & BEVERAGE	3
FOOD SERVICE	4
PERSONAL CARE	4
RETAIL	5

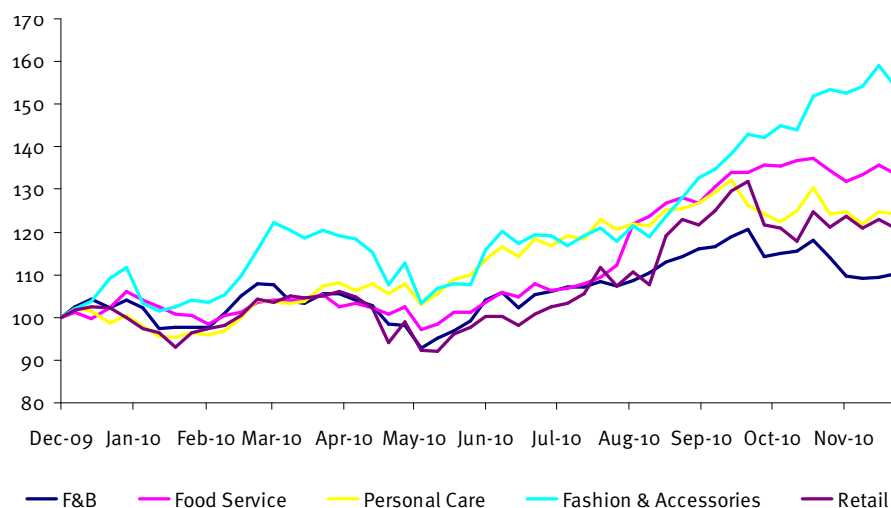
Fashion & Luxury

Burberry Group has acquired 50 stores in China from its former master franchisee **Kwok Hang Holdings** for US\$106m. The stores cover 30 cities across China, including nine stores in Beijing and four in Shanghai. The acquisition will help to accelerate Burberry’s growth in a market in which the company has had a presence for 20 years. *July 16, 2010*

Fashion and You, an online apparel retailer based in India, has raised US\$8m from venture capital firm **Sequoia Capital** to expand its supplier relationships and supply chain infrastructure. Fashion and You is a members-only website that retails premium international brands at a discount. *December 8, 2010*

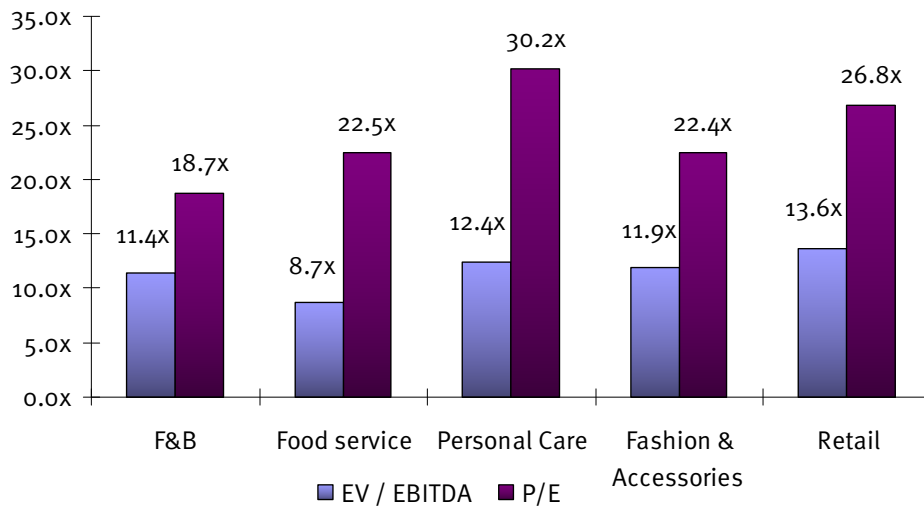
Formosa International Hotels, the

Asian Consumer Companies Stock Indices for Selected Sectors
(12 months ending 15Dec10)



Source: Capital IQ, BDA

Consumer & Luxury LTM Trading Multiples (15Dec10)



Source: Capital IQ, BDA

largest hotel group based in Taiwan and the operator of the *Grand Formosa Regent Taipei*, has announced that it will acquire the **Regent** hotel business from **Carlson** and the **Rezidor Hotel Group** for US\$56m. The acquisition includes the global *Regent* brand, all associated intellectual property, the hotel management and lease contracts. Currently Regent manages 17 hotels, in operation or under construction, in Europe, Asia, America, and the Middle East, with total inventory of 4,000 guest rooms. In addition it has the license for *Regent Seven Seas Cruises*, which is based in Fort Lauderdale. *April 22, 2010*

Fosun Group, China's largest privately owned conglomerate, has acquired 7% of holiday resort operator **Club Med**. Club Med hopes to make China its second largest market in the next five years. Fosun will provide support in China on areas including human resources, conference management, media and communications. *July 14, 2010*

Horiyoshi Worldwide, formerly **Kranti**

Resources, a US-based investment holding company, has completed the acquisition of the Japanese fashion apparel design and production house **Horiyoshi the Third Limited ("HIII")**. HIII is rapidly expanding its distribution platform with the line currently being sold in approximately 45 luxury boutiques and department stores in 25 cities worldwide. Horiyoshi Worldwide has also recently secured a retail distribution partnership in Greater China with **The Swank**, a Hong Kong based multi-brand fashion house that has successfully introduced China to global luxury brands such as *Roberto Cavalli*, *Valentino*, *Yves Saint Laurent*, *Givenchy*, and *Mulberry*. *December 9, 2010*

December 9, 2010

Intel Capital, **DFJ** and **Sequoia Capital China** have jointly invested a total of US\$17m in **OkBuy.com**, a China-based e-business website. This was the second round of financing completed by OkBuy.com. Sequoia Capital China also participated in the first round of

financing of OkBuy.com. OkBuy is one of the largest Chinese e-commerce websites selling branded shoes. Brands include *Nike*, *Adidas*, *Converse*, *Reebok*, *Daphne*, *Montagut* and *Salomon*. *October 25, 2010*

LJ International, a listed Hong Kong-based company that sells the *Lorenzo* brand of fine jewelry to retailers in Europe and North America, has finalized US\$26m of financing through a private stock placement and a credit facility with **ICBC**. Combined with internal cash flows, the new funds will be mainly used for the planned expansion of its *ENZO* retail chain in China. Through its *ENZO* stores, LJ is now a major presence in China's fast-growing retail jewelry market. *October 22, 2010*

Lotte Shopping Co will acquire 54% of **NCF Co**, a Korean manufacturer of women's apparel from **Dae Hyun Co**, for an estimated US\$18m. Dae Hyun currently markets womenswear and accessories under the brands *blu:pepe*, *CC Club*, *ZOOC* and *MOJO.S.PHINE* in Korea. NCF is a majority-owned subsidiary of Dae Hyun, and manufactures and distributes high-fashion womenswear under the brand *COORDI*. *November 29, 2010*

Mbaobao.com has raised US\$30m from **DCM** and **Legend Capital**. Mbaobao.com is one of the largest online bag retailers in China. It has established Mbaobao Europe Fashion Research Center in Venice in Italy, and has built a bag production base in Jiaxing, Zhejiang Province. The company is experiencing rapid growth and has 10,000 categories of bags and cases, with product lines involving multiple sectors including fashion, business, leisure and outdoor sports. *September 17, 2010*

September 17, 2010

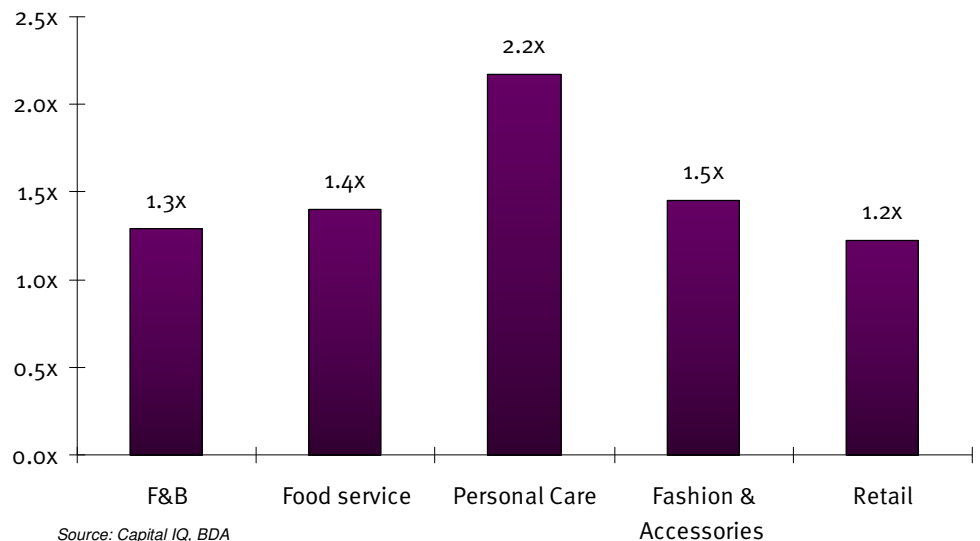
Prodos Capital, a US private equity firm, and **Samsung Group** have agreed to jointly acquire Italian fashion house **Gianfranco Ferré** for an estimated US\$20m, with Prodis assuming a majority stake. The new owners plan to expand the label in Asia through partnerships. Ferré was part of Italian fashion group **IT Holding SpA** prior to declaring bankruptcy in 2009. *September 27, 2010*

PUMA will increase its stake to 100% in its long-term Chinese JV **Liberty China Holding**, effective 1 January 2011. After the transaction, PUMA will be in full control of its business activities in China and Hong Kong. Liberty China has been a JV between PUMA and **Swire Resources**, in which PUMA had owned 51%. *October 26, 2010*

Sanrio Co, the character creator, has partnered with Hong Kong trading house **Li & Fung** to accelerate its overseas expansion. Li & Fung, which has acquired 1% of Sanrio, operates the **Toys "R" Us** chain in China and Southeast Asia, and has developed close relationships with European and U.S. retailers. Sanrio hopes to take advantage of Li & Fung's global network to expand overseas sales of its *Hello Kitty* products. *October 16, 2010*

Steamboat Ventures, an investment arm of **Walt Disney**, and **Morningside Ventures** have invested a combined US\$10m in **Shangpin.com**, a Chinese luxury shopping website. This was the second round of financing received by Shangpin.com which was launched in May 2010. Morningside Ventures and Lei Jun, the Chairman of **UCWEB** and former **Kingsoft** CEO, were among those who provided the first round of financing to the company in 2009. *October 24, 2010*

Consumer & Luxury LTM Price/Rev Ratios (15Dec10)



Source: Capital IQ, BDA

Tokyo Style will acquire a 51% stake in **Beijing M. Tsubomi Fashion**. Founded in 1996 by Japanese designer, Tsubomi Murayama, Beijing M. Tsubomi Fashion markets its *M. Tsubomi* brand of high-end women's wear in 62 locations in China. It had revenue of US\$14m in 2009. *August 30, 2010*

Vipshop, a "flash sales" membership-based retail website in Beijing has raised US\$20m from **DCM** and **Sequoia Capital China** in its first round of venture funding. Vipshop is an online shopping platform offering brand-name clothes, accessories and makeup through time-sensitive online discounted offers. *November 8, 2010*

Wooha Corp launched its new version, making it the first player in China to exclusively target the **online marketing and sales of high-end luxury brands**. Wooha aims to become the premier retail channel and content provider for the latest high-end fashion lines from brands including *Burberry*, *Gucci* and

Prada, through a mixture of targeted online and offline activities to bring the "luxury experience" to China.

October 28, 2010

Food & Beverage

Asian Citrus Holdings, China's largest orange grower, will acquire **Beihai Perfuming Garden Juice Company ("Beihai BPG")** for US\$263m. Beihai BPG is currently backed by a group of private equity firms led by **Lunar Capital** who will divest their combined 25% stake in the company as a part of the transaction. Beihai BPG is a producer and seller of tropical fruit juice concentrates, fruit purees and quick-frozen fruits in China with an annual production capacity of over 60,000 tons. *October 14, 2010*

Beijing Yanjing Brewery will acquire a 90% stake in **Henan Yueshan Brewery** for US\$34m. Yueshan has a capacity of 400,000 tons of beer. *August 26, 2010*

Bright Food, the Shanghai Government controlled food group, has recently entered into exclusive talks with **Blackstone** and France's **PAI** to acquire **United Biscuits**, in a deal that would value the maker of *Jaffa Cakes* and *Twiglets* at almost US\$4bn including debt. Meanwhile, it has been reported that Bright Food is simultaneously reviewing several other acquisition opportunities. These include **Yoplait**, the yoghurt maker jointly owned by PAI and a French co-operative, and **GNC**, the retailer of nutritional products with which the Chinese group entered into a joint venture earlier this year.

October 28, 2010

Groupe Danone, the world's leading food and beverage group, has agreed to sell its 23% stake in China's biggest pure-juice maker **Huiyuan** to **SAIF Partners**, a venture capital fund focused on investments in China and India, for US\$260m. *July 28, 2010*

Heinz has completed the acquisition of **Foodstar**, a leading producer of soy sauces and fermented bean curd in China, from **Transpac**, a Singaporean private equity group. Foodstar's *Master Weijixian* premium soy sauce and *Guanghe* fermented bean curd are strong brands in the Southern region of China. *November 4, 2010*

Lotte Samkang, an ice-cream maker that is part of South Korean conglomerate **Lotte Group**, will acquire **Pasteur Milk**, the eighth-largest dairy products manufacturer in Korea, for approximately US\$780m. Seoul-based Pasteur is best known for its low-temperature sterilized milk, and also sells milk powder and yoghurt.

October 5, 2010

Food Service

Beijing Jiahe Yipin Enterprise Management has obtained US\$15m in funding from two VCs, **Sequoia Capital China** and **Yonghua Capital**. The company operates over 50 *Jiahe Yipinzhou* outlets, offering Chinese-style fast foods dominated by congee, and owns a modern central kitchen and distribution center in Beijing.

October 18, 2010

China Resources Enterprise, the country's largest brewer, has acquired control of Hong Kong's second largest coffee chain, **Pacific Coffee Group**, from **Chevalier Pacific Holdings**. China Resources will pay US\$42m for 80% of Pacific Coffee. The chain has 83 outlets in Hong Kong, compared with more than 100 for Starbucks, the largest coffee-shop operator in both China and the world. *June 30, 2010*

Jollibee Foods agreed to acquire a 55% stake in **Guangxi San Ping Wang Food and Beverage Management Company** from **Guangxi Zong Kai Food Beverage Investment Company** for US\$5m. The target firm operates the *San Pin Wang* beef noodle business and has 34 stores located mostly in Nanning City in Guangxi Province in South China.

October 27, 2010

Longrun Tea Group has agreed to acquire a 71% stake in **Tea Story's** teahouse franchise network in the PRC for US\$0.7m. Tea Story's major products include bubble tea, cocoa beverages, fruit drinks, shakes, slushies and Taiwanese light refreshments. The chain has over 400 outlets in the PRC, mainly located in Hunan, Yunnan, Guangdong and Zhejiang Provinces. *September 7, 2010*

USANA Health Sciences, which makes

nutritional and weight-management products, has acquired **BabyCare**, a China-based company that develops and sells infant formula and other nutritional products, for US\$63m, including US\$45m in cash and 400,000 shares of USANA stock. *August 16, 2010*

Personal care

Avon Products, a beauty products company, has agreed to sell its 75% stake in **Avon Japan** to **TPG**, the global private equity group. TPG will pay US\$90m for Avon's stake in its Japan operation as well as for pre-paid royalties for certain intellectual property licenses. *November 12, 2010*

Coty, the world's largest perfume company owning brands such as *Balenciaga*, *Bottega Veneta* and *Marc Jacobs*, will acquire an undisclosed majority stake in Chinese skin-care group **T Joy** for US\$400m. T Joy's product portfolio aims at two high-growth areas of the Chinese skincare market, male grooming and skin whitening products. The transaction is the latest move of Coty toward becoming a diversified beauty company. *December 7, 2010*

Godrej Consumer Products acquired 100% of **Naturesse Consumer Care Products** and **Essence Consumer Care Products**, the entities behind *Swastik* and *Genteel* personal and household care brands, from **Muskan Projects** for US\$9m. *Swastik* mainly markets soap products while *Genteel* is the second largest liquid detergent brand after GCP's *Ezee* in India. *December 3, 2010*

Li & Fung, the Hong Kong trading house, has acquired **Jackel Group**, a Hong Kong

based company which is engaged in the perfumery and cosmetics formulation and filling services for clients such as *Elizabeth Arden*, *Victoria's Secret* and *Coty*. *May 31, 2010*

L'Occitane, the skincare products retailer based in France, became the first French company to go public in Hong Kong. It raised US\$708m from **Hong Kong IPO**. *L'Occitane* products are currently sold in more than 80 countries through 1,500 outlets, of which it owns 753. The company plans to open up to 650 new outlets in the next five years, aiming to expand in the Asia-Pacific region and high-growth emerging markets. *May 1, 2010*

Shiseido, the Japanese cosmetics player, will acquire the remaining 50% it does not own in its Hong Kong distribution subsidiary, **Shiseido Dah Chong Hong Cosmetics ("SDC")**, for US\$64m. The acquisition is targeted to enhance the company's business in China. Through SDC, Shiseido supplies *Shiseido* and non-*Shiseido* brand cosmetics in Hong Kong, Macau and mainland China. *May 12, 2010*

Retail

Big C, the second largest hypermarket operator in Thailand, has signed a definitive agreement with **Carrefour** to acquire its **business operations in Thailand** for a total consideration of US\$1.2bn. Carrefour Thailand operates a network of 42 stores, of which 34 are hypermarkets and 37 are shopping centers. Big C and Carrefour's Thai networks present strong geographical complementarities which would enable

Big C to double its presence in the Greater Bangkok area. *November 15, 2010*

Carrefour has acquired a 51% stake in Chinese hypermarket operator **Baolongcang**. Baolongcang is one of the major hypermarket operators in Hebei, near Beijing, with 11 stores. *July 15, 2010*

HNA Retailing Holding announced that the company has paid US\$136m to acquire **Shanghai Jiadeli Supermarket**, Shanghai's fourth largest supermarket chain. Jiadeli was previously owned by **ARC Capital**, an AIM-listed private equity fund which primarily invests in the retail and consumer products sectors in China. Jiadeli, which had net assets of US\$48m at the end of May 2009, owns a chain of 154 supermarkets in Shanghai, Jiangsu, Zhejiang and Anhui. *October 27, 2010*

ITOCHU Corporation and the **Lotte Group** have acquired a 63% stake in a Chinese television shopping company **Lucky Pai**. Lucky Pai will introduce Lotte's experience in TV shopping as well as taking advantage of ITOCHU's established procurement network. *July 30, 2010*

Lawson, the Japanese convenience store chain will acquire music retailer **HMV Japan** from an investment arm of **Daiwa Securities Group** for US\$22m. HMV Japan currently operates over 62 music and CD retail stores in the country. *October 27, 2010*

PT Multipolar, a leading Indonesian strategic investment group, will acquire **Congrex Limited** for US\$44m from **Lippo China Resources**. Currently, Congrex operates two Robbinz-branded

department stores in Tianjin and Chengdu, and will subsequently establish another department store in Yangzhou. *August 9, 2010*

Rakuten, Japan's largest e-commerce company, and **Baidu**, the leading Chinese language Internet search provider, launched a JV e-commerce marketplace in China. The two parties will jointly invest US\$50m over the next three years to build a new online shopping mall, named **Lekutian**. *October 18, 2010*

Shanghai Friendship Group has agreed to acquire rival department store chain **Shanghai Bailian Group** for RMB16bn (US\$2.5bn) in a stock swap, as the city government pushes state-owned companies to merge. Friendship also owns 34% of Hong Kong-listed **Lianhua Supermarket**. *November 4, 2010*

Selected Asia Consumer & Luxury Related Transactions with Multiples (12 months ending in 15Dec10)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
4-Nov-10	Shanghai Bailian Group Co Ltd	China	Shanghai Friendship Group Inc	China	\$2,528.0	100.0%	15.3x	1.7x	40.1x
11-Oct-10	Beihai Perfuming Garden Juice Co Ltd	China	Asian Citrus Holdings Ltd	Hong Kong	\$263.0	92.9%	-	4.1x	11.2x
28-Sep-10	Tianjin Ting Fung Starch Dev Co Ltd	China	Great System Holdings Ltd	BVI	\$14.0	51.0%	-	1.0x	5.5x
14-Sep-10	Shanghai Jiadeli Supermarket Co Ltd	China	HNA Retailing Holding Ltd	China	\$136.0	100.0%	-	0.4x	20.6x
16-Aug-10	Pine Agritech Ltd	China	Link Crest Ltd	China	\$323.0	59.0%	-	2.8x	10.3x
16-Aug-10	BabyCare Ltd	China	USANA Health Sciences Inc	US	\$63.0	100.0%	-	4.1x	-
28-Jul-10	China Huiyuan Juice Group Ltd	China	SAIF Partners	Hong Kong	\$261.0	23.0%	16.2x	2.7x	33.2x
30-Jun-10	Shiseido Dah Chong Hong Cosmetics Ltd	Hong Kong	Shiseido Co Ltd	Japan	\$64.0	50.0%	-	-	7.7x
29-Jun-10	Pacific Coffee Holdings Ltd	Hong Kong	China Resources Enterprise Ltd	Hong Kong	\$42.0	80.0%	-	-	23.1x
10-Jun-10	Chongqing Brewery Co Ltd	China	Carlsberg A/S	Denmark	\$349.0	12.3%	33.7x	8.9x	108.6x
2-Mar-10	Sichuan Swellfun Co Ltd	China	Diageo Plc	UK	\$833.0	60.3%	19.5x	5.8x	32.5x
4-Feb-10	Shandong Xiwang Food Co Ltd	China	Hunan Ginde Dev Co Ltd	China	\$139.0	100.0%	9.1x	0.9x	11.1x
20-Jan-10	Win Power Investment Ltd	China	China Mining Resources Group Ltd	Hong Kong	\$90.0	77.8%	-	10.8x	-
18-Jan-10	Hongguo International Ltd	China	Info Giant Investments Ltd	Singapore	\$84.0	100.0%	4.4x	0.5x	-
				Median	\$137.5	78.9%	15.8x	2.8x	20.6x

Source: Capital IQ, BDA

The stock indices and trading multiples graphs shown in this newsletter represent the ten largest publicly traded consumer products companies in Asia.

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through acquisitions, divestments, JVs, and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices listed.

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