

# ASIAN CONSUMER & LUXURY NEWSLETTER

SEPTEMBER 2011, ISSUE 4

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

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 Consumer & Luxury Goods Practice team, please contact us at one of our offices or email me at [pdigiacomobdallc.com](mailto:pdigiacomobdallc.com).

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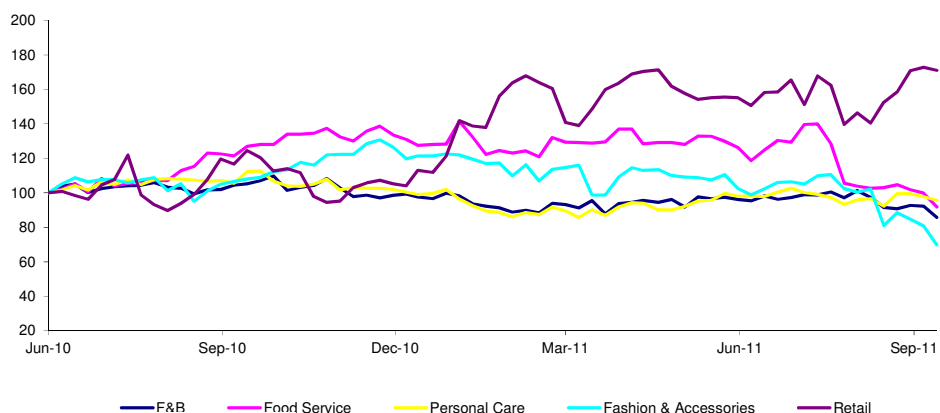
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## Fashion & Luxury

**Cheng Yu-Tung**, the Hong Kong billionaire, and **his family** have acquired **five luxury hotels**, including **Manhattan’s Carlyle**, from US-based co-owners **Maritz, Wolff & Co** and **Rosewood Corp**, for US\$570m. Last month, **New World Development**, which is also controlled by the Cheng family, agreed to acquire luxury hotelier **Rosewood Hotels & Resorts** for US\$230m from the same US hotel management groups. *August 1, 2011*

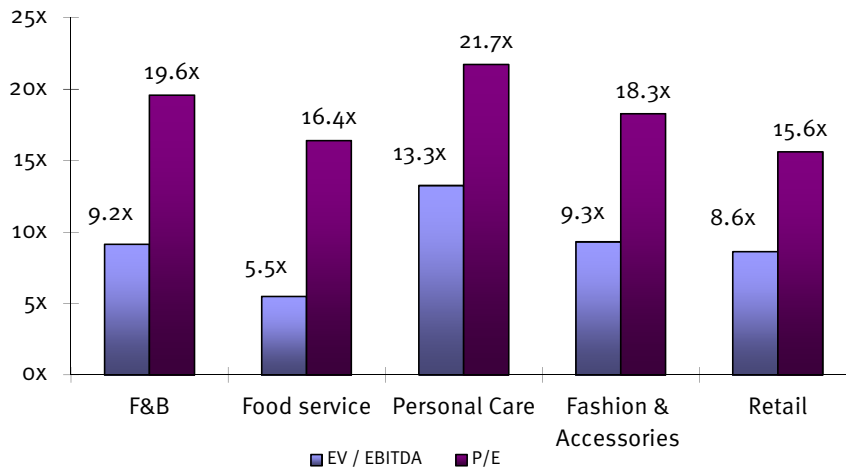
**China Haidian**, a Hong Kong-listed watchmaker, has acquired Swiss watch business **Eterna** for HKD213m (US\$27m). Eterna primarily manufactures and trades watches under its own brand, but also under the **Porsche Design** brand. It has been the global licensee for **Porsche Design** watches since 1998. *June 30, 2011*

Asian Consumer Companies Stock Indices for Selected Sectors  
(12 months ending 30Sept11)



Source: Capital IQ, BDA

## Consumer &amp; Luxury LTM Trading Multiples (29Sep11)



Source: Capital IQ, BDA

**E-Land Fashion China** has agreed to acquire an additional 21% stake in **Mudra Lifestyle**, a Mumbai-based, branded apparel business, from the existing promoters for US\$13m. Upon completion of the transaction, E-Land Fashion China will become the majority shareholder with a 66% stake.

July 25, 2011

**Ferretti**, the world's leading yacht manufacturer, has signed a non-binding MoU for a JV with **Shandong Heavy Industry Group**, a Chinese manufacturer of engines, generators and propulsion systems. The JV would focus on the design, production, and sales of yachts in Greater China and other emerging markets.

July 19, 2011

**Gitanjali Gems**, India's largest jewelry retailer, plans to acquire a **Chinese jewelry manufacturer and retailer** by the end of 2011. Gitanjali, which sells diamond jewelry under the brands *Gili*, *Nakshatra*, *Asmi*, and *D'Damas* in India, has recently acquired four Italian jewelry brands from Dubai's jewelry

group **Damas International**.

August 5, 2011

**Itochu**, the Japanese trading conglomerate, plans to acquire 30% of China-based textile company **Shandong Ruyi Group** for US\$200m. Shandong Ruyi already has a 41% stake in the listed Japanese apparel company **Renown**. Upon completion of the transaction, Itochu would have an indirect interest of approximately 12% in Renown.

August 31, 2011

**L Capital Asia**, sponsored by luxury goods conglomerate **LMVH**, has acquired 26% of **Genesis Luxury Fashion** from its Founder **Sanjay Kapoor**, with an option to acquire additional equity in the next three years. Genesis is engaged in the distribution of luxury fashion labels in India with brands such as *Canali*, *Paul Smith*, *Just Cavali*, *Bottega Veneta* and *Jimmy Choo*. The transaction value is expected to be between US\$25m and US\$100m.

August 10, 2011

**Mandarin Capital Partners** has agreed

to invest US\$56m into **Miroglio**, an Italian fashion group. Miroglio, Italy's second largest fashion group has 12,000 employees and 2,000 outlets in 36 countries. The company generated revenue of EUR1bn (US\$1.4bn) in 2010. *Motivi*, a brand belonging to Miroglio which targets the same group of consumers as *Zara*, is expected to open over 100 outlets in China in the next three years.

June 13, 2011

**PVH Corp**, the current owner of the **Tommy Hilfiger** brand rights worldwide (aside from India), plans to acquire from Mohan Murjanithe the rights to the brand in India. Murjani helped launch **Tommy Hilfiger** in the US. He exited the venture in 1989, but still holds the rights for the brand in India. In 2006, Tommy Hilfiger sold his company to **Apax Partners** for US\$1.6bn, and in 2010, **PVH Corp** acquired it from Apax for US\$3bn.

July 29, 2011

**Shangpin.com**, a Beijing-based luxury retail website, has raised US\$50m in its third round of fundraising from **Chengwei Capital**, **Steamboat Ventures** and **Morningside**.

July 29, 2011

**Vancl** has completed five rounds of financing, raising over US\$200m. Vancl has designated five investment banks including **CICC**, **Citi**, **Credit Suisse**, **Goldman Sachs** and **Morgan Stanley**, to arrange its **US\$1bn IPO in the US** by the end 2011.

June 20, 2011

**Xiu.com**, the Shenzhen-based luxury shopping website, has received US\$100m second round funding from **Warburg Pincus** and **KPCB**. It is the largest E-commerce investment for Warburg Pincus globally. In March 2011, Xiu received US\$20m in first round funding from **KPCB**. Xiu.com expects 2011 sales to reach RMB1bn (US\$157m). It has sourcing offices in the US,

Australia, Britain, France, Hong Kong, Japan, Italy and Korea. *August 17, 2011*

**Youngor**, a Zhejiang-based, listed garments company, has signed an agreement with **Shengzhou Sheng Tai Se Zhi Ke Ji**, another Zhejiang-based privately held textile company, to sell its wholly owned subsidiary **Xin Ma Garments (Hong Kong)** to the latter. The proposed deal value would be over US\$80m. *June 22, 2011*

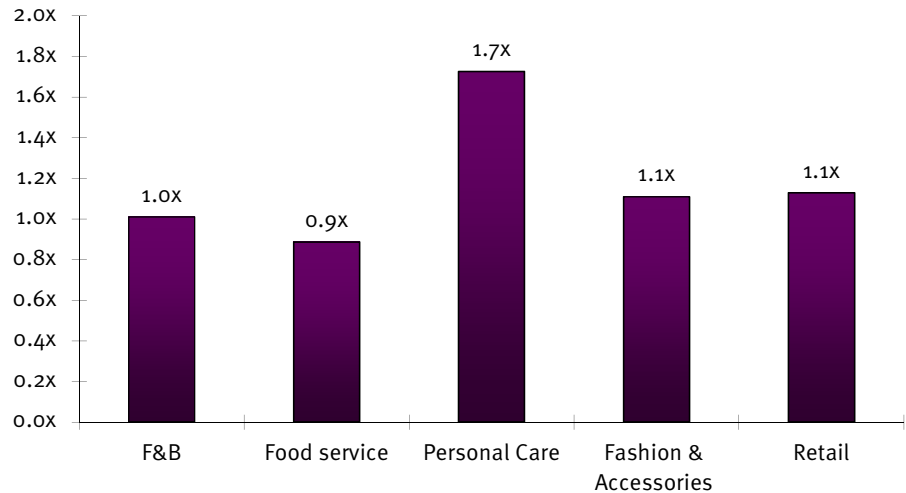
## Food & Beverage

**Ausnutria**, a Hunan-based and Hong Kong-listed Chinese dairy products maker, has acquired an additional 32% stake in **Hyproca Dairy** for HKD116m (US\$15m). Its shareholding in Hyproca Dairy will rise to 51% upon completion of the deal. Hyproca Dairy, based in the Netherlands, is principally engaged in research and development, milk collection, processing, production, packaging, marketing, and selling of dairy products. *July 21, 2011*

**Bawang International**, the Hong Kong-listed hair-care products manufacturer with a market cap of US\$306m, plans to list its **Bawang Herbal Tea business unit** in Singapore in late 2011 or early 2012. *August 30, 2011*

**Bright Foods**, a Shanghai-based state-owned Chinese food company, has agreed to acquire 75% of **Manassen Foods**, owned by **CHAMP Private Equity**, for AUD530m (US\$554m). Existing shareholders and management will continue to own the rest of Manassen Foods. The proposed acquisition is pending approvals from the FIRB of Australia and relevant Chinese authorities. *August 30, 2011*

Consumer & Luxury LTM Price/Rev Ratios (29Sep11)



Source: Capital IQ, BDA

**China Resources Snow Breweries**, a leading Chinese brewery, has acquired **Henan Shangqiu Lanpai Beer**, one of the largest breweries in Henan province with total assets of RMB518m (US\$80m), for an undisclosed amount. The acquisition was preceded by China Resources Snow's acquisition of **Zhumadian Yuequan Brewery** in April 2010, and by its acquisition of **Aoke Beer's three factories in Zhengzhou, Luohe, and Anyang** in January 2011, in the same province. *July 25, 2011*

**China Resources Snow Breweries** has acquired stakes in two Chinese breweries from **Singapore brewer Asia Pacific Breweries ("APB")** for US\$134m. The transactions include an acquisition of 40% of **Jiangsu Dafuhao Breweries** and an acquisition of 100% of **Shanghai Asia Pacific Brewery** from **Heineken Asia Pacific Brewery**, a 50/50 JV between APB and **Asia Pacific Investment**. The transaction excludes the brands *Tiger, Heineken* and *Anchor*. Upon completion of the transactions, China Resources Snow Breweries is

expected to have a 21% market share in the Chinese beer market. *July 14, 2011*

**China Resources Snow Breweries** has acquired the remaining 55% stake in **Hangzhou Xihu Beer** and the remaining 25% stake in **Huzhou Brewery** for RMB300m (US\$46m). *August 3, 2011*

**China Resources Snow Breweries** plans to acquire **Maotai Beer**, a Guizhou-based beer maker, from the **Moutai Group**, the Guizhou-based, state-owned Chinese liquor company, for RMB100m (US\$16m). The companies have filed the relevant documents to Guizhou SASAC and seek to complete the transaction in 2011. Maotai Beer currently has three production lines and employs 580 people. *August 15, 2011*

**CJ Cheiljedang Corporation**, the listed Korean food manufacturer, has agreed to acquire 49% of **Sichuan Jixiangju Food**, a seasoning and processed vegetable maker, for RMB144m (US\$23m). *August 9, 2011*

**COFCO**, the Chinese state-owned food group, has acquired Australia-based **Tully Sugar** for AUD136m (US\$145m).  
*July 20, 2011*

**Danone**, the French food group, plans to sell its 50% stake in **Shanghai Aquarius Drinking Water**, a 50/50 JV between Danone and Chinese food company **Shanghai Maling Aquarius**, to **Bright Food**. The transaction value is expected to reach US\$7m. Shanghai Aquarius Drinking Water, formed in 2000, has a registered capital of CNY65m (US\$10m).  
*July 14, 2011*

**Danone** has agreed to acquire the baby nutrition business of **Wockhardt**, the listed India-based pharma and biotech group, for EUR250m (US\$350m). Wockhardt manufactures and sells baby food supplements under the brands *Farex*, *Dexolac*, *Nusobee* and *Protinex*.  
*August 2, 2011*

**Hershey's**, the US-based chocolate and confectionery company, and the **Godrej Group**, an Indian consumer conglomerate, have **terminated their JV** in India following management disagreement over running the venture. Hershey's will sell its 51% stake in the JV to Godrej for an undisclosed amount.  
*July 6, 2011*

**Huaxia Dairy**, a Hebei-based privately owned dairy farm, has raised US\$30m from private equity group **Olympus Capital** and US\$15m from Germany-based dairy producer **Mueller Milch** to support further capacity expansion. Huaxia Dairy was formed in 2004 and is one of the largest dairy farms in Mainland China.  
*July 20, 2011*

**Nestle**, the Swiss food group, has agreed to acquire 60% of **Hsu Fu Chi**, the Chinese candy maker, for S\$2.1bn (US\$1.7bn). The remaining 40% would

be held by the four Taiwanese brothers who founded the company.  
*July 12, 2011*

**Nestle** is planning to acquire the **formula milk powder division of Wyeth**, a subsidiary of pharmaceutical company **Pfizer**. Acquiring the business would boost Nestle into third position instead of sixth in China's infant-nutrition market and would also offer potential cost savings. International brands such as *Dumex*, *Mead Johnson*, *Nestle*, *Abbott Laboratories* and *Wyeth* account for over 50% of China's formula milk powder market.  
*August 10, 2011*

**Nestle** has gained approval from China's Ministry of Commerce to acquire 60% of **Yinlu Foods**, a Fujian-based privately owned canned food and beverage business, for RMB5.5bn (US\$855m). Yinlu has annual turnover of over US\$500m and total staff number of over 3,000.  
*September 6, 2011*

**Shenzhen Shenbao Industrial** has signed an agreement with **PepsiCo China** to transfer a 15% stake it holds in **Shenzhen Pepsi** to the latter for CNY144m (US\$22m).  
*September 8, 2011*

**Yanjing Brewery**, the Beijing-based leading beer producer, will acquire 100% of **Xingtai Tianniu Beer**, a Hebei-based privately owned brewery, for RMB108m (US\$17m). The target company will be renamed **Yanjing Brewery Xingtai** upon completion of the acquisition.  
*August 23, 2011*

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## Food Service

**Apax Partners** has acquired Shanghai-based buffet-style restaurant chain, **Golden Jaguar**, for an undisclosed amount. Founded in 2003, Golden Jaguar has multiple outlet locations in

Shanghai and Beijing as well as six other cities across China. The restaurants serve Chinese and international dishes. It also provides wedding banquet services to Chinese couples. Located in shopping malls, department stores and stand-alone locations, each store can accommodate over 500 diners.  
*July 26, 2011*

**BreadTalk**, a Singapore-based bakery chain, has entered into a 50/50 JV with **Ajinomoto Bakery**, the Japanese food company, to establish a company in Shanghai under the name of **Shanghai ABPan**, which will manufacture and sell frozen dough for bread and Danish pastries to BreadTalk's bakery outlets within China.  
*June 14, 2011*

**Café de Coral**, the Hong Kong-based fast food restaurant chain, plans to establish a **JV** with **Gourmet Master of Taiwan**, the group behind the **85C** bakery chain, to launch 25 coffee shops in Hong Kong, within three years. Café de Coral would invest HKD15m (US\$2m) for 50% of the JV.  
*July 8, 2011*

**Starbucks** has signed a **JV agreement** with **Ai Ni Group**, a coffee growing and processing firm in Yunnan. Through the JV, Starbucks would own coffee plantations in China and be able to roast coffee locally. It currently sells coffee in China that is roasted in the US.  
*July 18, 2011*

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## Personal care

**AmorePacific**, the listed Korean beauty and health products company, has acquired **Annick Goutal**, a French fragrance and perfumery products company, from **Starwood Capital Group**, for KRW30bn (US\$29m). Annick Goutal generated revenue of KRW20bn

(US\$19m) in 2010. *August 3, 2011*

**Modern Beauty Salon**, the listed Hong Kong-based company providing beauty and wellness services and products, has agreed to acquire **Zegna Management**, a Hong Kong-based provider of beauty and personal care services, from **Tsang Yue Joyce**, a Hong Kong-based private investor, for HKD250m (US\$32m). *July 5, 2011*

**Shanghai Jahwa Group**, the Shanghai-based state-owned personal care company, will be sold via auction at **Shanghai United Assets and Equity Exchange**, with an initial bidding price of RMB5.1bn (US\$800m). The potential bidders must pledge that they will not sell the stake in the listed **Shanghai Jahwa United** within five years after the deal is complete, and that they shall have total assets of more than RMB50bn (US\$8bn). *September 7, 2011*

**Unicharm Corp**, the listed Japanese personal care group, has agreed to acquire **Diana JSC**, the Vietnamese personal care company, for US\$128m. Diana generated revenues of US\$49m in 2010. *August 25, 2011*

## Retail

**China Resources Enterprise**, the Hong Kong-listed conglomerate, has agreed to acquire **Jiangxi Hongkelong Department Store** for RMB3.7bn (US\$573m). The principal business of Jiangxi Hongkelong Department Store is the operation of department stores and chain supermarkets under the brand *Hongkelong* in Jiangxi Province. *August 1, 2011*

**E-Mart**, the Korean supermarket group, plans to sell **11 supermarkets in North**

**China and South East China** for a minimum RMB200m (US\$30m). **Walmart**, Hong Kong-based **China Resources Enterprise**, and Fujian-based, **HSBC**-backed supermarket retailer **Yong Hui**, could be among the potential bidders. *August 5, 2011*

**Jiuxian.com**, a Beijing-based, privately owned online wine and liquor retailer, plans to launch a second round of fundraising of US\$50m to improve its storage and logistics capability in Guangzhou, Chengdu and Shanghai. The company raised US\$20m in its first round of fundraising in April 2011 from unknown investors. The company expects sales of over RMB500m (US\$77m) in 2011. *July 8, 2011*

**Laobaixing**, a Hunan-based pharmacy backed by private equity fund **EQT**, plans to acquire **Baixingyuan**, an Anhui-based peer, for an undisclosed amount. Baixingyuan had sales of approximately RMB1.2bn (US\$183m) in 2010. *July 28, 2011*

**Lawson**, the Japanese retailer, will increase its stake in **Shanghai Hualian Lawson**, a JV between Lawson and **Shanghai Bailian**, a Shanghai-based state-owned retailing group, from 49% to 85%. The JV reported sales of RMB700m (US\$109m) in 2010. *July 28, 2011*

**Lentuo International**, the largest non-state-owned automobile retailer in Beijing by new vehicle sales revenue, has acquired **Huizhou FAW-Volkswagen Sales and Service**, the Chinese auto retailer, for RMB85m (US\$13m). The Huizhou dealership sold 1,000 vehicles and generated RMB143m (US\$22m) in revenues in 2010. *July 28, 2011*

**O.C.T Mami**, a privately held Chinese maternity products manufacturer and

retailer, has raised RMB60m (US\$10m) from private equity investors led by **Sequoia Capital**. The proceeds will be used to expand marketing and promotion efforts. Sequoia Capital and another undisclosed PE company jointly hold 10% of O.C.T. Mami. The company currently has over 200 self-owned stores and over 300 franchised stores in China. It reported sales of RMB280m (US\$43m) in 2010 and is expected to have sales of RMB650m (US\$100m) in 2011. *July 4, 2011*

**Suning Appliance Group**, a Chinese electronics retailer, will increase its stake in **Laox**, a Japanese peer, from 34% to 65% for JPY9bn (US\$117m). Laox would invest the proceeds to launch 30 large outlets within three years in China. Laox has a market cap of JPY12bn (US\$156m). *August 25, 2011*

**Xijie.com**, the online sports shopping site, has raised RMB80m (US\$12m) from investors including Basketball star **Yao Ming**. Founded in August 2009, Xijie.com is the largest online sports shop in China, targeting the sports fashion consumers. *July 4, 2011*

**Yoagoa.com**, an online B2C shoe retailer, has raised approximately US\$100m from **Belle International**, the largest branded shoe producer and distributor based in China. Belle entered the e-commerce business by forming **TopShoes.cn** three years ago. In 2010, Belle generated revenues of HKD24bn (US\$3bn) though online sales only accounted for 0.4% of that figure. *July 18, 2011*

**Yongche.com**, a Chinese commercial vehicles service platform, has raised over US\$10m in series A funding from **Morningside Ventures**. Yongche.com, founded in 2010, is a leading online to offline ("O2O") car service platform

## Selected Asia Consumer &amp; Luxury Related Transactions with Multiples (12 months ending in 30Sept11)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
26-Aug-11	S&P Syndicate	Thailand	Minor International	Thailand	\$158.0	69.1%	-	1.3x	18.3x
25-Aug-11	Diana JSC	Vietnam	Unicharm Corp	Japan	\$128.0	95.0%	-	2.7x	-
18-Aug-11	Flavoured Beverages Group	New Zealand	Asahi Group	Japan	\$1,270	100%	20.0x	-	-
17-Aug-11	Esso Malaysia	Malaysia	San Miguel Corp	Philippines	\$264	35.0%	3.2x	0.2x	NM
11-Aug-11	Kazokutei Co	Japan	H2O Retailing Corp	Japan	\$83	100.0%	10.1x	0.7x	43.0x
10-Aug-11	Dreamsco	Korea	Hansae	Korea	\$9	100%	-	0.2x	5.8x
9-Aug-11	Keen Distribution, Boon Inc	US	Tomy Co	Japan	\$26	80%	-	1.5x	-
3-Aug-11	Annick Goutal SAS	France	AmorePacific	Korea	\$29	100%	-	1.5x	-
2-Aug-11	Primo Schincariol Industria de Cervejas e Refrigerantes	Brazil	Kirin	Japan	\$2,553	50%	-	2.9x	NM
1-Aug-11	Hongkelong Department Store	China	China Resources Enterprise	Hong Kong	\$573	100%	-	1.4x	39.6x
28-Jul-11	Huizhou FAW-Volkswagen Sales & Service	China	Lentuo International	China	\$13	100%	-	1.4x	-
28-Jul-11	Hengdeli	Hong Kong	Swatch Group	Switzerland	\$270.0	11.4%	17.9x	1.5x	26.1x
25-Jul-11	Mudra Lifestyle	India	E-Land Fashion	Korea	\$14	21%	22.7x	1.6x	-
12-Jul-11	Hsu Fu Chi	China	Nestle	Switzerland	\$1,700	60.0%	19.9x	4.5x	NM
5-Jul-11	Zegna Management	Hong Kong	Modern Beauty Salon	Hong Kong	\$32	100%	10.3x	-	-
1-Jul-11	Dongjin H&F	Korea	Sajodaerim Corp	Korea	\$23	85%	1.2x	9.2x	-
1-Jul-11	Dalilaisier Dairy	China	Guangxi Royal Dairy	China	\$15	55%	33.7x	1.5x	-
				<b>Median</b>	<b>\$83.0</b>	<b>85.0%</b>	<b>17.9x</b>	<b>1.5x</b>	<b>26.1x</b>

Source: Capital IQ, Mergermarket

*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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