

GREETINGS...

Greetings to our colleagues, contacts, friends and associates in the US, China and Asia. We hope everyone enjoyed the spectacular Olympics in Beijing. We are looking forward to our upcoming fall trip to Asia. Please enjoy the latest edition of our newsletter.

Sincerely,

Aaron Schechter and Frances Chou

HOT TOPICS...

Things go better with Coca-Cola...or so Coke hopes, in China...

In early September, Coca-Cola announced that it had made an offer of US \$2.4 billion to acquire Chinese juice maker Huiyuan Juice Group. Huiyuan is the leading 100% juice and nectar brand in China, and whose company's shares are traded on the Hong Kong stock exchange. This acquisition by Coke would be the second-largest acquisition in Coke's history and also represent the largest purchase of controlling interest in a Chinese company by a foreign company, according to Thomson Reuters.

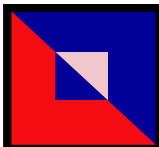


Coke's purchase of Huiyuan still requires review from Chinese regulators, who have recently blocked some foreign acquisitions. As mentioned in previous S + C newsletters, US private-equity firm Carlyle Group finally, in July, gave up its years long effort to acquire a stake in Xugong Group, one of China's largest manufacturers of construction machinery, due to continued regulatory resistance. There are some differences to note, however, as Xugong is a state owned enterprise, while Huiyuan is a private company. Additionally, a beverage business's small role in the economy could help ease regulators concerns regarding Huiyuan. Coke is actively seeking to expand into non-carbonated drinks, which have a health appeal for the increasing wealthy Chinese consumer. Euromonitor forecasts that the retail value of juice sales in China will grow by 94% through 2012, compared with about 30% growth in soda sales. Coke is paying 50 times Huiyuan's expected earnings this year and almost 300% premium to the juice maker's recent share price. Coke is paying a very high premium, to hopefully ease government concerns and to stay ahead of rival PepsiCo in Asia. Private-sector companies like Huiyuan are rapidly growing from minor players into major brands in China, which could fuel resistance that a major Chinese brand should remain in Chinese hands. If the deal is approved by regulators, Coke plans to keep the Huiyuan brand name, and the current president will stay on to run the company. As an additional hurdle, the deal may be scrutinized by China's Ministry of Commerce under the country's new anti-monopoly law. It is difficult for foreign firms to take over a Chinese company. This deal is unusual in that Huiyuan is controlled by three private shareholders, and all are willing to sell. Huiyuan's parent company, China Hui Yuan Juice Holdings Co., Groupe Danone, the French dairy company and Warburg Pincus Private Equity, together, own almost 66% of the shares in the company. Dealmakers in Asia have made money the last few years by bringing companies like Huiyuan to the public markets. Bankers could look to buyouts as many of these businesses are now listed on exchanges, such as in Hong Kong and New York, which have easier takeover rules than in China - and with sagging Chinese stock prices, that could lead to additional takeovers.

REGISTER NOW...

**The Pacific Rim Entrepreneur Summit, October 23-25, 2008
Grand Hyatt Shanghai, Shanghai, China**

USC Marshall's Greif Center for Entrepreneurial Studies and its Center for International Business Education and Research (CIBER) are the co-developers of the Summit, in partnership with entrepreneur programs/centers from 17 business schools at leading universities in the Pacific Rim. Each of the partner schools is responsible to recruit participants and panelists from its network of internationally-focused alumni and friends. The event is designed for participants, for whom globalization of their business is (or will be) of critical importance. Join industry experts, leading entrepreneurs, senior executives and investors from the Pacific Rim. The interactive sessions will provide an opportunity to make new contacts and to exchange experiences with each other. The good news is that the deadline for the early bird registration has been extended. Aaron Schechter and Frances Chou are serving on the planning committee for the Summit. Aaron Schechter received his MBA and MRED (Master in Real Estate Development) from USC. For detailed information on, and registration for, the Summit, please go to <http://www.pacrimentrepreneursummit.com/>, or email at frances@splusc.com.



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REGISTER NOW...

The 2008 Taiwan Business Alliance Conference, October 6-8, 2008
Taipei International Convention Center (TICC), Taipei, Taiwan,

The Conference is sponsored by Ministry of Economic Affairs of Taiwan and organized by Taiwan External Trade Development Council of Taiwan. The speakers will include the newly elected President Ma Ying-jeou and Vice President Vincent C. Siew, Minister of Economic Affairs, Chairman of Straits Exchange Foundation and various top notch executives from leading global companies around the world. The focus of this event is to introduce the "New Taiwan" and the "New Opportunities" related to Taiwan. The new Taiwan government has widely accelerated the new policy of deregulation in over 25 aspects to enhance the nation's economic capabilities. For more information, agenda for the Conference or on-line registration, please visit: http://www.taiwanalliance.com.tw/2008TBAC/common_en.htm. If you have any questions, please contact us at frances@splusc.com or Mandy at teca4@pacbell.net. We hope to see you in Taipei this October!

Asia Business Center Conference, December 1, 2008
Ritz-Carlton Hotel, Singapore

UC Berkeley's inaugural Asia Business Center Conference unites business leaders with academic innovators from Berkeley's Haas School of Business. Attendees will meet authorities on topics crucial to any family-owned business. Highlights from the day will be summarized in the "California Management Review," a leading management journal. The topics for the conference will include: Managing a Large Family Business, Managing Wealth in Your Family Business, Managing Growth in a Global Economy, Legal Issues Facing Family Businesses, Managing Family Dynamics in the Workplace. The evening dinner will include a Gala which marks the initiation of the Haas campaign in Asia and a celebration of our School's vision for the future. For more information, agenda for the Conference or on-line registration, please visit: <http://www.haas.berkeley.edu/groups//alumni/abc/> Note: Aaron Schechter received his undergraduate business degree from the UC Berkeley Haas School of Business and is a Board Member of the Haas Alumni Network – Los Angeles Chapter.

LEGALLY SPEAKING...

The following is provided by Y.F. Chou, Prof. Corp. For questions, please contact info@yfchou.com.

China's General Administration of Quality Supervision, Inspection and Quarantine Is Being Challenged Under the New Anti-Monopoly Law.

Last month, starting from August 1, 2008, the day that China's new anti-monopoly law took effect, eight lawsuits were filed by private companies supplying product authentication and tracking systems against China's General Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ"), alleging that AQSIQ attempted to smother competition by colluding with a business, in which it had a financial interest. The basis of all these lawsuits is on the newly enacted anti-monopoly law. For more discussions on China's new anti-monopoly law and related regulations, please see our previous newsletters: <http://www.splusc.com/Newsletter090607.pdf> and <http://www.splusc.com/Newsletter050608.pdf>.

Among other provisions, this new law prohibits government agencies from abusing their power in order to restrain competition.

AQSIQ is a ministerial-level entity responsible for the inspection and supervision of the quality and safety of various products. Last year, it was subject to severe criticism concerning the quality of exported foods and toys. Starting in 2005, AQSIQ has been promoting an electronic bar-code and Internet-based authentication system developed by China Credit Information Technology Co. ("China Credit"). Late last year, AQSIQ started to require nine different industries to join China Credit's network, and the users are charged an annual fee plus charges for specific services. AQSIQ owns 30% of China Credit, a Hong Kong subsidiary of Citic owns 50%, and another Citic's subsidiary, China Huaxin Telecom owns 20%. Even though Chinese regulations prohibit a government agency from being involved in a business operation, however, in practice, this still is a "grey area," and a lot of government agencies have subsidiaries or affiliated entities that are engaged in commercial activity. Also, the new anti-monopoly law does not specify any penalties for government agency's violation of the law, these lawsuits, citing the anti-monopoly law, sought to challenge the validity of AQSIQ's "business operations." So far, the Beijing No. 1 People's Intermediate Court has not announced if it will take up these cases.

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