投资界
PEdaily.cn
电子周刊
MAGAZINE
NO.0473
2011-02

China's M&A Market
Yielded a Burst of Growth in 2010

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China's M&A Market Yielded a Burst of Growth in 2010

Released By Zero2IPO Research Center

In accordance with the latest research on China's M&A market by Zero2IPO Research Center, a renowned VC/PE research institution in the Greater China region, due to the improved financial environment worldwide and strong development of China's economy, the year 2010 witnessed an enormous surge in China's M&A market by closing a total of 622 deals, among which 501 deals disclosed an aggregate transaction value of US $34.80B, jumping 111.6% year-on-year in terms of number of deals from the 294 in 2009.

On the basis of the analysis of Zero2IPO Research Center, China's M&A market showed four noticeable features in 2010 as follows:

An enormous surge was seen in the number of M&A deals

In 2010, China's fast-growing economy and supporting policies for M&A led to greater enthusiasm for China enterprises' expansion via M&A. In terms of the quarterly number of M&A deals, the year 2010 was doubled over that in 2009, with a marked increase in transaction value as well. China's M&A market completed 622 M&A deals in 2010, up 111.6% year-on-year; among those deals, 501 ones disclosed a total transaction value of US$34.80B.

Both outbound M&A and inbound M&A showed aggressive activity

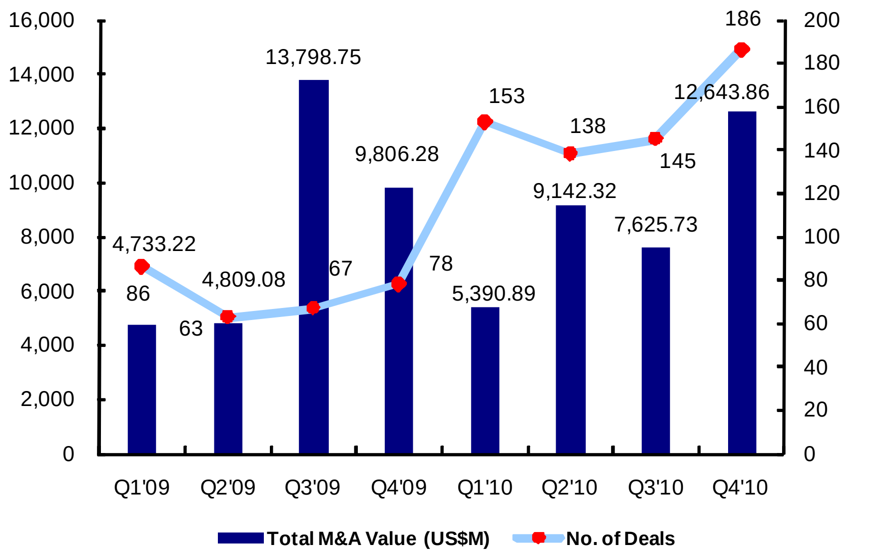
As the year 2010 has seen an economy

Table 1 Quarter - on - quarter Comparison of M&A in 2010

Quarter	No. of Deals	No. of Deals (Disclosed)	Total M&A Value (US$M)	Average M&A Value (US$M)
Q1'10	153	116	5,390.89	46.47
Q2'10	138	110	9,142.32	83.11
Q3'10	145	111	7,625.73	68.7
Q4'10	186	164	12,643.86	77.1
Total	**622**	**501**	**34,802.80**	**69.47**

Source: Zero2IPO Research Center

Figure 1 Quarter - on - quarter Comparison of M&A in 2009 - 2010



Source: Zero2IPO Research Center

Table 2 Comparison between Outbound and Inbound M&A in 2010

Type	No. of Deals	No. of Deals (Disclosed)	Total M&A Value (US$M)	Average M&A Value (US$M)
Outbound M&A	57	44	13,195.09	299.89
Inbound M&A	44	28	2,218.55	79.23
Total	**101**	**72**	**15,413.64**	**214.08**

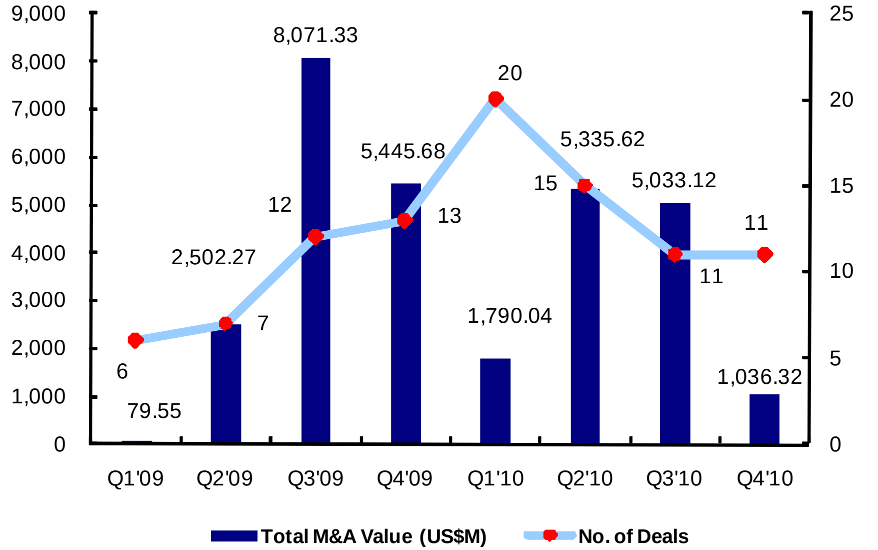
Source: Zero2IPO Research Center

recovery worldwide, M&A market underwent a substantial rebound from recession in the financial crisis, and, as a major emerging economy, China staged aggressive activity both in outbound M&A and inbound M&A markets. In 2010, China-based companies completed 57 outbound M&A deals, disclosing an aggregate value of US $13.20B, with a year-on-year increase of 50.0% in the number of deals from 38 ones. On the other hand, 44 inbound deals were closed in 2010, with merely US$2.22B disclosed, producing an increase of 33.3% in the number of deals from 33 in 2009.

Real estate, energy & mineral industries led the M&A surge

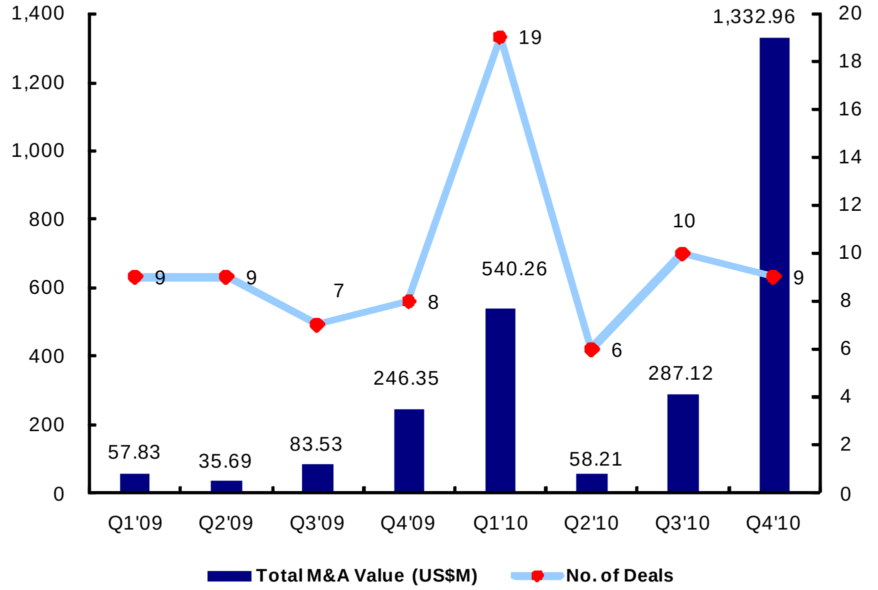
The real estate and energy & mineral industries continued to gain momentum in M&A during 2010. Real estate enterprises tried hard to resist desperately against the regulation and control packs in the "regulating" year 2010, as China's central bank raised the deposit reserve rate six times and the interest rate twice, turning to the tight monetary policy. The regulation and monetary policy led to the capital pressure for the

Figure 2 Quarter - on - quarter Comparison of Outbound M&A in 2009 - 2010



Source: Zero2IPO Research Center

Figure 3 Quarter - on - quarter Comparison of Inbound M&A in 2009 - 2010



Source: Zero2IPO Research Center

real es tate sector and upcoming bankruptcy for those weak compa nies, which would be the M&A tar gets of rich-funded real estate en terprises. In this context, the real estate industry closed 84 M&A deals and US $2.58B value in 2010, accounting for 13.5% and 7.4% respectively of the totals. In reference to the energy & mineral industry, the year 2010 completed 69 deals and US $11.89B transac tion value, representing 11.1% and 34.2% of the totals respectively. A mong the top 10 deals in China's M&A market in 2010, resources-re-lated industries took five positions, for instance, CNOOC Limited paid US$3.10B for acquiring Bridas Cor poration, the largest M&A transac tion in the energy & mineral indus try.

VC/PE -backed M&A hit double growth

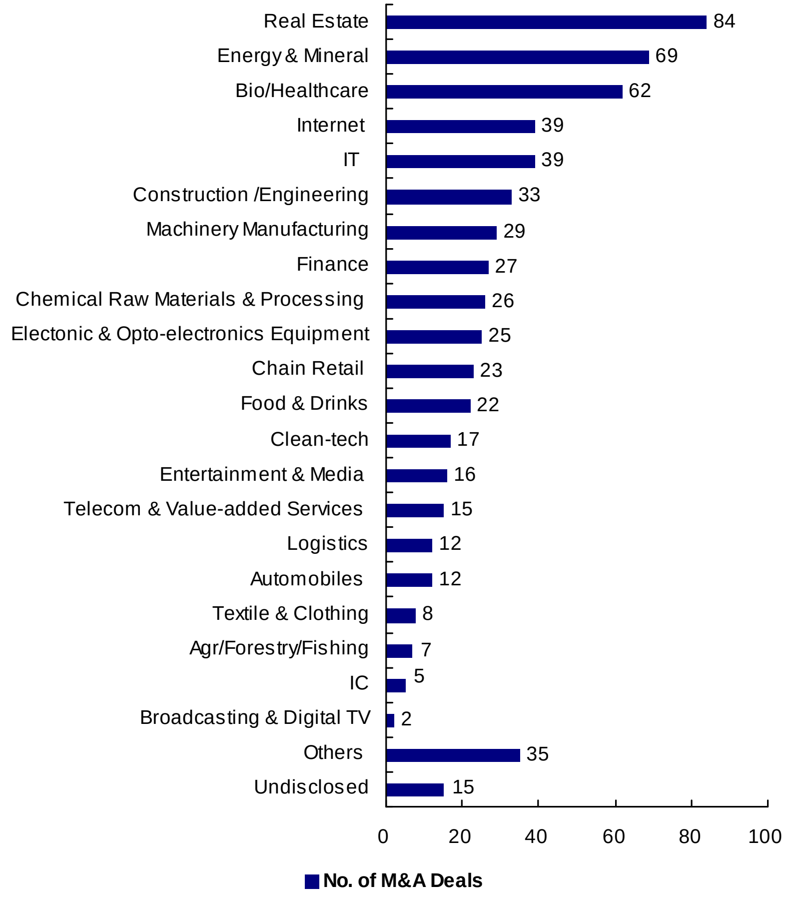
Although VC/PE institutions showed

Table 3 Industry Breakdown of M&As in China in 2010

Industry	No. of Deals	% of Total	No. of Deals (Disclosed)	Total M&A Value (US$M)	% of Total	Average M&A Value (US$M)
Real Estate	84	13.5%	75	2,582.44	7.4%	34.43
Energy & Mineral	69	11.1%	63	11,890.53	34.2%	188.74
Bio/Healthcare	62	10.0%	56	1,439.97	4.1%	25.71
IT	39	6.3%	21	388.14	1.1%	18.48
Internet	39	6.3%	11	320.58	0.9%	29.14
Construction /Engineering	33	5.3%	28	435	1.2%	15.54
Machinery Manufacturing	29	4.7%	27	937.79	2.7%	34.73
Finance	27	4.3%	21	7,682.35	22.1%	365.83
Chemical Raw Materials & Processing	26	4.2%	25	675.42	1.9%	27.02
Electonic & Opto-electronics Equipment	25	4.0%	23	303.93	0.9%	13.21
Chain Retail	23	3.7%	21	650.75	1.9%	30.99
Food & Drinks	22	3.5%	15	1,004.18	2.9%	66.95
Clean-tech	17	2.7%	16	535.14	1.5%	33.45
Entertainment & Media	16	2.6%	13	369.51	1.1%	28.42
Telecom & Value-added Services	15	2.4%	12	299.87	0.9%	24.99
Automobiles	12	1.9%	9	1,996.24	5.7%	221.8
Logistics	12	1.9%	7	620.28	1.8%	88.61
Textile & Clothing	8	1.3%	6	36.89	0.1%	6.15
Agr/Forestry/Fishing	7	1.1%	7	168.05	0.5%	24.01
IC	5	0.8%	4	110.02	0.3%	27.51
Broadcasting & Digital TV	2	0.3%	2	23.75	0.1%	11.88
Others	35	5.6%	30	1,573.35	4.5%	52.45
Undisclosed	15	2.4%	9	758.62	2.2%	84.29
Total	**622**	**100.0%**	**501**	**34,802.80**	**100.0%**	**69.47**

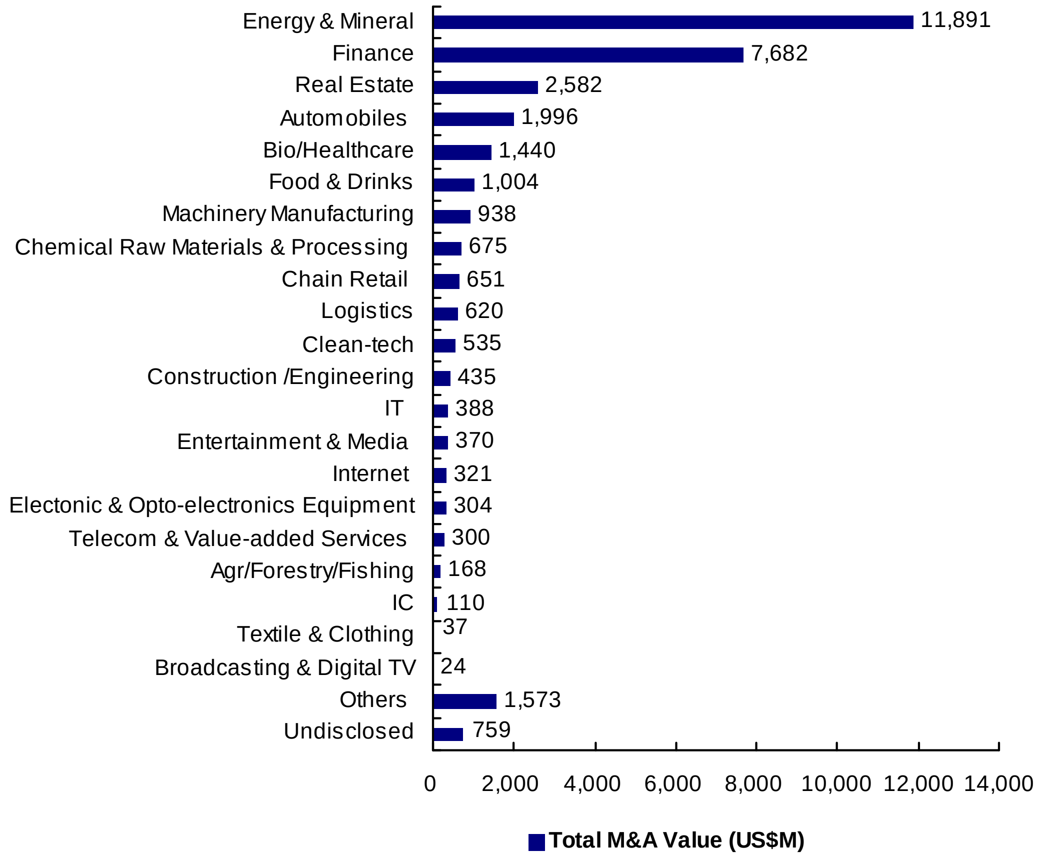
Source: Zero2IPO Research Center

Figure 4 Industry Breakdown of M&As in China in 2010 (By No. of M&A Deals)



Source: Zero2IPO Research Center

Figure 5 Industry Breakdown of M&As in China in 2010 (By Total M&A Value, US$M)



Source: Zero2IPO Research Center

outstanding performance in IPO exits on ChiNext in 2010 thanks to the high return of IPO exit, not all companies are qualified for listing or capable to secure value growth after going public, and stricter listing procedure has narrowed the listing channel. Consequently, VC/PE firms have been transforming their major option to the flexible M&A. Within the research scope of Zero2IPO, 91 VC/PE-backed M&A deals were closed in 2010, a year-on-year increase of up to 116.7%; 69 out of these 91 deals disclosed a total transaction value of US$6.36B. From the perspective of industry breakdown, the Internet and IT industries took the lead in the number of VC/PE-backed M&A deals, while the energy & mineral industry topped the list of total value of M&A deals, due to CNOOC Limited's US $3.10B acquisition of Bridas Corporation.

Table 4 Top 10 M&A Deals in China in 2010

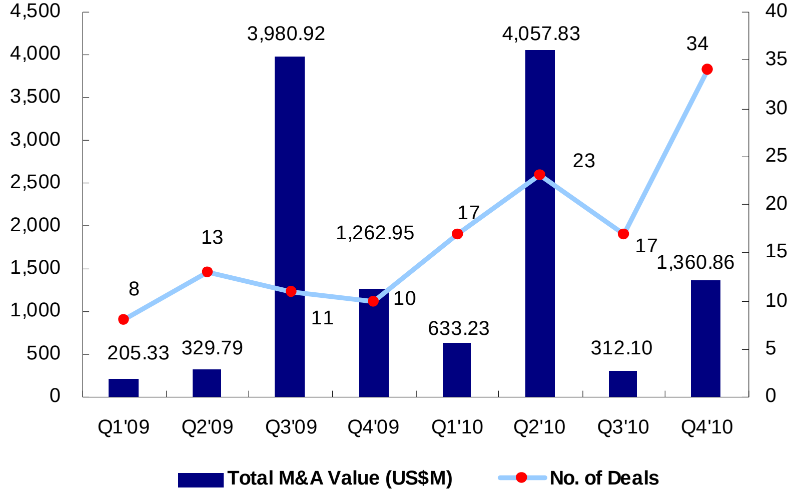
Ranking	Acquirer		Target		M&A Value (US$M)
	Company	Industry	Company	Industry	
1	China Mobile Limited	Telecom & Value-added Services	Shanghai Pudong Development Bank	Finance	5,948.80
2	CNOOC Ltd.	Energy & Mineral	Bridas Corporation	Energy & Mineral	3,100.00
3	PetroChina Company Limited	Energy & Mineral	Arrow Energy Limited	Energy & Mineral	1,729.25
4	Shandong Steel Group Co., Ltd.	Energy & Mineral	African Minerals Ltd.	Energy & Mineral	1,500.00
5	Zhejiang Geely Holding Group Co., Ltd.	Automobiles	Volvo Car Corporation	Automobiles	1,500.00
6	Wuhan Iron & Steel (Group) Corp.	Energy & Mineral	Zambia's coal mine project	Energy & Mineral	800
7	Tongling Nonferrous Metals Group Holdings Co., Ltd. and China Railway Construction Co., Ltd.	Energy & Mineral	Corriente Resources Inc	Energy & Mineral	629.63
8	Amoi Electronics Co Ltd		Xiamen Xiangyu Group Corporation	Logistics	569
9	Industrial and Commercial Bank of China	Finance	ACL Bank Public Company Limited	Finance	547.57
10	Rhodia	Chemical Raw Material & Processing	Feixiang Chemicals (Zhangjiagang) Co., Ltd.	Chemical Raw Material & Processing	489

Source: Zero2IPO Research Center

Table 5 Industry Breakdown of VC / PE - backed M&As in China in 2010 (By No . of Deals)

Industry	No. of Deals	% of Total	No. of Deals (Disclosed)	Total M&A Value (US$M)	% of Total	Average M&A Value (US$M)
Internet	16	17.6%	5	193.29	3.0%	38.66
IT	15	16.5%	9	116.59	1.8%	12.95
Bio/Healthcare	13	14.3%	13	324.13	5.1%	24.93
Energy & Mineral	6	6.6%	6	3,328.67	52.3%	554.78
Electronic & Opto-electronics Equipment	5	5.5%	5	19.95	0.3%	3.99
Entertainment & Media	5	5.5%	4	195.67	3.1%	48.92
Finance	4	4.4%	4	624.36	9.8%	156.09
Machinery Manufacturing	3	3.3%	3	24.79	0.4%	8.26
Chemical Raw Material & Processing	3	3.3%	3	514.73	8.1%	171.58
Clean-tech	3	3.3%	3	137.54	2.2%	45.85
IC	3	3.3%	2	91.36	1.4%	45.68
Real Estate	2	2.2%	2	8.88	0.1%	4.44
Construction /Engineering	2	2.2%	0		0.0%	
Food & Drinks	2	2.2%	2	342.23	5.4%	171.12
Telecom & Value-added Services	2	2.2%	1	200	3.1%	200
Logistics	2	2.2%	2	24.99	0.4%	12.5
Chain Retail	1	1.1%	1	135.54	2.1%	135.54

Figure 6 Quarter - on - quarter Comparison of VC / PE - backed M&A in 2009 - 2010



Source: Zero2IPO Research Center