



Beyond the Great Wall
Realising your outbound
opportunities

M&A Services

Outbound M&A - Beyond the Great Wall

Outbound investments will be one of the main focuses for Chinese enterprises over the next 20 years

Since the Chinese government's 'opening-up' reform in 2003, the trend of Chinese enterprises investing overseas has been increasing significantly. It is predicted that 2009 through to 2010 will see record outbound investment as enterprises take advantage of the decreased value of markets overseas, strong Renminbi and steadfast central government support. Now is a good time for enterprises to consider investing overseas.

The opportunity to widen brand awareness, gain technologies, resources and new markets are all areas where Deloitte can leverage its experience and global network to assist clients in achieving their M&A goals.

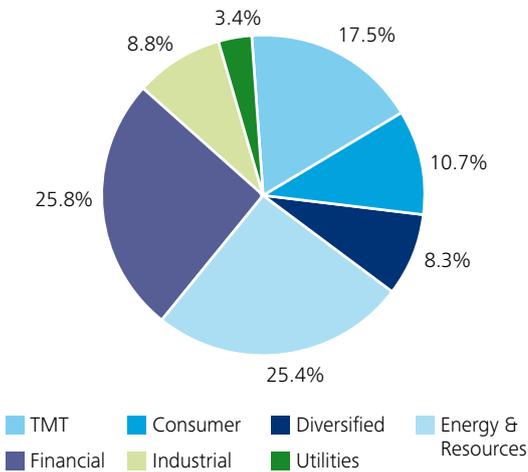
Driving forces in Chinese outbound M&A



Trends and characteristics of Chinese enterprises on outbound investments

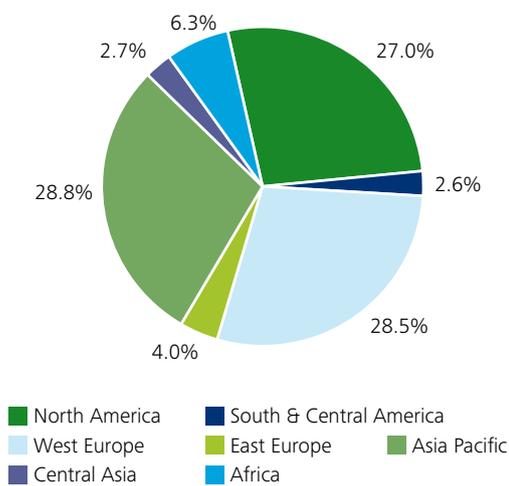
Since 2005, the financial, energy and resources sectors have dominated outbound M&A with close to two thirds of all transactions between them. The last quarter of 2008 saw investors inevitably hesitate due to the economic crisis, but it is expected the trend will pick up again in 2009 and surpass the peak seen in 2007. While energy, resources and financial services companies will continue to lead aggressively, other sectors, such as auto, will also be eyeing strategic opportunities abroad.

Outbound M&A by industry, Q1 2005 to Q1 2009



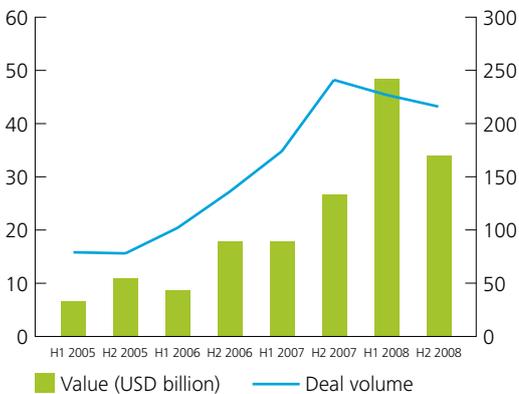
Source: Bloomberg

Total outbound M&A by geography, Q1 2005 to Q1 2009



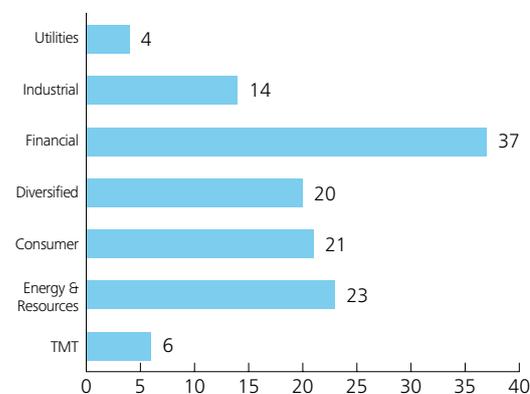
Source: Bloomberg

Total outbound M&A deal value & volume, H1 2005 to H2 2008



Source: Bloomberg

Outbound M&A number of deals over US\$100m, Q1 2009



Source: Bloomberg

How do you approach the market?

We at Deloitte understand that as the current market conditions present great opportunities for acquiring distressed investments, purchasers need to be able to anticipate, move quickly and be as prepared as possible to take advantage of these opportunities

What do companies investing abroad need to do in order to complete a deal in these conditions?			
Pre-deal	Know why you want your target <ul style="list-style-type: none"> Identify what you want (sector/industry/growth/vertical integration): how will you drive value? Don't do deals because assets are cheap or if cash is available Ask yourself, where is the value? 	Be quick off the mark <ul style="list-style-type: none"> Identify targets in advance Who is responsible for identifying opportunities? Agree an approach up front How are potential opportunities identified: what are the indicators and warning signs? 	Gather information early <ul style="list-style-type: none"> Get as much information about the target as possible Set out what you need to know in order to do the deal - your 'must-haves' Understand the circumstances of the deal - stressed/distressed, etc.
Executive	Necessary approval <ul style="list-style-type: none"> What state and internal approvals are required? <ul style="list-style-type: none"> China Development & Reform Commission (CDRC)? Ministry of Commerce (MOFCOM)? State Administration of Foreign Exchange (SAFE)? How long do they normally take? What documents do you need? 	Have your team of advisors ready, who: <ul style="list-style-type: none"> Have experience of dealing with target's banks, other creditors and other stakeholders, particularly in a distressed situation Understand the regulatory/legal environment Have knowledge of the target, industry and geography 	Your leadership team <ul style="list-style-type: none"> Identify member(s) of senior management to drive the deal through Ensure they have the information, knowledge and ability to make decisions and close the deal without having to refer back for further approval/documentation
Post-deal	Integration is key <ul style="list-style-type: none"> Implement integration plans from day one - best practice firms start planning for integration in the pre-deal phase Have a clear communication and support plan for target employees and management - this is even more important in a crisis or distressed situation. 		

The Deloitte approach

Outbound M&A requires a structured approach using global accounting and tax expertise as well as high-level advisory on global management and integration capabilities. Deloitte China will lead a global M&A team to provide you with a local service that speaks your language.

Our due diligence approach aims to:

- keep you in control and aware of issues as they arise;
- provide expertise and informed advice to support you in developing your deal strategy.

Our approach	Enabler	Result
Highly responsive	Consistent core team	<ul style="list-style-type: none">• Rapid response, clear communication• Consistent approach• Familiar operating methodology• Integrated international team
Focus on value drivers	Tailored scope and reporting	<ul style="list-style-type: none">• Focused on key issues• Early issues-based report and regular briefings• Flexible scope
Securing value	Integrated due diligence, tax and SPA advice	<ul style="list-style-type: none">• SPA input into key scope areas• Clarity over critical accounting policies• Identification of tax opportunities, areas of warranty and indemnity• Due diligence findings translated to Sales and Purchase Agreement (SPA) advice• Optimal tuning of pricing mechanism
Leveraging specialists	Direct access to specialists and global network	<ul style="list-style-type: none">• Identification of issues that may require further specialist support (e.g. pensions, treasury, IT)• Local teams overseas deployed rapidly• Integration, separation and restructuring expertise on hand, to support reviews

Our Global M&A coverage

Our China M&A Team

Our M&A professionals are based in Hong Kong, Guangzhou, Shanghai, and Beijing offices, along with tax practitioners and industry specialists.

Our experienced accountants and tax professionals understand the challenges Chinese investors face with differing regulatory and legal structures in nearly 150 countries.



A truly Global M&A network

Our M&A practice is recognised as a worldwide leader in providing high quality, comprehensive, and strategically focused tax, consulting, accounting and advisory services to buyers or sellers in business combinations

Through a global network of nearly 4,000 dedicated professionals at Deloitte member firms around the world - from New York to Buenos Aires, from Frankfurt to Beijing, Shanghai and Hong Kong - clients have access to M&A specialists across the deal life cycle. Our multidisciplinary approach teams M&A professionals with technical, industry and geographic specialists to provide fact-based answers and independent advice geared to maximising the value of a transaction.

No matter where you are in the world, you need to communicate with someone who speaks your language. Our professional team combines strong local expertise, cultural awareness and language skills in the nearly 150 countries we do business. Our M&A services encompass:

- M&A and Pre-IPO advisory
- Tax
- Financial and reporting controls
- Closing accounts review
- Valuation
- Consulting (HR due diligence and Integration)
- Debt restructuring/refinancing
- Working capital management
- Fraud and corruption risk assessment: Integrity due diligence; Anti-corruption due diligence; Disputes/Fraud and Insurance due diligence
- Enterprise Risk Services (pre-acquisition and post-acquisition)

About the Global Chinese Services Group (GCSG)

The GCSG assists companies investing and operating in China as well as working closely with Chinese companies that are seeking overseas expansion opportunities. Whether Chinese companies are entering the China market for the first time or seeking to optimise existing operations, the GCSG, in collaboration with Deloitte China, can help identify an expanding range of opportunities in manufacturing, sourcing, and/or selling in China and navigate the associated risks.

The GCSG also assists Chinese companies seeking to access overseas markets - expanding operations, raising capital from public or private sources and/or acquiring overseas assets. Our global network of bilingual professionals work with colleagues in China to deliver seamless services to globalising Chinese companies.

The GCSG has grown to include coverage of over 100 locations around the world spanning six continents. To learn more about the GCSG and how it can help your cross-border strategy, please visit our website at www.deloitte.com/cn/gcsg or contact the GCSG Programme Director, Tim Klatte, directly at tklatte@deloitte.com.cn.



Our Global CSG coverage

Coverage in around 100 locations across the global spanning six continents



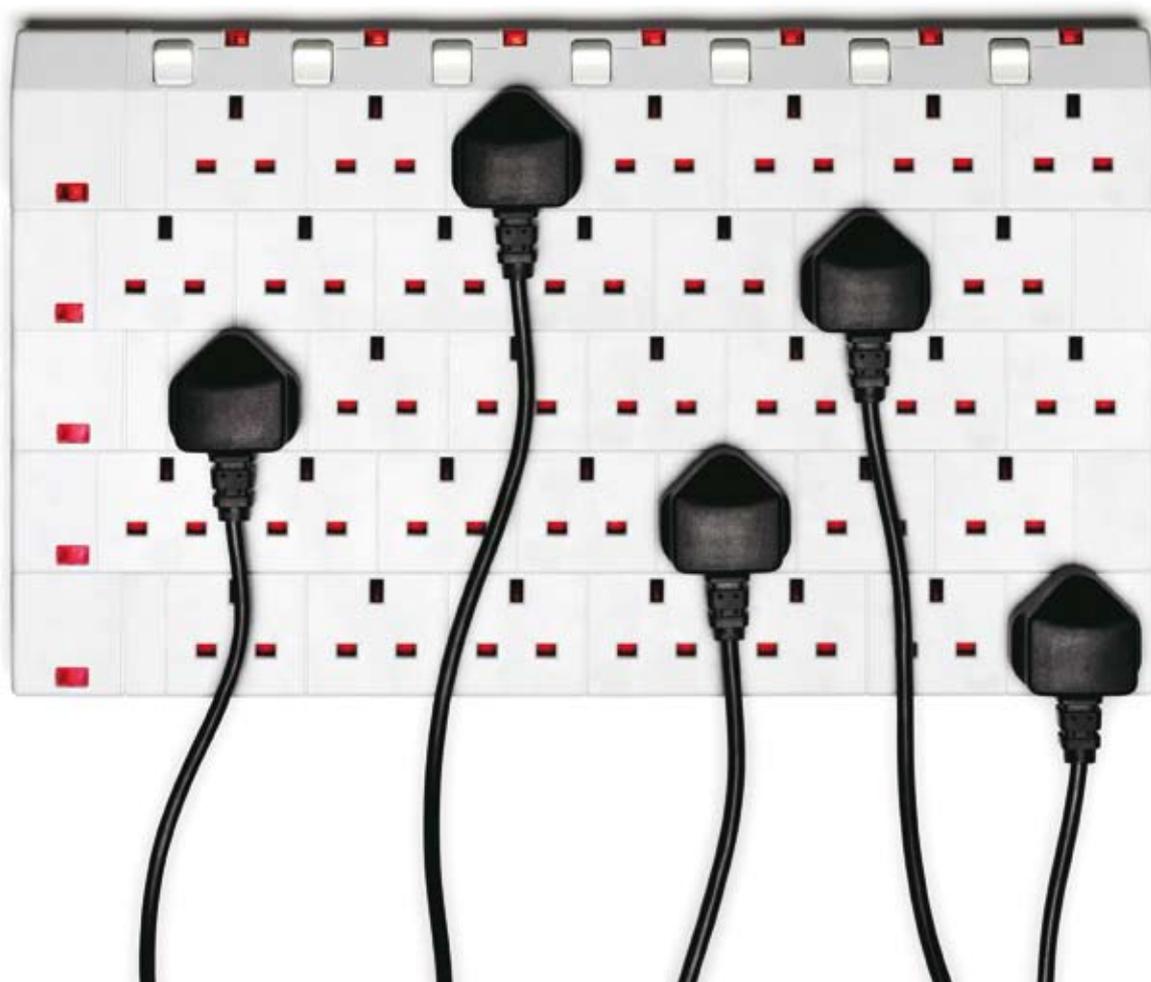
The Deloitte Industry Programme

The Deloitte Industry Programme is a strategic team of partners and professionals dedicated to work with practitioners across all functions and regions to enrich our industry knowledge, build and drive industry specific solutions, and to win and retain valuable clienteles in different industries.

The industry programme comprises the following seven industry groups:

- Consumer Business & Transportation
- Energy & Resources
- Global Financial Services and Insurance
- Life Sciences & Health Care
- Manufacturing
- Real Estate
- Technology, Media & Telecommunications

We have expertise within the China firm and globally to cover many specific sectors within each industry.



Contacts

China M&A contacts

Lawrence Chia

National M&A Leader and GCSC Co-Chairman
Beijing, China
Tel: +86 10 8520 7758
Email: lawchia@deloitte.com.hk

Tony Ng

Partner
Beijing, China
Tel: +86 10 8520 7790
Email: tonyng@deloitte.com.cn

Danny Tong

Partner
Shanghai, China
Tel: +86 21 6141 1618
Email: dantong@deloitte.com.cn

Eric Leung

Partner
Hong Kong SAR
Tel: +852 2852 6603
Email: erileung@deloitte.com.hk

GCSG contacts in selected geographies

John Jeffrey

GCSG Co-chairman
New York, USA
Tel: +1 212 436 3061
Email: jjeffrey@deloitte.com

Timothy Klatte

GCSG Programme Director
Shanghai, China
Tel: +86 21 6141 2760
Email: tiklatte@deloitte.com.cn

Keith Jones

Australia CSG Leader
Perth, Australia
Tel: +61 8 9365 7233
Email: kejjones@deloitte.com.au

Ricardo de Carvalho

Brazil CSG Leader
Sao Paulo, Brazil
Tel: +55 11 5186 1776
Email: rcarvalho@deloitte.com

Mark Robinson

Canada CSG Leader
Toronto, Canada
Tel: +1 416 601 6065
Email: mrobinson@deloitte.ca

Mathias Kessler

European CSG Leader
Düsseldorf, Germany
Tel: +49 211 8772 2601
Email: mkessler@deloitte.de

Mark Casey

South Africa CSG Leader
Johannesburg, South Africa
Tel: +27 11 806 5205
Email: mcasey@deloitte.co.za

Clarence Kwan

US CSG Leader
New York, USA
Tel: +1 212 436 5470
Email: clkwan@deloitte.com

Contact details for Deloitte's China Practice

Beijing

Deloitte Touche Tohmatsu CPA Ltd.
Beijing Branch
8/F Deloitte Tower
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, PRC
Tel: +86 10 8520 7788
Fax: +86 10 8518 1218

Dalian

Deloitte Touche Tohmatsu CPA Ltd.
Dalian Branch
Room 1503 Senmao Building
147 Zhongshan Road
Dalian 116011, PRC
Tel: +86 411 8371 2888
Fax: +86 411 8360 3297

Guangzhou

Deloitte Touche Tohmatsu CPA Ltd.
Guangzhou Branch
26/F Teemtower
208 Tianhe Road
Guangzhou 510620, PRC
Tel: +86 20 8396 9228
Fax: +86 20 3888 0119 / 0121

Hangzhou

Deloitte Business Advisory Services
(Hangzhou) Company Limited
Room 605, Partition A
EAC Corporate Office
18 Jiaogong Road
Hangzhou 310013, PRC
Tel: +86 571 2811 1900
Fax: +86 571 2811 1904

Hong Kong SAR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong
Tel: +852 2852 1600
Fax: +852 2541 1911

Macau SAR

Deloitte Touche Tohmatsu
19/F The Macau Square Apartment H-N
43-53A Av. do Infante D. Henrique
Macau
Tel: +853 2871 2998
Fax: +853 2871 3033

Nanjing

Deloitte Touche Tohmatsu CPA Ltd.
Nanjing Branch
Room B, 11/F Golden Eagle Plaza
89 Hanzhong Road
Nanjing 210029, PRC
Tel: +86 25 5790 8880
Fax: +86 25 8691 8776

Shanghai

Deloitte Touche Tohmatsu CPA Ltd.
30/F Bund Center
222 Yan An Road East
Shanghai 200002, PRC
Tel: +86 21 6141 8888
Fax: +86 21 6335 0003

Shenzhen

Deloitte Touche Tohmatsu CPA Ltd.
Shenzhen Branch
13/F China Resources Building
5001 Shennan Road East
Shenzhen 518010, PRC
Tel: +86 755 8246 3255
Fax: +86 755 8246 3186

Suzhou

Deloitte Business Advisory Services
(Shanghai) Limited
Suzhou Branch
Suite 908, Century Financial Tower
1 Suhua Road, Industrial Park
Suzhou 215021, PRC
Tel: +86 512 6289 1238
Fax: +86 512 6762 3338

Tianjin

Deloitte Touche Tohmatsu CPA Ltd.
Tianjin Branch
30/F The Exchange North Tower
189 Nanjing Road
Heping District
Tianjin 300051, PRC
Tel: +86 22 2320 6688
Fax: +86 22 2320 6699

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/cn/en/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Deloitte's China practice provides services through a number of legal entities and those entities are members of Deloitte Touche Tohmatsu (Swiss Verein).

We are one of the leading professional services providers in the Chinese Mainland, Hong Kong SAR and Macau SAR. We have over 8,000 people in eleven offices including Beijing, Dalian, Guangzhou, Hangzhou, Hong Kong, Macau, Nanjing, Shanghai, Shenzhen, Suzhou and Tianjin.

As early as 1917, we opened an office in Shanghai. Backed by our global network, we deliver a full range of audit, tax, consulting and financial advisory services to national, multinational and growth enterprise clients in China.

We have considerable experience in China and have been a significant contributor to the development of China's accounting standards, taxation system and local professional accountants. We also provide services to around one-third of all companies listed on the Stock Exchange of Hong Kong.

These materials and the information contained herein are provided by Deloitte Touche Tohmatsu and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Touche Tohmatsu makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Touche Tohmatsu does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Touche Tohmatsu expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, noninfringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Touche Tohmatsu will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

