



China M&A Round-Up

Keeping pace, marking milestones

What's the Deal?

The China M&A Round-Up team is proud to announce the addition of a new section to our monthly publication. Called "What's the Deal?" Our new section will focus on the opinions and analysis of Ken DeWoskin, Senior Advisor, US Chinese Services Group on the impact and direction of China cross-border M&A trends.

In our view, current trends in global M&A merit consistent monitoring, analysis, and executive attention, particularly with respect to China. Many large investment flows that fund acquisitions of major incumbent enterprises and potentially disruptive start-ups, and the common consolidation of assets into mega-conglomerates that result, are not neutral changes in ownership but are often core components of major shifts in geo-economic actors and goals. Especially since the global financial crisis, China has often proven that it has the capability of mobilizing massive resources to undertake some of the largest acquisitions abroad ever undertaken,

and China has also indicated unambiguously that outbound direct investment is an important piece of its future growth strategy at a national level. Tracking this growth trend has long been at the core of our mission in publishing the China M&A Round-Up newsletter.

At a more granular level, almost every sector that is hot in terms of M&A—health care, ecommerce, energy and resources, hospitality, financial services, to name a few—is experiencing transformation that can offer major incumbents and their challengers opportunities and risks that they should understand and address to help assure not only future growth and prosperity but in many cases their own survival.

We believe that the impact of China's newly intensified focus on its global roles and relationships not only implies continued robust pursuit of global M&A, but will likely reach far beyond the immediate impact of specific, individual M&A initiatives. The landscape, broadly viewed, for engaged governments, investors, and competitors appears to be changing at an accelerating pace, and China's M&A activity is often a dynamic force influencing many of the most significant global developments.

We also believe it is useful to analyze these changes from two perspectives, one in terms of global market share shifts reflected in the rise and fall of goods and service providers, and the other in terms of control of core enablers, often technologies, that are reshaping value chains, restructuring key markets, and relocating profit pools associated with them. Market share shifts are typically driven by major changes in equity ownership and governing control of established business operations and assets in real estate, natural resources, consumer brands, retail services, and similar sectors. Value change shifts are commonly driven by acquired capabilities in core, disruptive technologies, like micro-electronics, AI, new energy, Blockchain, mobility and communications, and new manufacturing, for example. Our most recent annual data, from 2016, demonstrates that China is a major player in global M&A measured by volume and values of acquisitions abroad. But China's role in M&A markets is not only unique as measured by growth rate or numbers of deals and total values. China's growing engagement in global M&A has brought much more into view.

China's domestic economy, especially the regulatory and financial systems that govern business activity and capital investment, has numerous unique Chinese characteristics, seen through non-Chinese MNC eyes. These characteristics have often accounted for both successes and failures during the past 35 years of China's opening and reform. We have now seen these characteristics typically reflected in the M&A activity of Chinese investors abroad. They are not only part and parcel of the obvious, measurable growth and scale of Chinese M&A abroad. They are part and parcel, albeit less obviously, of the target selection processes, strategic intent, commercial calculus, and valuations that help guide the activities of Chinese investment outside the Chinese mainland. Even less obvious are the dynamics that may determine what entities in China have been and will likely continue to be major players on the global M&A battlefield.

Among the external events, in our view, that are critical for our clients to follow and understand, few are more important than the topics we have raised here and plan to explore in this column. We very much hope to see you and hear from you in the future.

- Ken DeWoskin

Trends to Watch

[China removes 27 restrictions for foreign investment in free-trade zones](#), Reuters, 6/16/2017

[Chinese regulator warns against unregistered offshore corporate debt](#), Xinhua, 6/14/2017

Outbound M&A from China

Aviation, Transportation & Logistics

[China's COSCO Shipping buys \\$228 million stake in Spain's Noatum Port](#), Reuters, 6/12/2017

Consumer Products

[Chinese satellite navigation firm buys 57.15% of German auto electronics company for \\$89 mln](#), Yicai Global, 6/13/2017

[France's Baccarat to be acquired by Chinese group Fortune Fountain Capital](#), Reuters, 6/2/2017

[Chinese group buys world's No. 2 condom maker for \\$600 mln](#), Reuters, 5/25/2017

Energy & Resources

[Fosun buys stake in Russia's top gold miner for \\$887 mln](#), Nasdaq, 5/31/2017

Financial Services

[China Galaxy takes 50% in CIMB's overseas stockbroking business](#), The Star Online, 6/6/2017

Manufacturing

[China billionaire adds Proton, Lotus to expanding car empire](#), Bloomberg, 5/24/2017

Real Estate

[Singapore's Royal Group sells Australian luxury hotel for \\$144 mln](#), Singapore Business Review, 5/26/2017

Technology, Media & Telecommunications

[Chinese owner to be involved in Grindr's operations after deal](#), South China Morning Post, 5/25/2017

Inbound M&A into China

No deals were reported for this period.

China Domestic M&A and Industry Consolidation

Aviation, Transportation & Logistics

[COSCO expands port operations with acquisitions in Shanghai, Spain](#), Caixin, 6/13/2017

Real Estate

[Shenzhen Metro becomes China Vanke's largest shareholder after stake purchase](#), Reuters, 6/9/2017

[China's Fosun to sell real estate firms to Shanghai Yuyuan for \\$3.5 bln](#), Reuters, 5/25/2017

Dbriefs China Issues Webcast

China's tax reform: Understanding the changes, planning for the future July 13 | 11 a.m. ET

As China's leadership continues to advance new policies aimed at stimulating the economy, tax reform is an important ongoing initiative. Significant developments include last year's VAT overhaul and the recent rollout of tax cuts for businesses and individuals. What are the broader implications and trends in the context of global investment? Learn more about tax reforms in China and the impact of these changes on the competitive business landscape.

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