

## China M&A Briefing – End of Year 2009

### Outbound M&A

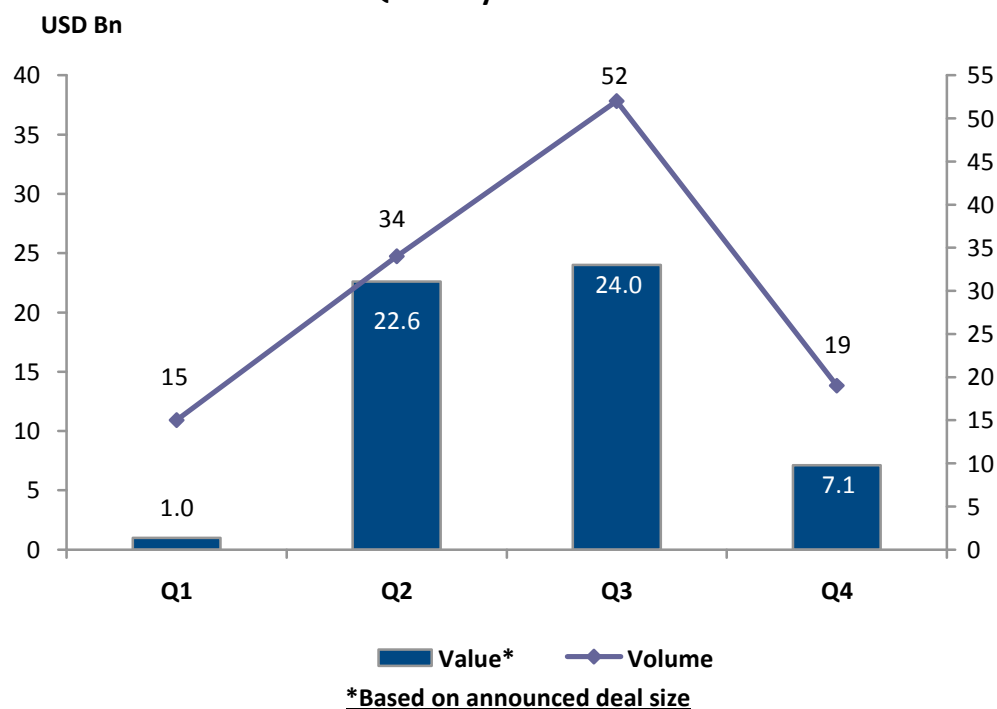
Based on SmithStreetSolutions M&A data for the months from January to December of 2009, there were a total of 120 announced outbound deals. The total value of those transactions amounted to USD 54.7 billion, an increase of 4.6% from last year based on 2008 M&A data released by the Ministry of Commerce (MOFCOM).

The sharp rise in M&A activities, particularly in the second and third quarter, was spurred by a loosening of government regulations regarding outbound transactions. A series of directives issued by the central government in March and June attempted to ease prior restrictions and streamline the approval process by delegating authority to local and provincial governments.

The robustness in Chinese acquisitions abroad is mainly due to the economy's relative insulation from the global financial crisis, and has largely been driven by demand in raw commodities, with a total of 29 deals amounting to USD 41.2 billion in the energy sector. The majority of those deals were concentrated in North America and Australia. Some of the largest and most notable transactions include Sinopec's USD 7.24 billion bid for Addax Petroleum as well as China National Petroleum Corp. (CNPC) and PetroChina's acquisition of Petro-Canada's Syrian and Libyan assets for USD 5 billion.

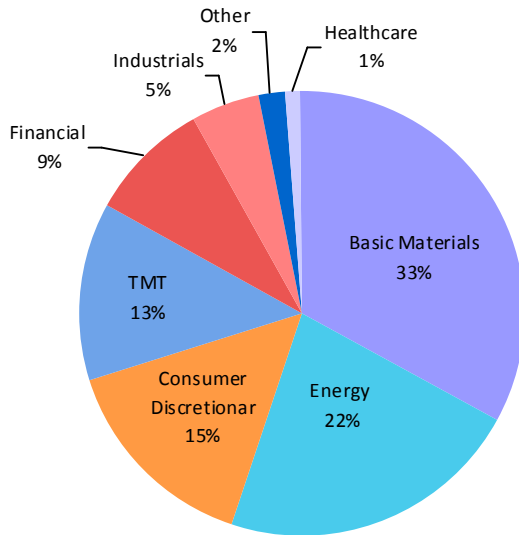
Our data also reveals China's increasing hunger for foreign technology, as shown in the Technology, Media, & Telecommunications (TMT) sector, which accounted for 13% of the deals that took place in 2009. Lenovo, one of China's fastest emerging brands, continued its international expansion by purchasing U.S. based startup Switchbox Labs and plant assets from Polish car accessory manufacturer Inter Groclin Auto. We believe that technology acquisitions will be the biggest undercurrent in Chinese outbound M&A in 2010 as the government continues to encourage the development of Chinese brands to global status.

### 2009 Quarterly Outbound M&A

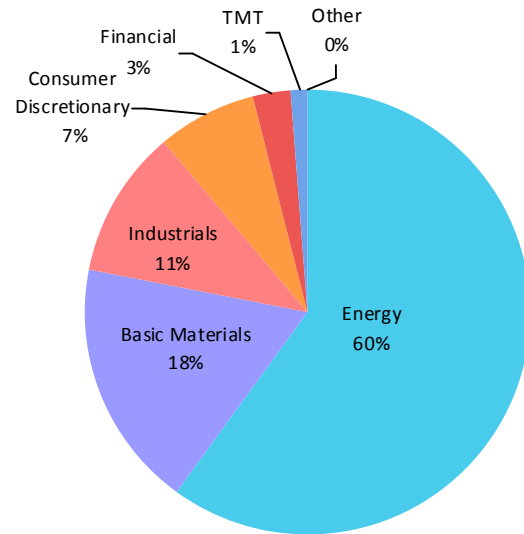


## 2009 Outbound M&A Activity

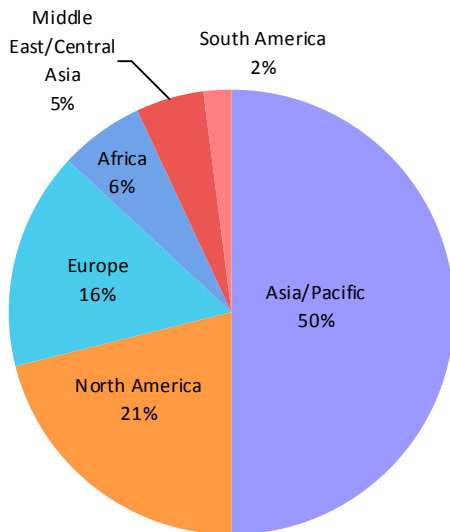
**Industry Breakdown by Volume**



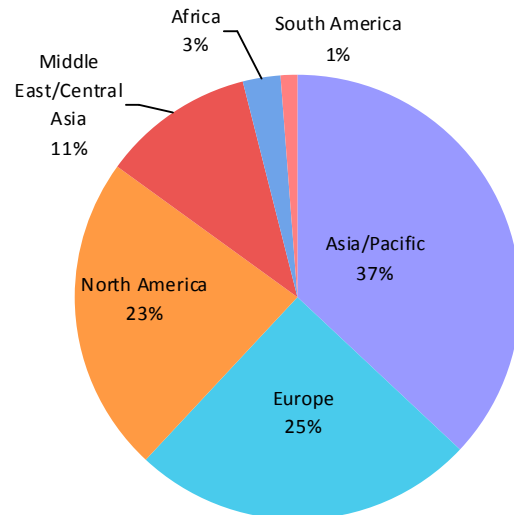
**Industry Breakdown by Value\***



**Regional Breakdown by Volume**



**Regional Breakdown by Value\***



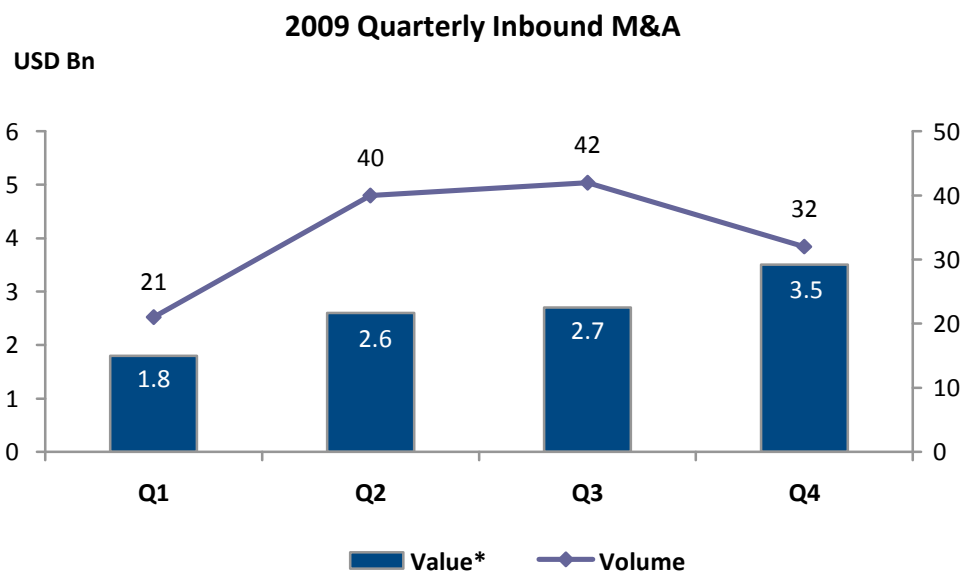
**\*Based on announced deal size**

## Inbound M&A

According to SmithStreetSolutions M&A data, there were a total of 135 announced inbound deals aggregating to USD 10.6 billion. In terms of transaction value, inbound M&A has seen a healthy and steady rise throughout the year. Franklin Yao, CEO of SmithStreetSolutions, anticipates that inbound deals will continue to pick up in 2010 due to increased domestic consumption and growing investor confidence in the Chinese economy.

Our industry analysis shows that the majority of inbound dollars are concentrated in the consumer discretionary, financial, industrials, and TMT sectors. This reflects three major trends in the Chinese economy, namely the government's push to spur private consumption, the restructuring of the Chinese banking system, and the upgrading of China's manufacturing sector towards higher value-added products. Notable tractions include Spanish BBVA's USD 1.45 billion investment in China Citic Bank, German engineering manufacturer MAN SE's USD 781 million investment in Sinotruk, and Japanese brewer Asahi's USD 667 million bid for Tsingtao Brewery. In terms of volume however, inbound deals are more evenly spread out amongst various industries.

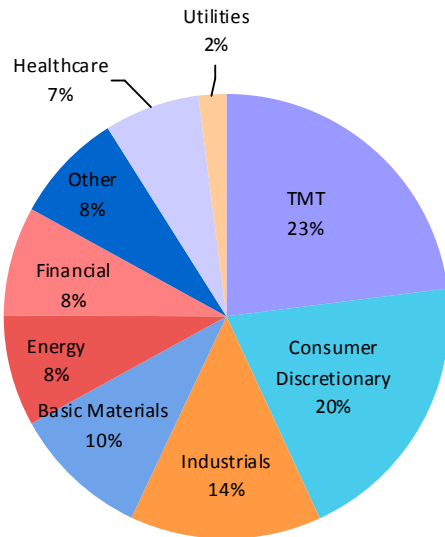
The Asia-Pacific region contributed nearly half (44%) of China's inbound M&A by value, followed by Europe (29%) and North America (27%). The U.S. was the single largest source of investment, with a 25.3% total share of inbound M&A value, driven by U.S. investors shifting resources to Asia for more attractive returns.



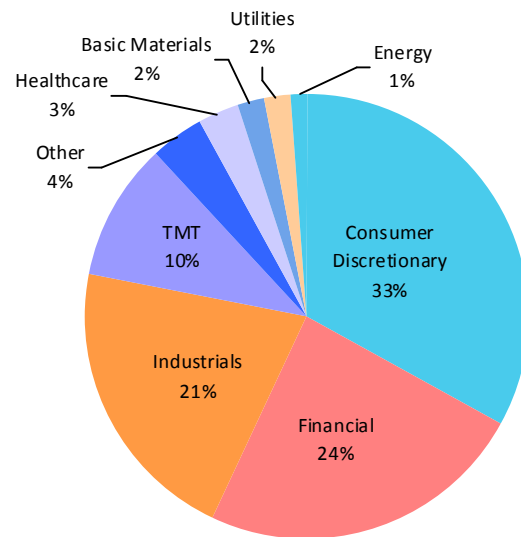
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## 2009 Inbound M&A Activity

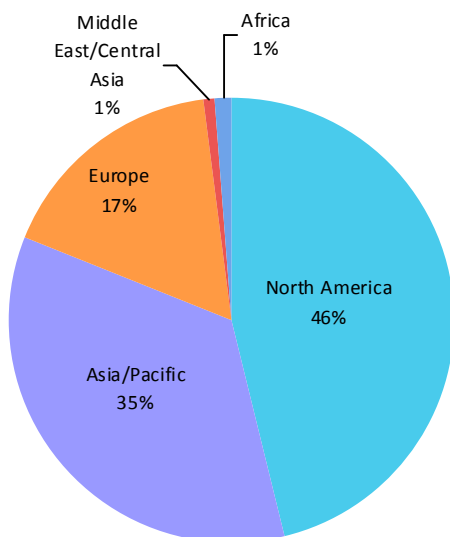
**Industry Breakdown by Volume**



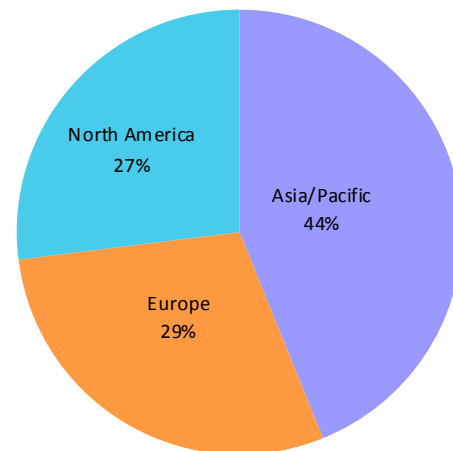
**Industry Breakdown by Value\***



**Regional Breakdown by Volume**



**Regional Breakdown by Value\***



**\*Based on announced deal size**