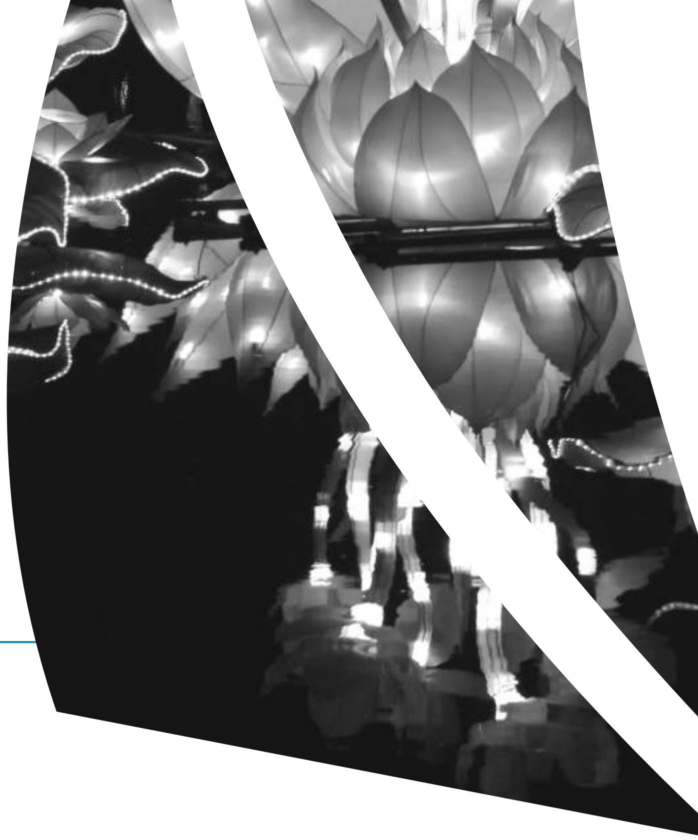
Ascent Partners

Together We Flourish



Asia-Pacific M&A Barometer

ISSUE 7 FEATURING China: MA Market Trend in Q3 2015.

Trend in Q3 2015

1,132
Deal Volume

US $34.1bn
Deal Value

Top 3 countries by deal volume:

307	China
297	India
135	Australia

Top 3 sectors by deal volume:

19%	Communication
16%	Technology
15%	Consumer/Non-Cyclical

Top 3 sectors by deal value:

26%	Communication
25%	Technology
11%	Consumer/Cyclical

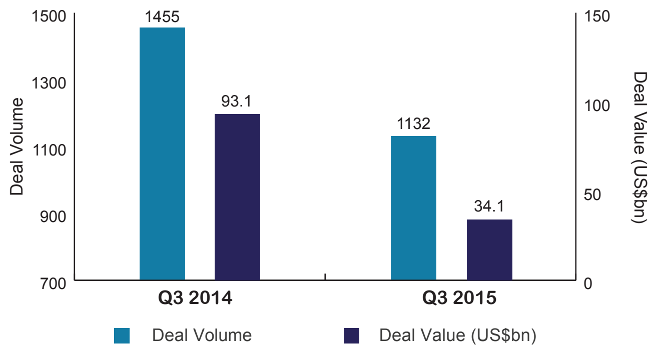
89%
Number of deals valued below 50 million as a percentage of total regional deal volume

6%
Number of deals valued between 50 million and 100 million as a percentage of total regional deal volume

The plummet in the stock market led by the economic slowdown in China and the speculation of potentially raising interest rates by the Federal Reserve this year deterred the stakeholders from engaging Mergers and Acquisitions (M&A) activities in the third quarter of 2015 (Q3 2015).

It is clear that the M&A market shrunk significantly while the number of deals declined to 1,132 in Q3 2015 from 1,455 last year, with deal value of US$34.1 billion dropped from US$93.1 billion year-on-year. The financial market volatility spiked in August, resulted from the depreciation of the renminbi, and a sharp correction in equity markets worldwide. Temporary increases in volatility compromised companies to complete M&A transactions in Q3 2015. Associated with high downside risk in China and the plummeting commodity and energy price, the confidence of deal-making has been seriously undermined. For those who are seeking growth through acquisitions, their halts might have to last until economic recovery later this year or next year. Significant rebound can only be expected in the M&A market when there are substantial improvements in the economic conditions of the Asia-Pacific region.

Asia-Pacific M&A Volume and Value Comparison



Top 5 Deals for Q3 2015

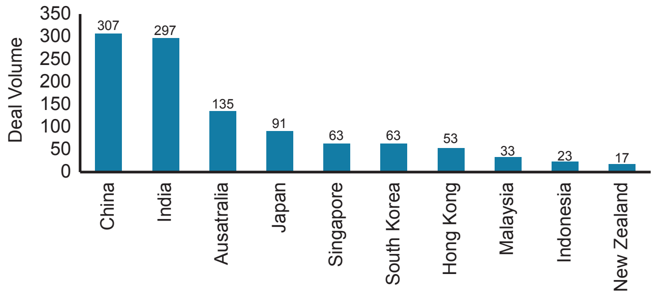
Target Company	Target Sector	Target Country	Bidder Company	Deal Value (US$mn)
Xiaoju Kuaizhi Inc	E-Commerce	China	Tencent Holdings Ltd, Coatue Management LLC, Shenzhen Ping An Innovation Capital Investment Co, Ltd., Capital International Inc, Alibaba Group Holding Ltd, China Investment Corp	3,000.00
Siliconware Precision industries Co Ltd.	Technology	Taiwan	Advanced Semiconductor Engineering Inc	1,073.56
Brixworth International Ltd.	Real Estate	China	Link REIT	1,067.04
Ly.com	Diversified	China	Beijing Wanda Cultural Industry Group Co Ltd., Tencent Holdings Ltd., CITIC Capital Partners	967.08
Intercontinental Hotels Group PLC	Real Estate	Hong Kong	Supreme Key Ltd.	929.00

Geographic Split across Asia-Pacific

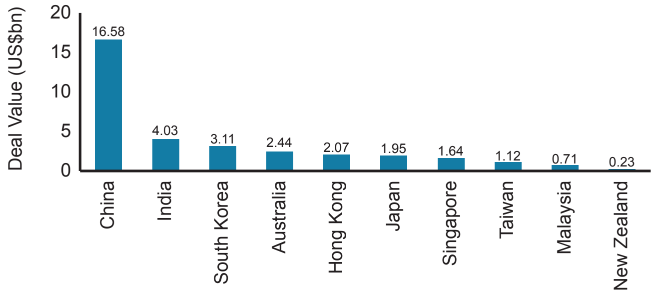
In Q3 2015, China remained its leading role in the M&A market despite the decline in GDP growth. China completed 307 deals with US$16.58 billion of deal value. The number of deals represented almost one-third of deals in the Asia-Pacific region. Despite the turmoil of the Chinese stock market in Q2 2015, deal-makers are still positive toward M&A opportunities in China. The increasing competition among acquirers inflated the valuation of target companies, leading to a surge of the total deal value by 35% in comparison with US$12.3 billion and 328 transactions last quarter in 2015. 3 out of 5 largest M&A deals were completed in China in Q3 2015. Mega-deals accounted for host of the transaction value in China. However, a drop in the stock market is likely to help narrow valuation expectation between sellers and buyers, leading to an increase of deals in the next quarter. The sectors of Communication, Consumer/Cyclical and Financial Service represented 39.2%, 14.8%, 11.3% of the total value respectively.

India continued to grow in terms of deal volume and value after a rapid increase in the second quarter. The number of deals in India rose from 224 in Q2 to 297 Q3 2015. In Q3 2015, it replaced Hong Kong as the second place of deal value, contributed US$4.03 billion to the M&A market, followed by South Korea (US$3.11 billion) and Australia (US$2.44 billion). This significant growth of M&A activities in India can be attributed to the remarkable performance in Communication sector, representing 47.6% of the total value.

Asia-Pacific Deal Volume (Top 10 Jurisdictions)



Asia-Pacific Deal Value (Top 10 Jurisdictions)

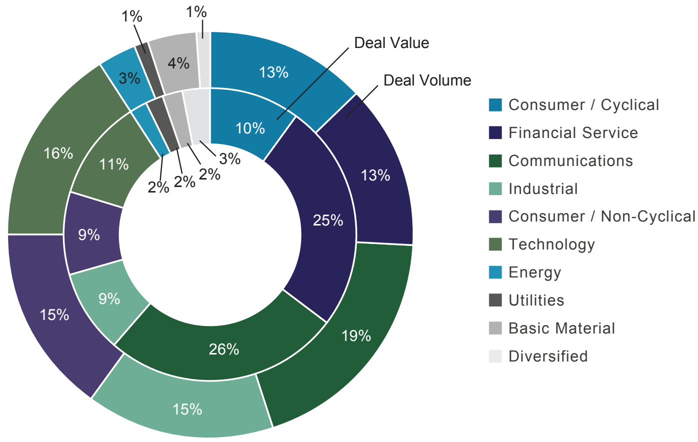


Sector Breakdown

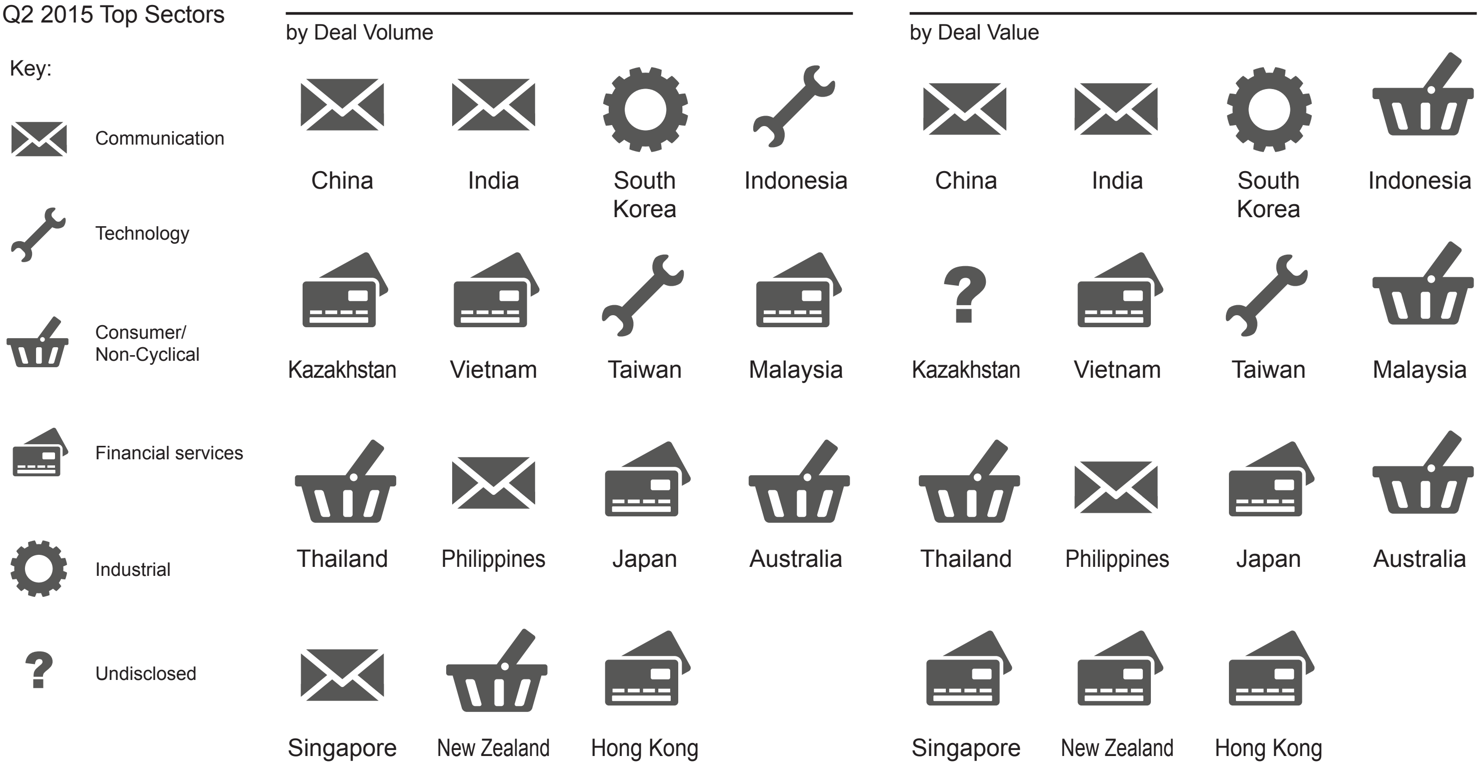
The top sector in M&A market in Q3 2015 is Communication industry with 211 deals (19%) and US$8.87 billion (26%) of deal value. A large proportion of the deals in the sector was contributed by India, accounting for 78 out of the total 211 deals. Supported by government policies encouraging company consolidation and reorganization, such as the Companies Act and Institutional Trading Platform (ITP) for Tech startups, the M&A activities in Communication sector in India is expected to grow in the near future.

In Q3 2015, M&A market in Technology sector achieved a strong performance, achieved 16% and 11% of deal volume and value respectively. Driven by technology advancement and growing demand in the fields of mobile Internet, data analytics, security and cloud platforms, companies have been seeking growth opportunities through M&A acquisitions. Acquisition of the start-up companies is also an important means for big companies to acquire the latest technology and maintain competitiveness. Technology sector has a large proportion of small-sized M&A deals. The number of deals reached 178 whereas the value only represented US$3.9 billion. Total deal value in Technology was close to half of the Communication sector.

Asia-Pacific Sector Breakdown Q3 2015



Q2 2015 Top Sectors



SPEEDA Presented by UZABASE

China: M&A Market Trends in Q3 2015.

SPEEDA Analyst Rujun Li

China's M&A market has been steady in Q3 2015, with Chinese ventures' overseas M&A showing expansion.

In Q3 2015, according to Bloomberg, there were a total of 360 deals completed in China's (including Hong Kong) M&A market, down by 6.4% compared to Q2 2015. Total deal value reached US$ 18.65 billion. Of them, 307 deals were completed in the Mainland China market, with a total value of US$ 16.58 billion; 53 deals were completed in Hong Kong valued at US$ 2.07 billion.

According to SPEEDA, in Q3 2015, Chinese enterprises closed 72 M&A deals overseas, up by 46.9% quarter-on-quarter, recording a total value of US$ 21.88 billion.

Overall, there were 432 deals completed in Chinese M&A and relevant markets in Q3 2015—including Mainland China, Hong Kong, and Chinese ventures' M&A overseas, with total deal value amounting to US$ 40.53 billion.

China: M&A Industry Trends

By industry, Chinese M&A and relevant markets have covered 16 industries under SPEEDA primary category including construction/real estate, machinery/electrical products, food/consumer products, media/info-communications services, materials/processed materials, healthcare/pharmaceuticals, finance, and retail.

By case number, according to SPEEDA data, construction/real estate led the M&A market with a total number of 39 M&A cases completed, followed by conventional machinery/electrical products industry and food/consumer products industry, each reporting a number of deal finished at 35 and 29 this quarter.

By deal value, China National Tire & Rubber (CHN; under China National Chemical [ChemChina, CHN]) acquired Pirelli (ITA) at US$ 7.87 billion; this made transportation machinery manufacturing the top industry in terms of M&A deal value, which recorded an aggregate of US$ 9.11 billion in Q3 2015, far ahead of the rest. Finance remained stable in second place, reporting a total value of US$ 5.29 billion. Machinery/electrical products industry ranked third at a total deal value of US$ 2.82 billion.

China's M&A Market Characteristics in 2015

China's M&A market shows an obvious expansion towards overseas markets in tandem with accumulated experience of domestic investors and encouraging government policies. Chinese companies merge and acquire foreign ventures in an attempt to introduce advanced technologies in addition to brand building so as to expand its local market share.

By industry, finance, transportation machinery manufacturing, and construction/engineering are outstanding. In Q3 2015, the largest deal was China National Tire & Rubber's acquisition of Pirelli at US$ 7.866 billion. In light of the USA levying anti-dumping and countervailing duties against the Chinese tyre industry, this deal not only allowed ChemChina to absorb first-tier tyre manufacturing technology and helped enhance the branding of its affiliate tyre products, but also promoted exports of ChemChina and diminished the inventory pressure caused by the duty action.

Furthermore, the largest M&A deal completed in the finance industry is Anbang Insurance Group's (CHN) acquisition of SNS Reaal's (NLD) insurance arm. The deal value amounted to US$ 2.09 billion. This deal enabled Anbang Insurance Group to enter the developed insurance market of the Netherlands, and provided the Chinese insurer with edgy knowhow and managerial expertise in this industry, which will help it expand its domestic share.

Chinese Government's Role in M&A Market and Influences of Its Policies

The Chinese government, which oversees the Chinese M&A market, has been making efforts to promote stable growth of the market. On 13 September 2015, the State Council released the Guidance Opinions on Deepening the Reform of State-Owned Enterprises (the Guidance Opinions); on 24 September, it further issued the Opinions on Developing Diversified-Ownership for State-Owned Enterprises (the Opinions), as a coordinative policy to the former. Primary actions taken by the government is to categorise and classify state-owned enterprises (SOEs), to foster SOEs to go public as a whole and diversify their stock ownership, to shift the focus of supervision on SOEs from enterprise entity to their capital (e.g. capital formation and stock ownership), and to cautiously promote diversified-ownership economy and dual-direction stock participation between SOEs and private companies.

The Opinions have suggested a clear general direction of SOEs' diversified-ownership reform. According to PEDaily's statistics, the reform involves more than 150,000 SOEs under central and local governments' supervision; overall capital assets impacted amounts to CNY 100 trillion, with over 30 million employees influenced. The Opinions also require all SOEs to reform at a primary level by 2020, and achieve substantial results in key segments.

Meanwhile, the Opinions have proved a sound basis for major SOEs to merge and reorganise for added collaborative strength. In early 2015, China CNR (CHN) and CSR (CHN) merged, so did China Power Investment (CHN) and State Nuclear Power Technology Corporation (SNPTC, CHN). Recently, China Railway Engineering (CHN) and China Railway Erju (CHN) have followed suit and announced trade suspension to plan for asset integration. Such force reorganisation among SOEs will be the chief trends going forward.

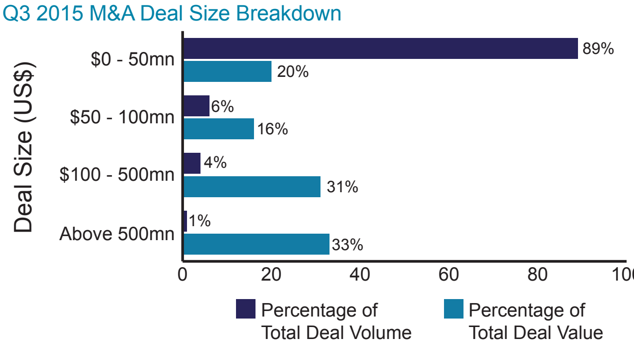
In addition, the strategy "One Belt One Road" proposed by the Chinese government will offer new opportunities for Chinese companies to invest overseas and build tie-ups and even merge with foreign ventures. Against such backdrop, with large infrastructure projects leading the race, high-speed railway construction, telecommunications, and nuclear power industries are likely to attract large amounts of funds and investment. On 21 October 2015, China General Nuclear Power Group (CGN, CHN) and EDF (FRA) reached an investment agreement on a new nuclear power plant construction in the UK. This project will adopt its nuclear reactor Hualong 1 and contribute to the export of China's locally developed technology.

Deal Size

In comparison with the last 2 quarters, the proportion of the number of small deal-size transactions is still on the rise, up by 9% from 80% in Q1 to 89% in Q3 2015, but deals below US$50 million only consists of 21% of total value in M&A market with the slight increase of 2% from 19% last quarter. The deals with size over US$500 million contributed the most by value, yielded 33% with the value of US$11.1 billion, accounting for only 1% of the total deal volume. In Q3 2015, the deals between US$50 million and US$100 million represented 6% of total deal volume while deal value remained steady at 16%.

Total value was US$34.1 billion in Q3 2015. The deal volume dropped by 3% whereas the deal value decreased by 4% from the last quarter.

Q3 2015 M&A Deal Size Breakdown



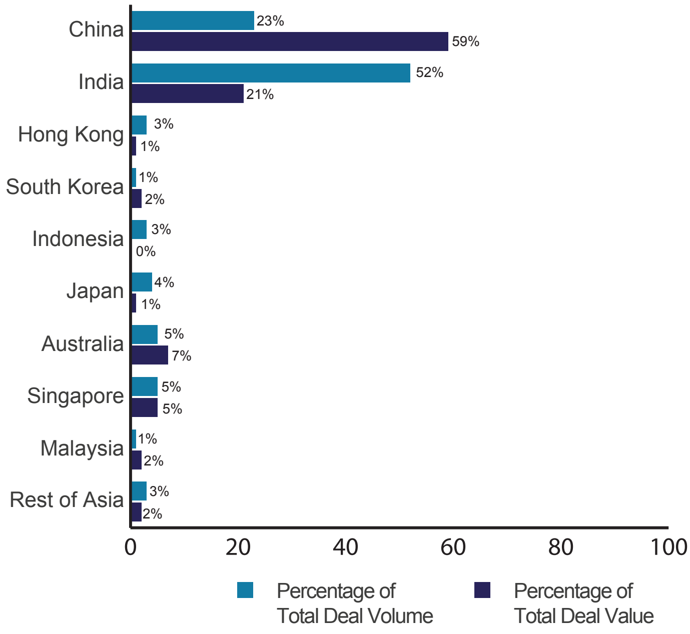
Private Equity

India surpassed China to become the largest private equity market in terms of deal volume in the Asia-Pacific region in Q3 2015. Private equity transactions comprise 70% of the Indian M&A market by deal volume, accounted for 210 deals. In India, domestic private equity investors continue to stay positive toward the investment opportunities and it is expected that the strong performance in private equity market will be continued in the next quarter. Despite the high number of private equity deals completed in India, only US$3.44 billion was contributed to Indian private equity market as the majority of deals was valued below US$50 million.

It is no surprise that China maintained its leading position of total deal value with US$9.43 billion. Private equity buyout deals initiated from China represented 94 deals while the value consists of 57% in the Chinese M&A market. It was far more than that in India or other Asia-Pacific countries. The mega-deals still dominated the Chinese private equity market.

The completed deals in private equity market in Asia-Pacific region decreased significantly by 36% from Q2 2015, represented 406 deals in total. The value dropped by 9% from US$17.7 billion last quarter to US$16.1 billion in Q3 2015. It indicates a lack of willingness of stakeholders to engage in private equity market among most of the Asia-Pacific countries in spite of a surge of buy-out deals by private equity players in India this quarter.

Private Equity Buyout Transactions

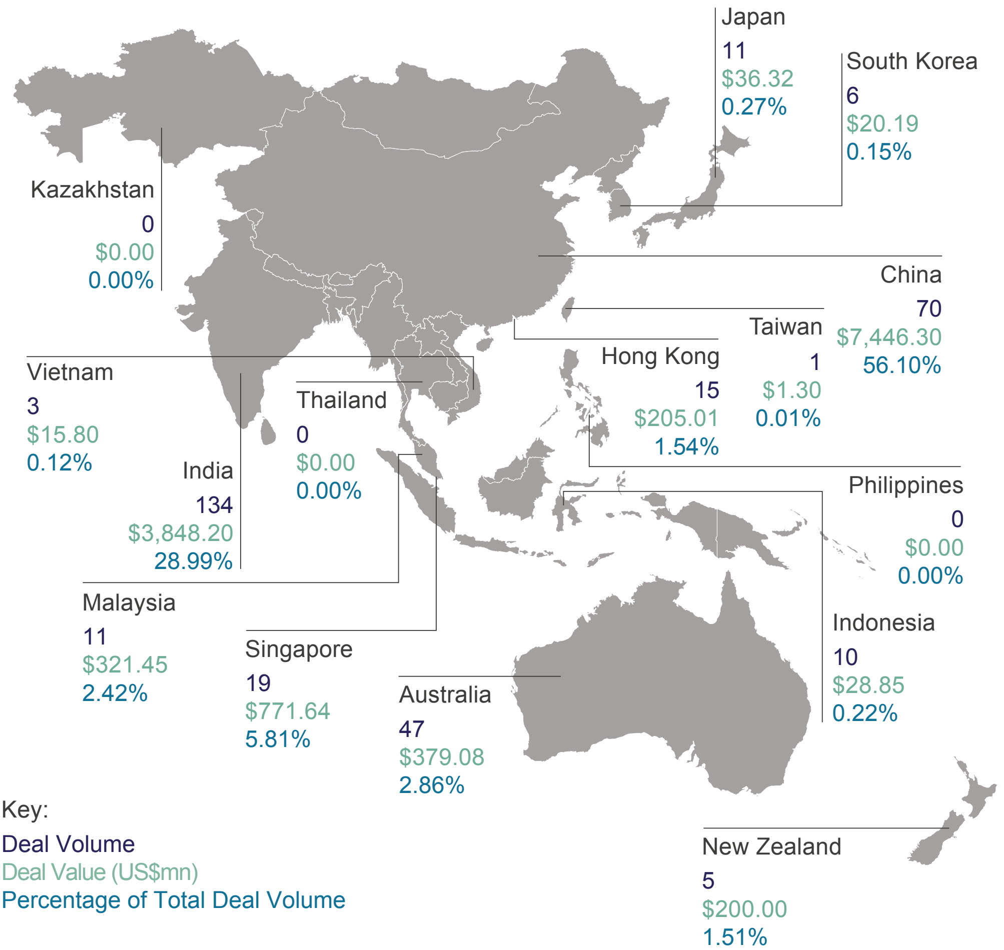


Inbound

In Q3 2015, India continued to lead the region's inbound market in terms of deal volume. Stimulated by a rejuvenated market sentiment coupled with government initiatives focused on encouraging Foreign Direct Investment (FDI), the inbound M&A transactions in India surged 44% from 93 deals last quarter to 134 deals in the third quarter, accompanied with the increase of more than US$1 billion of deal value. The Indian government allowed 100% FDI and loosened restrictions in major industry sectors, such as medical devices, single-brand retail, construction. It has driven a resurgence of the M&A activities in India despite the global economic downturn. It is expected this strong performance will persist in the last quarter of 2015 with the support of the government's policy in India.

China continued to attract the largest amount of investment from foreign investors in Q3 2015. The inbound deals in China represented 70 deals with US$7.4 billion of value, with a significant increase of 169% from US$2.8 billion in Q2 2015, whereas India only accounted for US$3.8 billion in the FDI market. The rapid increase of value in inbound deals could be accounted for by a few mega deals in China.

Inbound M&A



CONTACT US

William Yuen, Director
Ascent Partners Valutation Service Limited
William@ascent-partners.com
+852 3679 3822

John Ma, Analyst
Ascent Partners Valutation Service Limited
John@ascent-partners.com
+852 3679 3833

Yunchuan Francis Ma, Vice President
UZABASE Hong Kong, Ltd
yunchuan.ma@uzabase.com
+852 5808 3148

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