Lateral trades
Breathing fire into the BRICS

China outbound M&A activity into Brazil, Russia, India and South Africa

Chinese Services Group

Contents

Introduction

With an average estimated GDP growth rate of 4.8 percent over the coming 12 months, according to the International Monetary Fund (IMF) – a figure that is four times larger than their developed market counterparts' – the global spotlight is almost undoubtedly going to remain on the BRICS economies (made up of Brazil, Russia, India, China and South Africa) over the foreseeable future. Driven by favorable demographics, a rapidly-expanding middle class, as well as being characterized by relative political stability and bullish investor sentiment (at the time of writing, all five equity markets were in positive territory year-to-date), cross-border M&A activity between the BRICS will continue to shine bright despite a less positive outlook elsewhere.

This sense of optimism is fuelling an explosion in trade among the BRICS, with China – as the group's largest economy - naturally situated at its core. All of the four other BRICS economies rank China as their top trading destination by imports, amounting to a total of more than US$100bn in 2010. Additionally, Chinese imports from these four countries also clocked in a mammoth amount of over US$100bn in 2011, with South African exports to China more than doubling year-on-year, and similar Indian, Russian and Brazilian exports all showing double-digit increases.

And with one of China's state-owned policy banks – the China Development Bank – recently announcing that it is going to sign a memorandum of understanding to extend Renminbi loans to central banks in the other BRICS economies, trade flows within the bloc are set to increase even further. The initiative, which will be discussed at the upcoming 2012 BRICS summit to be held in New Delhi, will look to boost trade between the five nations, as well as promote the use of the currency, as opposed to the greenback, for international trade and cross-border lending.

Following off the back of this, Chinese Foreign Direct Investment (FDI) into these four markets is also set to continue rising, with Chinese investors spending a cumulative US$10bn on overseas investments between 2004 and 2010 according to the country's Ministry of Commerce. And, understandably, this increasing desire to invest into other countries will have a knock-on effect on the level of outbound M&A emanating from China into the other BRICS economies. According to Thomson Reuters data, just nine outbound deals, worth US$44m, were conducted in 2005 – a figure that rose to 27 acquisitions, worth US$9.9bn over 2011.

Yet, despite Chinese buyers' growing aspirations to expand into the other BRICS economies, cross-border deal-making is always a risky venture, and transacting, even within this taxonomy, brings with it an added layer of complexity. For instance, the Q4 2011 failure of the Bridas Corporation, itself a joint venture between China's CNOOC and Bridas Energy, its Argentinean counterpart, to acquire a 60 percent stake in Pan-American Energy for US$7.1bn perhaps highlights the very real political and regulatory risk that stalks every cross-border deal. In this particular case, the transaction unraveled following the abolition of a decree that allowed foreign-owned Energy & Resources businesses to transfer domestic profits out of the country.

In order to illuminate these market developments and more, Deloitte's Chinese Services Group has written and published ***Lateral trades – Breathing fire into the BRICS***, which brings you a historical review of Chinese outbound M&A activity into its four closest contemporaries over recent years. It also offers proprietary insights from Deloitte rainmakers situated in China, Brazil, Russia, India and South Africa into what is driving these trends and where the market is headed over the foreseeable future. We hope you enjoy reading it and welcome your feedback.

Lawrence Chia
National Managing Partner, Financial Advisory Services, China &
Global Chinese Services Group Co-Chairman

Executive summary

Thomson Reuters M&A metrics show that Chinese acquisitions of assets located in the other BRICS economies remained robust over 2011, with M&A volumes numbering some 27 deals cumulatively worth a total of US$9.8bn. Thus, from a volume perspective at least, Chinese-initiated deals into the other BRICS were resilient year-on-year, with 27 such deals also coming to market over 2010.

From a valuations point-of-view however, it was a different story. Chinese bidders spent a total of US$13.8bn acquiring into the other BRICS over 2010, meaning that they spent close to 30 percent less in 2011 than they did the previous year. However, 2010 metrics were somewhat skewed by one exceptionally large Chinese acquisition of a Brazilian target deal, worth US$7.1bn, coming to market. Omitting this one deal gives a more accurate assessment of M&A activity into the BRICS, suggesting that instead, the total deal value over 2011 rose by around 46 percent.

Looking at the data in its entirety, 2011 saw average deal values of Chinese outbound M&A into the other BRICS economies fall 28 percent to US$366m per deal – still very high compared to the global average deal value of US$167m per deal for the same period and in itself, perhaps showing that transformational cross-border opportunities in this particular space still have some way to go before running out of steam.

From a sector perspective, Energy & Resources assets proved to be the most desirable to Chinese bidders – acquisitions in this sector accounted for a substantive 60 percent of all deal flow by value emanating from China into the other BRICS over the 2005-2011 timeframe. At the same time, Energy & Resources buys made up more than 28 percent of total deal volumes over the same period.

Indeed, looking at the 2011 figures shows that Chinese interest in Energy & Resources assets located in the BRICS is actually increasing, with 95 percent of all annual outbound deals by value and 29 percent of transactions by volume taking place in the sector.

Brazil

- Chinese outbound M&A into Brazil remained reasonably robust in 2011, at least from a volume perspective, with nine deals worth a combined US$7.3bn, being announced, figures that were down (at least from a valuations view-point) when compared with the nine deals, worth US$12.5bn, that came to fruition over 2010.
- Over the 2005-2011 period, the bulk (59 percent) of Chinese acquisitions of Brazilian targets were undertaken in the sub-US$250m space, despite the aforementioned US$7.1bn deal coming to market in 2010.
- Considering China's ever-increasing demand for natural resources, it is not surprising that the Energy & Resources sector dominated Chinese acquisitions into Brazil, comprising 50 percent of the total number of deals completed in this market over the 2005-2011 period.
- Nonetheless, there could be signs of a shift of interest into the Manufacturing sector – over 2011, Manufacturing sector deals by volume made up fully one-third of all Chinese M&A acquisitions into Brazil.

India

- Chinese outbound M&A into India saw an uptick in terms of deal volume with some 13 transactions having been completed in 2011, in comparison with ten the previous year. However, values dropped by over 20 percent from a figure of US$121m in 2010 to just $95m over the following 12 months.
- Although a relatively large number of deals were consummated, Chinese bidders obviously favored small-to-mid-market-sized acquisitions with average deal values equaling just US$7.4m per deal over 2011, broadly in line with long-term historical trends.
- Chinese buys of Indian Consumer Business & Transportation targets, accounted for 46 percent of all deals by volume and two-thirds of transactions by value over 2011. The Technology, Media and Telecommunications sector also saw significant activity over the course of the year, making up another 23 percent in terms of total deal volumes and 38 percent by value.

Russia

- Since 2005, there have been 19 Chinese acquisitions of Russian targets, with the majority of these transactions occurring in the Energy & Resources sector. The most noteworthy of these was Sinopec's Rosneft-backed US$3.5bn acquisition of the Oil & Gas exploration and production company, OAO Udmurtneft, in 2006.
- Following a relatively strong 2010, in which six deals came to market, 2011 saw a slowdown with only one completed deal being announced. Although this suggests that Russia is lagging behind the other BRICS in terms of inward investment from China, there are strong indications that this is set to change in the coming years.

South Africa

- Chinese bidders targeting South African assets were particularly acquisitive over 2011, with four deals worth a total of US$2.5bn being completed, a considerable increase on the two deals worth just US$879m that were announced in 2010.
- As a result, the average deal value of South African acquisitions by Chinese investors was relatively high, working out at US$619m per deal in 2011 – a promising indication that the South African M&A market is set to experience a boom in Chinese investment over the coming years.
- Once again, the Energy & Resources sector dominated activity, accounting for three out of the four deals conducted in South Africa over 2011 – and also accounting for the year's most significant deal: the US$1.3bn acquisition of Metorex by China's Jinchuan Group.

Methodology

For the purposes of this report, Deloitte utilized Thomson Reuters' M&A database, which has tracked over 400,000 global M&A transactions since 1977. This report examines all announced M&A acquisitions undertaken between bidders located in the Greater China region and targets located in Brazil, the Russian Federation (or 'Russia' from hereon in), India and South Africa for the period 1 January 2005 to 31 December 2011.

For the purposes of this report, the Greater China region consists of the People's Republic of China, Hong Kong Special Administrative Region, Macau Special Administrative Region and the Republic of China.

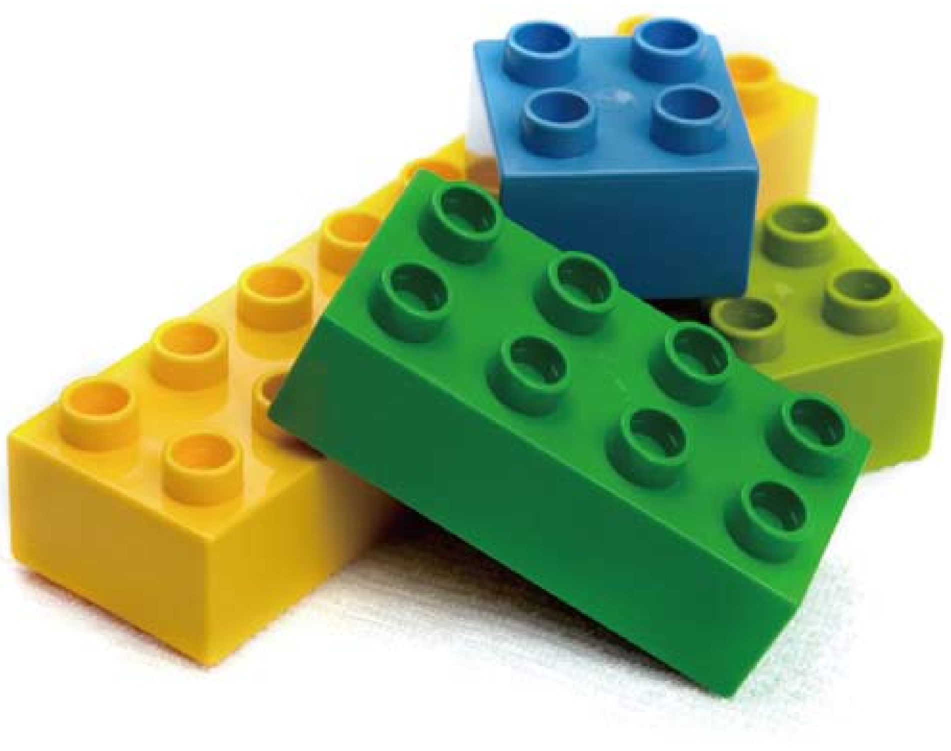
For the purposes of this report, the following sector definitions are used:

- E&R - Energy & Resources
- MFG - Manufacturing
- CB&T - Consumer Business and Transportation
- TMT - Technology, Media & Telecommunications
- GFSI - Global Financial Services Industry
- LSHC - Life Sciences & Healthcare
- RE - Real Estate
- Other - Other

Who are the BRICS economies?

The term 'BRIC' (standing for Brazil, Russia, India & China) was first coined by (then) Goldman Sachs economist Jim O'Neill in a 2001 research paper that he authored called *'Building Better Global Economic BRICs'*. In the paper, O'Neill argued that the term helped symbolize the shift in economic hegemony away from the developed world and towards emerging markets.

With the addition of South Africa into the fold in December 2010 (lengthening the acronym to BRICS), the five economies now account for roughly one-third of the world's total population, with a combined nominal GDP of US$13.6 trillion.



Greater Chinese outbound M&A into the BRICS economies – the Brazil perspective

Ricardo de Carvalho

Ricardo de Carvalho, Brazilian Leader of Deloitte's Chinese Services Group, is upbeat about prospective outbound Chinese M&A flows into Latin America's biggest economy over the coming 12 months, beginning the conversation by saying that the main factors that influenced deal-making over 2011 are likely to continue to drive market activity going forward.

Ricardo also notes that despite the melancholy macroeconomic climate that afflicted wider financial markets over the second half of 2011, annual deal volumes remained broadly stable compared to 2010, with 10 transactions, once again, coming to market over the year. However, deal values were not so resistant to the slowdown, with total values falling by over 40 percent during the period in question from US$12.5bn to US$7.3bn. Nonetheless, Ricardo is quick to point out that 2010 valuation data was unduly skewed by an exceptionally large deal involving Sinopec which, if omitted from the data, would show deal values actually increasing by 35 percent over 2011.

Ricardo continues by asserting that the dour outlook that led to an unsettling 2011 for M&A deal-makers, should improve over the next 12 months with Brazilian GDP expected to grow by 3.0 percent, according to the IMF World Economic Outlook January 2012 Update. As a result, the economy should outperform traditional, more mature, markets across the developed world and is slated to overtake the UK and French economies in terms of size to become the world's fifth-largest economy sometime over the next three or four years.

However, Ricardo comments, sustained and – perhaps more importantly – balanced growth at these levels is quite challenging to maintain so although economic expansion is undoubtedly one of the goals of the Brazilian government, it is often a double-edged sword, with the specters of inflationary pressure and an appreciating currency often rearing their ugly heads. These issues, along with others such as the bureaucratic challenges of doing business in Brazil; complex tax legislations; and high labor costs, are certainly potential sticking points that could put additional pressure on future cross-border deal flows.

Nonetheless, at the present time, Ricardo remarks that "cash-rich Chinese firms are increasingly looking overseas and are heading to Brazil as one of their primary investment spots. With a wealth of natural resources, agricultural commodities, and a burgeoning middle class, Brazil's place at the heart of the Chinese outbound M&A story is assured for the foreseeable future."

Incidentally, this viewpoint seems to be in line with the wider market. According to a new report compiled by mergermarket, the independent M&A intelligence provider, 64 percent of respondents of a recent survey believe that China will be the most acquisitive foreign buyer of Brazilian assets in 2012, illustrating the growing symbiosis that has developed since the turn of the millennium between these economic powerhouses.

This coming together has been facilitated by a good level of reciprocity from both governments to enhance their trade balance, which, ultimately, resulted in an 18-fold increase in cross-border trade between 2000 and 2008. Indeed, China is now Brazil's top importer, while Brazil is also ranked as the fourth-largest exporter to China. Ricardo also suggests that the pull-through factor from this recent upsurge in trade will hopefully manifest itself in an significant increase in future M&A flows.

In recent years, Ricardo adds, much of this increase has been driven by the announcement of trade agreements at various BRICS summits. For example, last year's summit saw Brazil and China agree to a trade deal worth more than US$1.5bn, which included the sale of 20 E-190 Embraer jets to China. The success of these summits has promoted to some degree, economic convergence and facilitated political solidarity between the two nations, particularly with regards to creating a counterpoint to the developed economies which make up the G7 group. Such solidarity also coincides with a relative period of political stability within the BRICS themselves. At the time of writing, the Chinese 2012 Presidential and Premier successions both look set to pan out in a smooth manner, while the recent election of Brazilian President Dilma Rousseff, who succeeded Lula da Silva, has been chiefly characterised by the continuity of former federal economic development programs and foreign trade policies, as well as the creation of additional initiatives which look to boost economic growth even further.

Besides these sound Sino-Brazilian fundamentals, another attraction for Chinese investors looking to acquire in Brazil is the access they are able to gain to the entire Latin American region, not only the domestic Brazilian market. Increasingly, Chinese companies are setting up base in Brazil, where, despite the existence of some existing supply bottlenecks, a generally sound infrastructure and logistical network has given Brazil the upper hand over other Latin American countries in terms of attracting FDI. Ricardo suggests that by doing this, businesses can take advantage of Mercosul Trade Agreements with its neighbors, such as Argentina, and use their Brazilian base as an export center for the wider region. This issue of scalability is particularly pertinent within the Manufacturing space, where significant economies of scale can be utilized via the construction of a single production plant located in Brazil, which then subsequently produces goods for sale in neighboring countries.

However, Ricardo is quick to point out that, as with all cross-border transactions, there remain significant challenges when conducting M&A acquisitions in Brazil. Deal-making processes are becoming ever-more sophisticated, intensifying the need for advisors who can offer comprehensive advice and highlight potential cultural, bureaucratic and financial pitfalls that firms have to navigate around in order to get a deal consummated. Such advisors can also assist businesses examine due diligence and post-merger integration procedures, which invariably are much more detailed now as Chinese firms increasingly look to build their outbound M&A initiatives more closely around their business' wider strategic goals.

Looking forward, Ricardo mentions that Energy & Resources acquisitions still have a substantial role to play in determining cross-border M&A trends over the coming years as China looks to meet its ever-increasing demand for natural resources. Ricardo comments that a simple glance at the top Chinese M&A purchases of Brazilian assets by value over the last few years shows just how strong the desire to snap up Energy & Resources targets truly is.

A major driver of this high level of continued interest in Brazil's Energy & Resources sector is set to take place within the Oil & Gas space, with a particular focus on deep-water oil drilling initiatives and pre-salt programs, both of which will generate many future investment opportunities within subsidiary sectors, for instance, the satellite equipment industry. Ricardo goes on to suggest that, according to industry specialists, the Brazilian Oil & Gas industry may require up to US$500bn or more of investment to fund exploration & production projects over the next decade. This could perhaps drive a number of Brazilian purchases by Chinese National Oil Companies (NOCs), with the recent deal between Sinopec and Repsol's Brazilian subsidiary being a prime example of this.

And it isn't just these multi-billion dollar transformational deals that are impacting the Energy & Resources space. Ricardo goes on to note that such transactions tend to result in swathes of other subsidiary deals coming to market, as satellite businesses of the large NOCs also look to reposition themselves following such large transformational shifts in the marketplace.

A similar story, albeit on not such a grand scale, is playing out in the automotive industry with several Chinese car manufacturers having recently made the move into Brazil. A recent example of this saw Chinese automotive manufacturer Great Wall begin construction of a manufacturing plant in Brazil with a production capacity of 100,000 vehicles a year. And as the firm sets up operations, it will generate a whole host of subsidiary deals as industry players begin to react to Great Wall's new operation. Indeed, one such readjustment saw Lifan Industry, the China-based automotive group, recently enter into a joint venture (JV) with Grupo Effa of Uruguay to import Chinese vehicles to Brazil and other Latin American nations. The partnership, reportedly called Lifan Motors Do Brazil, will make investments totaling some US$120m in Brazil and Uruguay over the next two years. Furthermore, other Chinese car makers, such as JAC and Chery, have also announced plans to build car assembly plants in Brazil in the near future. Such moves could result in many other Chinese auto-parts suppliers moving to Brazil to look for JVs with, or acquisition opportunities of, local automotive suppliers.

Ricardo also expects to see a surge in Chinese outbound investment into Brazil's Financial Services space. "The Bank of China was one of the first Chinese banks to expand their branch network into Brazil, moving into their new offices in 2009. Following on from that, ICBC opened their first branch in Sao Paulo in late 2011. And looking forward, I expect to see further openings as Chinese financial institutions look to finance the coming wave of prospective Chinese M&A investment into Brazil. I remain especially confident on this point, given the fact that Brazil will be hosting the World Cup in 2014, as well as the Olympics in 2016, both of which are attracting the attention of many Chinese companies," Ricardo says.

Cross-border Financial Services M&A activity between China and Brazil isn't simply a one-way street however: Brazilian banks are increasingly looking to move into China and have already started obtaining licenses for certain financial operations there. They are also carefully watching for opportunities to access low-interest financing credit lines or raise capital via Greater China's Panda and Dim Sum bond markets*. Furthermore, the fact that trade flows between the two nations have doubled over the last two years without a corresponding rise in cross-border corporate penetration rates (less than 100 Brazilian companies have established themselves in China, while less than 10 percent of the Top 200 Chinese companies operate in Brazil), means that there are plenty of supplementary financing and investment opportunities still available as more Brazilian firms look to enter the Chinese marketplace.

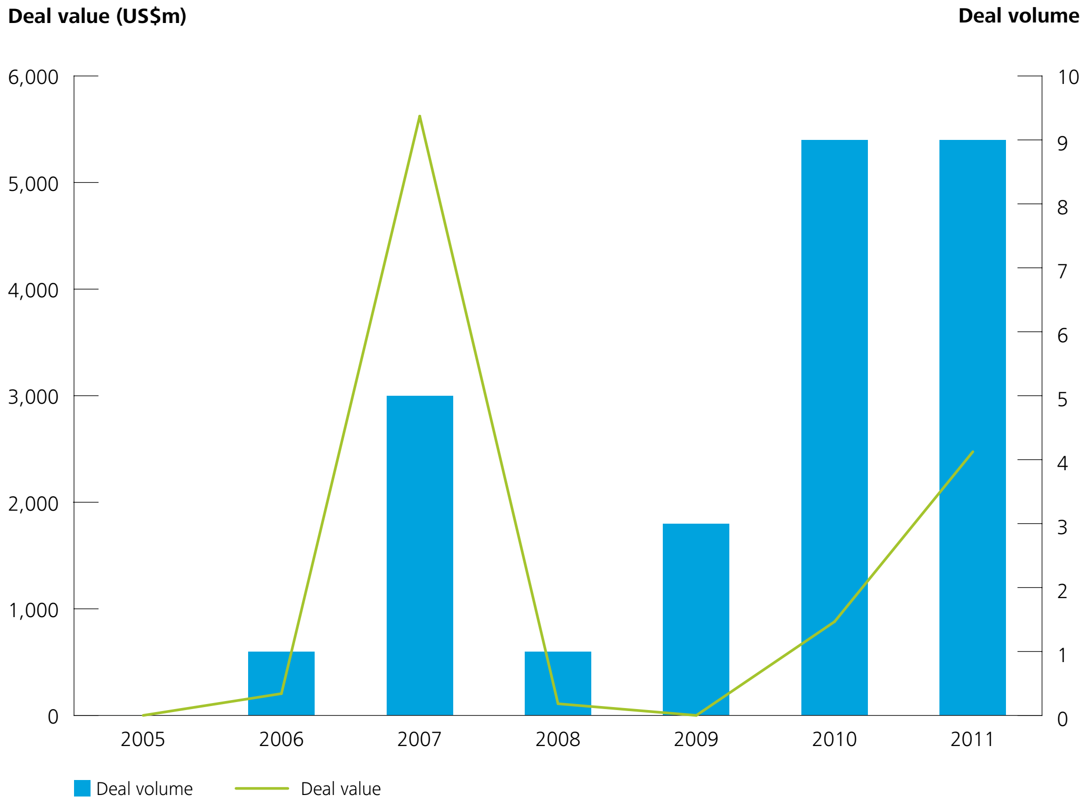
As Ricardo finishes up the conversation, his final point revolves around the fact that in order for Brazilian targets to maintain their attractiveness in the eyes of Chinese investors, the Brazilian Real must not appreciate much more. "Already there are mumblings among Chinese deal-makers that the exchange rate might be reaching a point where it is becoming a real concern for prospective Chinese bidders, with the Real having strengthened against the Renminbi by 7.7 percent over 2012-to-date," he says.

However, despite this initial note of concern, Ricardo doesn't seem fundamentally worried about the strength of the Real. "Brazil is set to become the fifth-largest economy in the world and as it matures, the market, as a self-regulatory mechanism, should become more efficient at determining the true value of the Real. And even if the Real continues to appreciate, Chinese investors tend to be less vulnerable to such currency fluctuations given that they tend to be more focused on the mid-to-long-term, as opposed to their Western European and North American counterparts, whose attention is much more on short-term profit maximization," he goes on to explain.

All in all, Ricardo notes, that a rising Real does not seem to be deterring prospective Chinese investors, concluding: "It is becoming common to see Chinese executives travelling on planes over well-known economic routes across Brazil. And it is no longer just the big players getting in on a slice of the action – many provincial trade missions are coming to Brazil every month. It seems the question for many is no longer whether to invest in Brazil. Rather, the question is – where in Brazil to invest?" He jokes as he concludes the discussion.

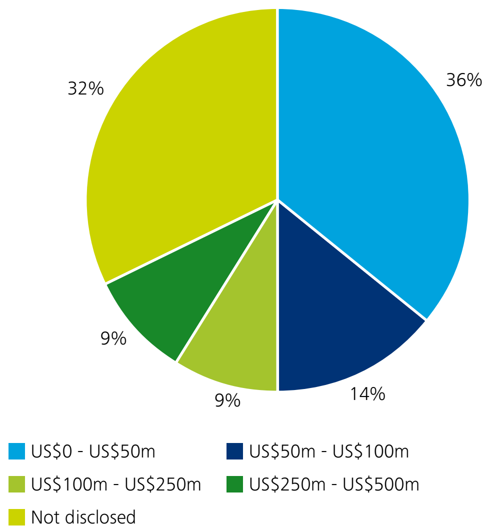
* A Panda bond is a Chinese renminbi-denominated bond issued by a foreign entity and sold in the People's Republic of China. A Dim Sum bond is a Chinese renminbi-denominated bond issued in Hong Kong.

China outbound M&A into Brazil



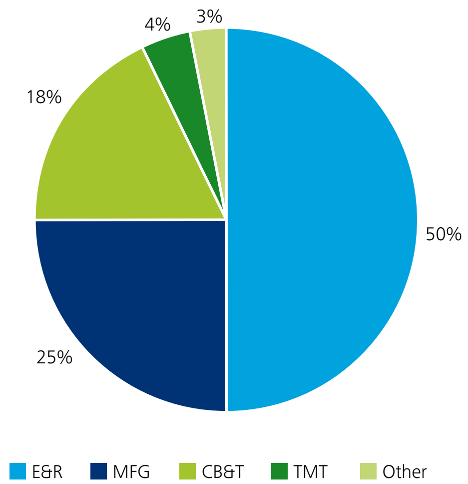
Source: Thomson Reuters

2005-2011 China outbound M&A into Brazil, deal sizes by volume



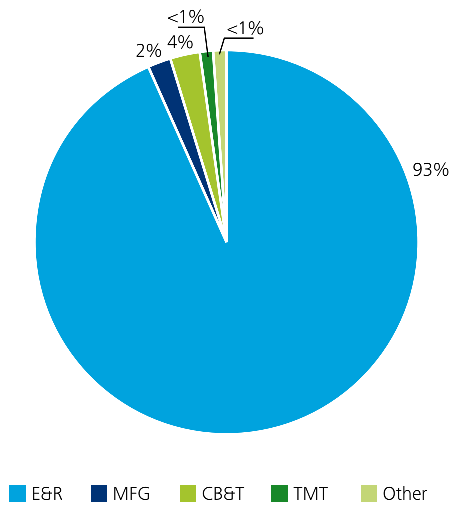
Source: Thomson Reuters

2005-2011 China outbound M&A into Brazil, target sectors by deal volume



Source: Thomson Reuters

2005-2011 China outbound M&A into Brazil, target sectors by deal value



Source: Thomson Reuters

> "It seems the question for many Chinese investors is no longer whether to invest in Brazil. Rather, the question is – where in Brazil to invest?"

Top 20 Chinese outbound deals into Brazil, 2005-2011

Ranking	Announced date	Target company	Target sector	Target location	Bidder company	Bidder location	Status	Deal value (US$m)
1	01/10/2010	Repsol YPF Brasil SA	E&R	Brazil	Sinopec Group	China	Completed	7,111
2	11/11/2011	Petrogal Brasil Ltda	E&R	Brazil	Sinopec Intl	China	Pending	5,246
3	21/05/2010	Peregrino Project,Campos Basin	E&R	Brazil	Sinochem Group	China	Completed	3,070
4	01/09/2011	CBMM	E&R	Brazil	China Niobium Investment	China	Completed	1,950
5	24/03/2010	Itaminas Comercio de Minerios	E&R	Brazil	East China Mineral Expln	China	Pending	1,220
6	12/11/2010	Cerradinho Acucar, Etanol & Energia SA	CB&T	Brazil	Noble Group Ltd	Hong Kong	Completed	939
7	08/06/2009	MMX Sudeste Mineracao SA	MFG	Brazil	Wuhan Iron & Steel Co Ltd	China	Completed	400
8	17/11/2009	Sul Americana de Metais SA	E&R	Brazil	Honbridge Holdings Ltd	Hong Kong	Completed	390
9	11/10/2010	Expansion Transmissao de Elect	E&R	Brazil	State Grid Intl Dvlp Ltd	Hong Kong	Pending	124
10	19/05/2009	MMX Mineracao e Metalicos SA	E&R	Brazil	Wuhan Iron & Steel Co Ltd	China	Completed	120
11	07/02/2007	Usina Petribu Paulista Ltd	CB&T	Brazil	Noble Group Ltd	Hong Kong	Completed	70
12	12/08/2011	Springer Carrier Ltda	MFG	Brazil	GD Midea Holding Co Ltd	China	Pending	68
13	18/07/2007	Mhag Servicos & Mineracao SA	E&R	Brazil	Noble Group Ltd	Hong Kong	Completed	60
14	21/02/2010	Undisclosed Forestry Co, Brazil	CB&T	Brazil	Sustainable Forest Holdings	Hong Kong	Completed	38
15	21/12/2011	CCAB Agro Ltda	Other	Brazil	Chongqing Huapont Pharm Co Ltd	China	Completed	20
16	04/04/2011	Serra do Navio Ltda	E&R	Brazil	Asia Minerals Ltd	Hong Kong	Pending	17
17	03/10/2011	PBL-manufacturing facilities	TMT	Brazil	Yorkey Optical International	Hong Kong	Pending	12
18	17/04/2006	Brascabos Componentes	MFG	Brazil	Solartech Intl Hldg Ltd	Hong Kong	Completed	9
19	08/02/2007	Cia Importadora-Soybean Op	MFG	Brazil	Noble Group Ltd	Hong Kong	Pending	5
20	20/04/2011	Porto Grande Iron Ore Project	E&R	Brazil	Cleveland Mining HK Ltd	Hong Kong	Pending	2

Source: Thomson Reuters

Greater Chinese outbound M&A into the BRICS economies – the Russia perspective

Oleg Berezin

Oleg Berezin, Leader of the Commonwealth of Independent States for Deloitte's Chinese Services Group, begins by noting that Chinese outbound investment into Russia in 2011 lagged behind similar investment flows into its BRICS counterparts. Nonetheless, he remains bullish on M&A deal prospects in 2012, which are aimed at a variety of sectors and are slated to outshine 2011's deal metrics. He also remarks that as Russia continues to grow, Chinese companies are endeavoring to reach a higher level of understanding of the Russian economy – an effort which he believes will result in more cross-border M&A deals coming to market over the foreseeable future.

Oleg opens the conversation by talking about recent developments in the Sino-Russian relationship, touching briefly on a groundbreaking decision in 2010 between both countries, which saw them agree to conduct a larger number of their bilateral transactions in their national currencies. "Russia and China have a long history of mutually-beneficial trade policies, and the reversion to using their own currencies will likely increase Russian businesses' viability as targets for acquisitions by Chinese firms," he says. Oleg also believes that the relationship between the countries is fundamentally unique, adding that "Russia's geographic proximity to China gives it an advantage in this area, especially in terms of Resources-related deal-making."

Cross-border deal metrics between the two countries provide strong numerical support for Oleg's assertion: from 2005 to 2011, deals in the Energy & Resources sector comprised a staggering 89 percent of the total value of Chinese investments in Russia, even though the same sector accounted for only 58 percent of the total volume of deals. Oleg points out, however, that the numbers show only half of the picture. "The story behind Chinese investment into Russia's energy market is not a tale of individual corporate heroism – it is in fact the clear result of strong collaboration and teamwork to achieve goals together."

Nowhere is this sentiment more plainly expressed than within the landmark US$3.5bn oil deal between Sinopec and Rosneft for control of TNK-BP affiliate Utmurdneft in 2006, a transaction which remains the largest M&A deal between the two nations to date. Initially, Sinopec was reserved about joining the TNK-BP auction, believing it would only have a small chance of winning. However, after forming an alliance with Rosneft, Sinopec went on to secure the target, gaining a strong local player with which to enter the Russian oil market. Oleg commends this particular transaction, saying that "the seamless execution of the deal created a new template for investors on both sides, and demonstrated that Chinese and Russian entities are certainly capable of forging excellent partnerships."

However, Oleg goes on to remark that Chinese investors did not undertake any Energy & Resources acquisitions in 2011, explaining that "there are a number of reasons why investment may have dropped that year – uncertainty in the Oil & Gas markets over price and supply created an unstable environment for global Oil & Gas M&A overall, and there was also an unfortunate lack of movement in Gazprom's longstanding gas-supply negotiations with China. Additionally, Russia introduced measures that made it more difficult to invest in the Energy sector. The combination of these factors may have encouraged prospective Chinese buyers to look elsewhere across the globe for Oil & Gas targets."

Nevertheless, looking forward, Oleg remains optimistic about future prospects for Energy & Resources transactions in 2012. "Although Russia has certain restrictions on foreign ownership within its Energy & Resources industry, Chinese companies will find that there are many Russian firms willing to forge partnerships and help them enter the local market," he expounds. Indeed, such JVs are becoming increasingly popular, with PetroChina recently teaming up with Rosneft to form a partnership that will refine oil to the tune of 260,000 barrels per day. Also of interest in this particular case, was the fact that PetroChina's parent company, China National Petroleum Company, had already formed another JV in Russia with Rosneft called Vostok Energy in 2006. The partnership went on to acquire 25-year licenses for the development of two major oilfields in the Irkutsk region in 2007.

Emphasizing this point, Oleg reinforces the fact that "JVs are arguably the only viable route through which Chinese companies can enter the Russian Energy & Resources space. It is therefore imperative that these companies learn to work with their chosen partners closely and effectively in order to achieve pre-set milestones. If Chinese companies wish to compete in Russian markets, they must begin to develop a collaborative mindset instead of taking a purely independent approach to acquisitions. Such an approach will not only allay potential fears on the regulatory side, but also strengthen the likelihood of the deal's success and subsequent profitability."

Aside from deal flow and opportunities in the oft-discussed Energy & Resources sector, Oleg also sees new prospects starting to crystalize in other sectors. "Chinese corporates are now actively showing interest in the Russian Automotive, Banking, and Telecommunications sectors, all of which are experiencing a rapid period of indigenously-driven growth," he suggests.

Looking at Automotive industry opportunities in more detail first, Oleg says there are already a number of Chinese players in the local market, and more are interested in setting up in Russia. "Geely Automotive, one of China's largest automakers, has maintained a presence in Russia since 2007. Up until 2009, however, Geely preassembled car sections in China and only then exported them to Russia for final assembly and sale through a local partner. Subsequently, in 2009, Geely created its own subsidiary, named Geely Motors LLC, in Russia and inaugurated its own Russia assembly line in Karachay-Cherkessia with a local manufacturer," he says. Oleg goes on to note that this initiative has resulted in the production of cars whose prices are competitive with domestically-produced Russian cars, allowing Geely to gain a stronger foothold in the local market. So much so, that in the same year, Geely felt confident enough to choose another Russian partner, AMUR. Together they set up a local production plant that has begun manufacturing three Geely-branded models. And Oleg notes that the JV seems to be making roads into the market – in Q1 2011, the collaboration sold 1,400 cars, a 35 percent increase from sales figures year-on-year.

And it is not only Chinese Automotive manufacturers that are looking to acquire into Russia, Oleg notes. He mentions that so far, over 2012, a string of major inbound Automotive deals have flowed into Russia, with luminaries like the Ford Motor Company and General Motors having recently announced investments of more than US$1bn apiece in the country in order to boost production.

Oleg then quickly moves on to the banking sector, another market which he believes is a prime candidate for inbound Chinese deals. "Two of China's largest banks, ICBC and Bank of China, have already obtained licenses and opened branches in Russia and it is only a matter of time before Agricultural Bank of China and China Construction Bank (CCB) follow suit," he says. Oleg's optimism in this regard is openly shared by the Chinese banks themselves – in May 2011, CCB stated during an interview with Xinhua News Agency that "if we have the right opportunity, we will not miss the chance to buy Russian lenders." According to Russia Today, CCB is also investing US$150m to turn its representative office in Russia into a fully-fledged branch operation.

In other news, China UnionPay, China's best-known national payment service, has reportedly expressed interest in becoming a shareholder of Russia's evolving financial project, named the Universal Electronic Card (UEK). "According to recent market commentators, all Russian consumers will soon begin using a single universal payment card which may also double as an identity card. If UnionPay is able to successfully complete its stake acquisition in UEK, then the floodgates are open – from a regulatory perspective in particular – for further Chinese investment into the Russian Financial Services space," Oleg notes. Although he quickly caveats this by saying that whether or not UnionPay would be able to take a controlling stake in the venture, due to national security issues, remains to be seen.

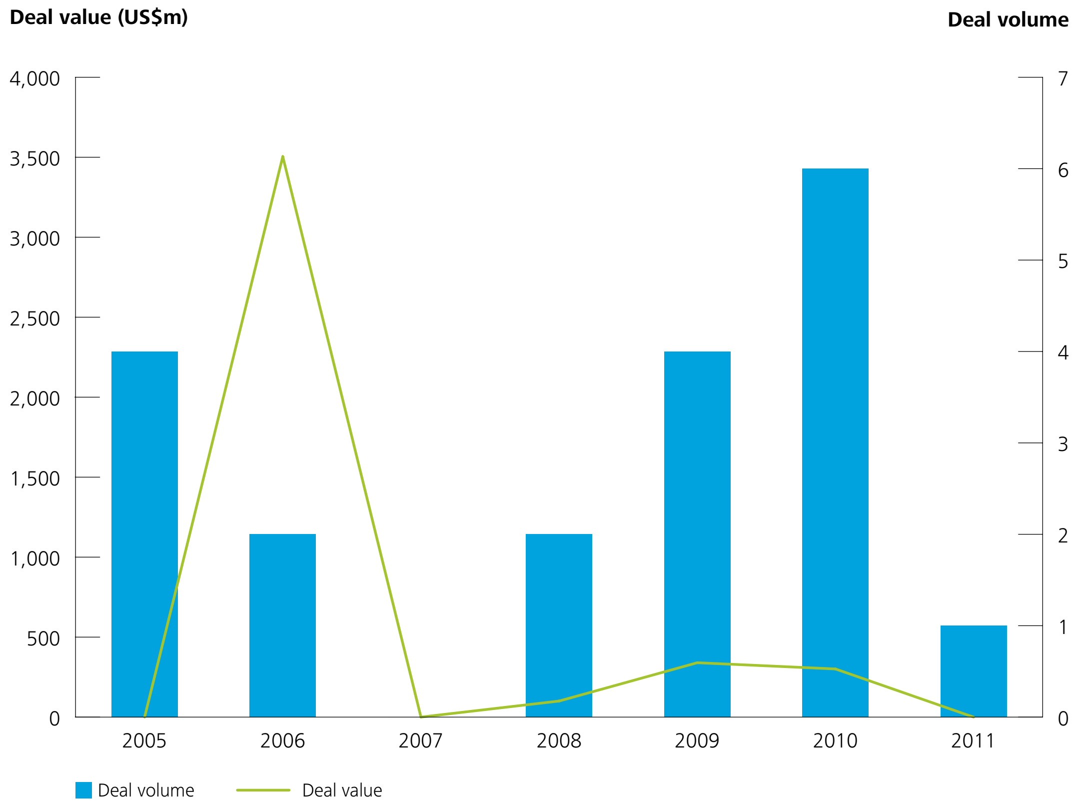
Lastly, Oleg suggests, Chinese companies are expected to begin flocking into the Russian Telecommunications sector, where several prominent names have already begun to take advantage of opportunities across the region. A good case in point was the signing of the 2011 Memorandum of Understanding (MOU) between Chinese telecoms giant ZTE and Sistema, one of Russia's largest electronics producers. According to the MOU, both companies invested a total of US$2bn into the JV to manufacture equipment for several different markets in Russia, including radio frequency integration tags for tracing goods, fleet-monitoring satellite technology, and basic electronic products. Oleg goes on to note that "the project is slated for large-scale production and will no doubt be an encouraging reference point for other Chinese telecoms entities looking for potential acquisitions abroad."

At the same time as this deal was being conducted, Sistema subsidiary Sitronics was also conducting negotiations with Huawei, another Chinese telecoms giant, for a partial sale of the former's 51 percent share in Greek communications equipment manufacturer Intracom Telecom. Under the terms of the original deal, Huawei was expected to purchase a 30 percent stake from Sitronics, and another minority stake from Intracom Telecom itself. However, it has been subsequently reported that negotiations were recently suspended for an indefinite period of time and there is speculation in the Greek press that Huawei may ultimately opt out of the transaction due to Greece's ongoing sovereign debt crisis.

Moving away from discussing deal specifics towards more general themes, Oleg highlights the fact that despite the apparent bullishness of many Chinese and Russian rainmakers on upcoming cross-border deal flows between their two countries, businesses on both sides of the border still need to be very careful when looking to transact, and should view any potential tie-up from all angles before committing. "In order to improve the success rate and viability of their Russian acquisitions, Chinese companies should conduct thorough integrity due diligence exercises on their local partners," he said. Continuing on, Oleg notes that "Chinese businesses looking to transact in Russia would do well to heed the lessons from the past and learn from previous transactional outcomes if they really want to succeed in Russia. Previous case studies demonstrate that bidders initially suffered from a classic case of overconfidence - they did not perform quite enough financial and commercial due diligence before undertaking some controversial and high-cost endeavors, and as a result, were unable to predict certain outcomes when they actually got to market. All of these factors typically resulted in an almost unsustainable increase in costs within the newly-merged entity. Now, however, Chinese entities are beginning to become much more cognizant of the clout of their local partner, and are now far better at cooperating with that partner to achieve their desired outcomes."

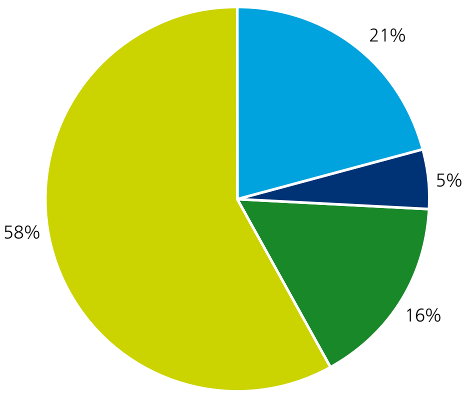
In wrapping up the conversation, Oleg reiterates the three main drivers of Chinese investment into Russia, beginning by saying that in 2011, Russia's economy grew by 4.1 percent, a respectable growth rate for any economy and an even more encouraging figure during a global downturn. At the same time, all of Russia's core markets are natural targets for acquisitive Chinese businesses while, lastly, Russia and China are still very strong partners from a wider political, cultural and historical perspective. All of these factors should drive further cross-border deals to market over 2012 and beyond.

China outbound M&A into Russia



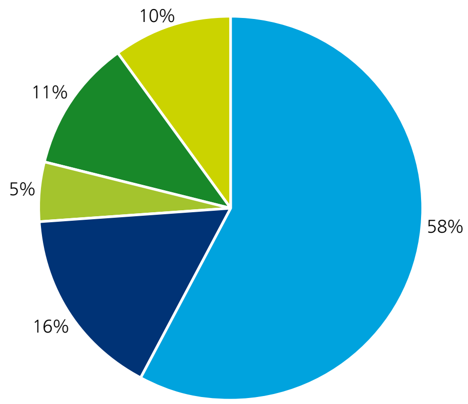
Source: Thomson Reuters

2005-2011 China outbound M&A into Russia, deal sizes by volume



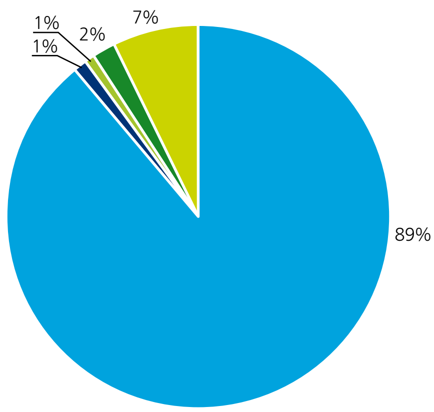
Source: Thomson Reuters

2005-2011 China outbound M&A into Russia, target sectors by deal volume



Source: Thomson Reuters

2005-2011 China outbound M&A into the Russia, target sectors by deal value



Source: Thomson Reuters

Top five Chinese outbound deals into Russia, 2005-2011

Ranking	Announced date	Target company	Target sector	Target location	Bidder company	Bidder location	Status	Deal value (US$m)
1	06/20/2006	OAO Udmurtneft	E&R	Russia	Sinopec Corp	China	Completed	3,501
2=	04/12/2010	Digital Sky Technologies Ltd	GFSI	Russia	Tencent Holdings Ltd	China	Completed	300
2=	10/15/2009	Nobel Oil Group	E&R	Russia	China Investment Corp (CIC)	China	Completed	300
4	03/13/2008	Nitol Solar Ltd	TMT	Russia	Suntech Power Holdings Co Ltd	China	Completed	100
5	03/03/2009	Torgovyi Dom TsentrObuv	CB&T	Russia	Sun Investments Partners	Hong Kong	Completed	40

Source: Thomson Reuters

Greater Chinese outbound M&A into the BRICS economies – the India perspective

Atul Dhawan

Atul Dhawan, Partner at Deloitte Haskins & Sells, is sanguine on outbound Chinese M&A activity into the sub-continent over 2011, saying that, despite a sluggish economic performance, deal volumes were actually up on a year-by-year basis. He goes on to corroborate this by noting that, according to Thomson Reuters data, 13 transactions, were consummated over 2011 compared to just 10 which came to market over the preceding 12 months. However, deal values were apparently not so immune to the wider macroeconomic environment, falling by over 20 percent from US$120m to US$95m from 2010 to 2011.

With all this in mind, he remains broadly optimistic on prospective M&A flows, concluding that comparatively strong economic growth across India compared to developed markets could result in a spate of cross-border deals taking place between two of the world's largest economies in the second half of 2012 and 2013.

Atul starts the discussion by remarking that India's somewhat challenging macroeconomic environment had a surprisingly minor impact on Chinese outbound M&A flows into the country over 2011. "With inflation nearing the 10 percent mark, the Indian Rupee hitting all-time lows against the US Dollar, a burgeoning current account deficit, and weak industrial production, I find it surprising that M&A markets were still active," he notes.

However, considering that levels of M&A activity do not always play along to a wider macroeconomic tune, Atul remains merely cautiously optimistic on future levels of deal flow, firstly highlighting some further reasons why India might still not be a first choice for Chinese overseas players. He then suggests that currently, political and cultural differences hinder cross-border deal flows – a perhaps understandable assessment given the fact that India, as the world's largest democracy, brings with it great opportunities, but also a myriad of bureaucratic challenges. Nonetheless, he remains confident that prospective cross-border M&A opportunities will be progressively less encumbered by such issues going forward.

Atul goes on to mention that Indian businesses operating in the Manufacturing sector tend to be less efficient than their Chinese counterparts, which has meant that Indian consumer brands have been sourcing their products from China for many years now. This shift can be partly attributed to diverging labor productivity levels. While productivity levels in both China and India have been increasing, Chinese figures have risen at a comparatively faster rate, with China's annual productivity metrics now almost double those of India's. Ultimately, this has resulted in a dramatic increase in cross-border trade flows – but this surge has not translated into a corresponding rise in M&A activity.

Furthermore, Atul explains, smaller firms situated on both sides of the border that do have the strategic desire to transact are simply not able to, sometimes due of issues of scalability (they lack the financial firepower to conduct an M&A transaction) or simply, due to a lack of confidence in ensuring that such a deal will complete successfully. Also, he remarks that differences in cost structures between such Chinese and Indian companies, as well as the quality of supporting infrastructure networks, also play a role in determining wider levels of deal flow.

Nonetheless, despite this, Atul certainly sees plenty of upside potential within this particular market, with the recent rapid increase in cross-border trade between the two countries being an especially strong driver of future M&A deals. "While there remain significant historical and political challenges, Sino-Indian trade is expected to expand by almost 60 percent over the next four years, rising from US$63bn in 2011 to US$100bn. And although this trend has not yet manifested itself within the M&A space yet, it perhaps demonstrates a growing cultural reconciliation that could pave the way for Chinese firms to enter the Indian market and vice versa," he remarks.

Atul is quick to add that China-based (and more specifically, Hong Kong-based) private equity firms, are already taking advantage of this apparent detente. Financial investors, such as SAIF Partners, AIF Capital and Barings Private Equity Asia are the leaders in this regard, having undertaken several deals in India over the past half-decade.

From a sector perspective, Atul feels that the Construction industry could be a major driver of Chinese outbound M&A activity into India over the foreseeable future, suggesting that JV tie-ups will be the main method of investment in this space over the coming year. He goes on to note that JVs may also prove popular in the Infrastructure, Power and Utilities sectors, going on to highlight that, according to mergermarket, the independent M&A intelligence provider, Weichai Power, the China-based manufacturer of power train systems and auto components, is looking to make inroads into India, for example. China Light & Power, the Hong Kong-based power-generation business, is another company that previously entered the Indian market, and is looking to continue ramping up its investments into the country over the coming four years.

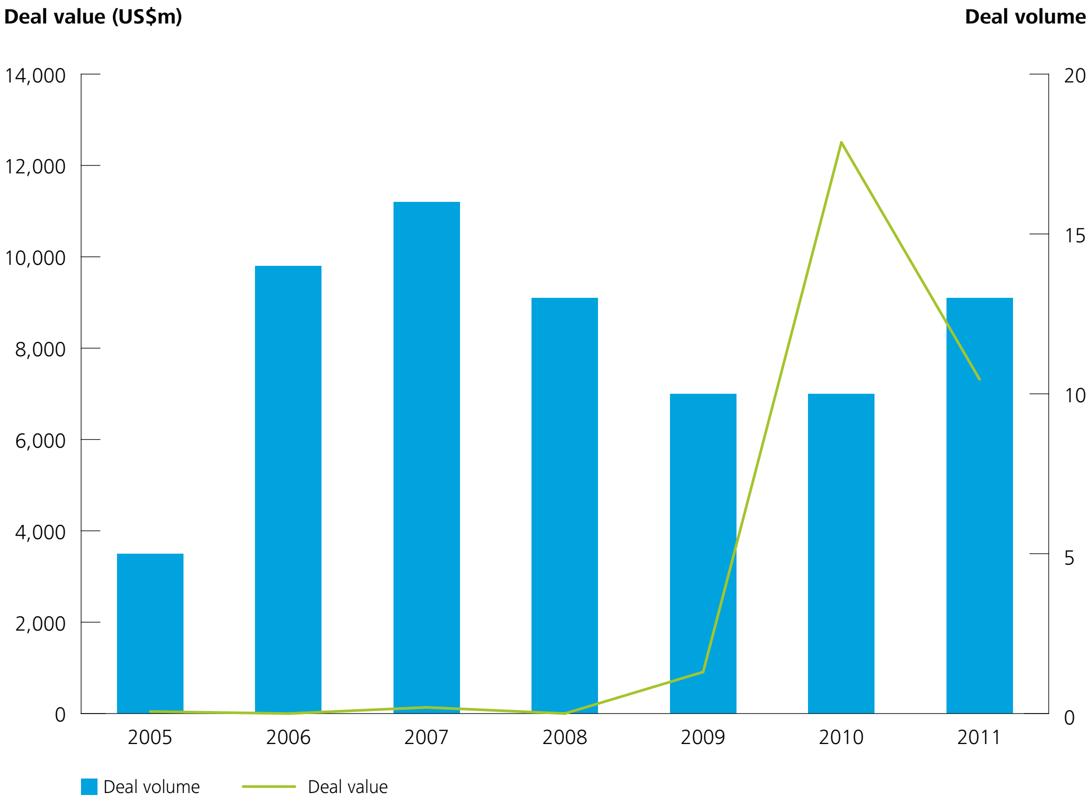
Similarly, Atul remains optimistic on Chinese investment into the Indian telecoms equipment space, where he believes there is scope for increased cross-border activity. Indeed, he goes onto cite a good case in point, mentioning a recent mergermarket article which reports that, Sunwave Communication, a Zhejiang-based IT company, is eyeing buys of network optimization businesses in the US and India. According to the report, attractive targets in this space could be listed players, such as Smartlink Network, Spartk Technology and Trimax IT Infrastructure. Most of these companies are looking for capital injections as they are unable to scale up capacity due to the current tough fund-raising environment.

From a macroeconomic viewpoint, Atul expects the Indian economy to perform well over 2012, citing that, according to the IMF, GDP growth is likely to stay over the 7 percent threshold for the course of the year. In addition, Atul alludes to findings from a recent survey of Indian CFOs, which shows that more than half of them are similarly bullish on the India story and expect their industries will do better in 2012, compared to 2011.

From a cross-border perspective, Atul mentions that the fact that cash-rich overseas corporates are increasingly looking to invest in emerging markets – India in particular – to avoid the sluggishness of their home markets is a positive development for latent M&A flows. Likewise, as Indian businesses look to escape the intense competition of their home markets, broaden their business models and deploy resources outside India, their propensity to acquire overseas is increasing, with Atul expecting to see Indian companies, seeking inorganic growth, to increasingly aim for Southeast Asian and Chinese targets.

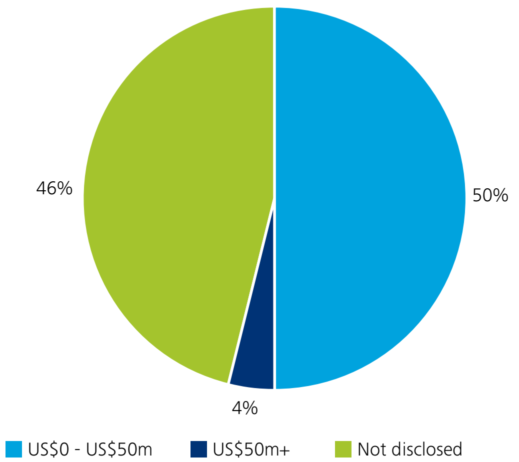
With all these factors in mind, Atul is positive about M&A between India and China in 2012 but qualifies this with a warning that significant challenges could prevent cross-border M&A activity from attaining its true potential. "A bright macroeconomic future and an upsurge in international trade point to healthy M&A flows, but it is important to note that Chinese firms looking to transact in this region must be well aware of the potential cultural and regulatory aspects of dealing in India," he concluded.

China outbound M&A into India



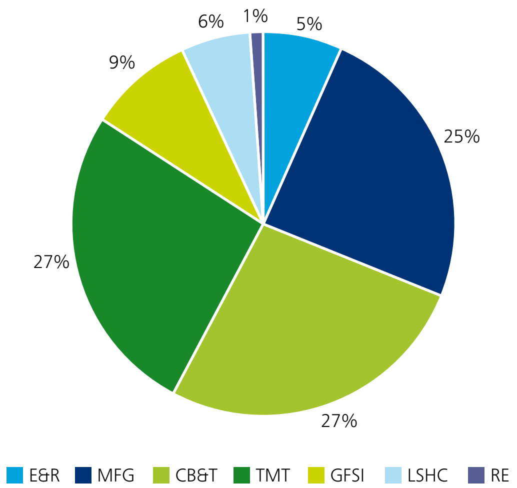
Source: Thomson Reuters

2005-2011 China outbound M&A into India, deal sizes by volume



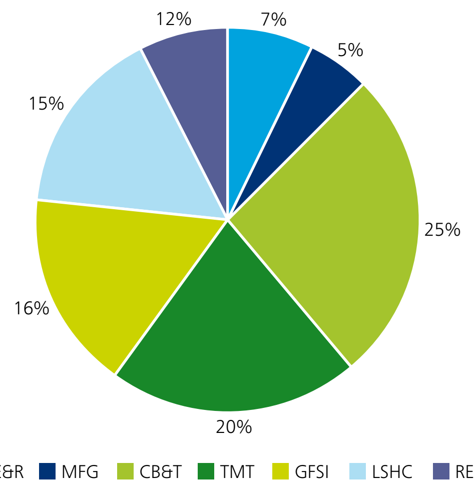
Source: Thomson Reuters

2005-2011 China M&A into India, target sectors by deal volume



Source: Thomson Reuters

2005-2011 China M&A into India, target sectors by deal value



Source: Thomson Reuters

"A bright macroeconomic future and an upsurge in international trade flows both point to healthy prospective M&A flows over 2012 and beyond"

Top 20 Chinese outbound deals into India, 2005-2011

Ranking	Announced date	Target company	Target sector	Target location	Bidder company	Bidder location	Status	Deal value (US$m)
1	21/08/2007	BPTP Ltd	RE	India	Citibank (Hong Kong Branch)	Hong Kong	Completed	79
2	19/03/2008	Sharekhan Commodities Pvt Ltd	GFSI	India	Baring Private Equity Asia Ltd	Hong Kong	Completed	59
3	19/07/2011	Varun Beverages Ltd	CB&T	India	Standard Chartered Private Eq	Hong Kong	Pending	56
4	22/04/2010	Famy Care Ltd	LSHC	India	AIF Capital Asia III LP	Hong Kong	Completed	40
5	25/11/2008	Orient Green Power Ltd	E&R	India	Olympus Capital Holdings Asia	Hong Kong	Completed	35
6	15/12/2009	Firepro Systems Pvt Ltd	TMT	India	Standard Chartered Private Eq	Hong Kong	Completed	33
7	06/06/2008	BioPlus Life Sciences Pvt Ltd	LSHC	India	AIF Capital Asia III LP	Hong Kong	Completed	31
8	03/04/2008	Amalgamated Bean Coffee	CB&T	India	Asia Mezzanine Fund II	Hong Kong	Completed	25
9	27/03/2010	Equitas Micro Finance India	GFSI	India	ARIA Invest Partners III LP	Hong Kong	Completed	24
10	14/08/2010	Catmoss Retail Ltd	CB&T	India	SAIF Partners	Hong Kong	Completed	21
11	07/07/2005	Karvy Stock Broking Ltd	GFSI	India	Pacific Century Grp Hldg Ltd	Hong Kong	Pending	19
12	10/08/2011	Le Travenues Technology Pvt	TMT	India	Investor Group	Hong Kong	Completed	18
13=	03/02/2007	RayBan Sun Optics Ltd	LSHC	India	Investor Group	Taiwan	Completed	16
13=	18/10/2010	Mudra Lifestyle Ltd	CB&T	India	E-Land Fashion China Holdings	Hong Kong	Pending	16
13=	18/12/2006	Sanghvi Movers Ltd	CB&T	India	Goldpeak Ltd	Hong Kong	Completed	16
16	03/12/2009	FINO	TMT	India	Investor Group	Hong Kong	Completed	15
17	05/09/2005	Apar Industries Ltd	MFG	India	Shinny Ltd	Hong Kong	Completed	14
18=	07/04/2009	Khandke Wind Farm	E&R	India	CLP Power Asia Ltd	Hong Kong	Pending	11
18=	30/10/2007	Trivitron Group Pvt Ltd	LSHC	India	Investor Group	Hong Kong	Completed	11
20	30/03/2007	RPG Cables Ltd	TMT	India	Investor Group	Hong Kong	Pending	10

Source: Thomson Reuters

Greater Chinese outbound M&A into the BRICS economies – the China perspective

Lawrence Chia

Ronald Chao

Lawrence Chia, National Managing Partner, Financial Advisory Services, China & Co-Chairman of Deloitte's Chinese Services Group, and Ronald Chao, Deloitte China's Leader for its Corporate Finance Advisory team, both remain bullish on prospective outbound deal flows from Greater China into the other BRICS economies. However, they also highlight that difficulties abound when transacting in some of the world's fastest-growing – but arguably also some of its less transparent – economies.

Lawrence begins by asserting that, from a macroeconomic viewpoint, cross-border investments between Greater China and the other BRICS economies should pick up over 2012 and beyond, as comparatively more attractive growth fundamentals in the BRICS help encourage Chinese businesses to invest in those jurisdictions, as opposed to developed markets. "Of the four countries in question, South Africa's GDP is expected to expand by 2.5 percent over 2012 according to the IMF – the lowest growth rate among the BRICS. Nonetheless, even this metric compares well to growth projections for the US and the Eurozone, with the former expected to grow by just 1.8 percent over the coming year, and the latter forecast to contract by 0.5 percent," he says. Ronald continues, going on to say that overall, emerging markets are likely to grow by more than 5 percent over 2012, while developed economies are predicted to expand by just 1.2 percent.

Ronald goes on to mention that this increasing interest in acquiring into the other BRICS also stems mainly from the desire to escape intense competitive pressures at home. "Chinese corporates, especially those with exposure to retail consumers, face not only margins which are close to invisible, but also issues of scalability – they simply can't benefit from economies of scale because the initial outlays to do so cannot be generated indigenously. At the same time, retaining capital in order to generate such economies is very difficult to do, ultimately leading to a vicious Catch-22 situation," he notes.

Lawrence adds another point, saying that "in addition, Chinese Consumer businesses are increasingly looking to expand into fast-growing overseas economies, not just to move out of a crowded domestic arena, but also to access increasingly wealthy consumers in international markets. This attraction is compounded by the fact that many European and (to a lesser extent, US) fashion houses and luxury brand businesses are now trading at historical lows, making them easier targets for acquisitive Chinese buyers."

Recent historical data certainly reinforces these views, with outbound Consumer Business & Transportation investments into the other BRICS economies over the 2009-2011 period accounting for 4.5 percent of overall outbound M&A activity by value – in contrast, over the 2005-2008 period, this proportion stood at just 1.2 percent.

Yet, landmark Consumer Business deals, such as Noble Group's US$940m acquisition of two Brazilian sugar operations belonging to Brazilian firm Cerradinho Acucar, Etanol & Energia SA, announced in late 2010 (the largest Chinese outbound Consumer sector deal to take place into the other BRICS over the 2005-2011 period), arguably demonstrate that other forces are at play when it comes to overseas Consumer Business acquisitions – namely the desire to procure commodities, which is possibly the most important motive for Chinese bidders to purchase assets in the other BRICS.

"China faces a continuing potential demand and supply imbalance," Lawrence suggests, going on to say that the country must look overseas in order to satisfy domestic demand as it builds its infrastructure and provides consumer goods to its vast population. "By taking action to ensure a broader supply system for key commodities, China is doing what other countries do, but – for obvious reasons – on a more epic scale," he comments.

Lawrence's perspective mirrors historical data, which shows that Chinese M&A investments into the BRICS have been almost exclusively made up of Energy & Resources deals of late. Over 2010 and 2011, Chinese bidders undertook 21 Energy & Resources-related deals in Brazil, Russia, India and South Africa, cumulatively worth a staggering US$21.9bn. As a result, such acquisitions comprised close to 90 percent of total outbound deal flows by valuations and nearly 40 percent in terms of volumes. Serial bidders, such as Sinopec, the Chinese state-owned Oil & Gas enterprise, accounted for the majority of this activity, with Sinopec itself having undertaken five such deals into the BRICS since 2005 – the largest of these being the previously-mentioned 40 percent stake acquisition of Repsol Brazil for US$7.1bn in 2010.

This particular deal allowed Repsol to fund the development of its current projects, including the offshore Guará and Carioca exploration blocks in which the new entity has a 25 percent interest. The venture has seemingly come to fruition, with the firm announcing, in H2 2011, that an exploratory drill in the Carioca basin had yielded a substantial underground reservoir of high-quality crude amounting to an estimated production rate of around 28,000 barrels of oil per day.

The success of this transaction apparently galvanized Sinopec to conduct further acquisitions of Brazilian upstream Oil & Gas assets. The most notable example being its subsequent US$5.2bn acquisition of a 30 percent stake in Petrogal Brasil, the upstream Oil & Gas player, in a deal which was announced in November 2011. Petrogal Brasil's portfolio consists of interests in 21 exploration & production projects across seven basins, including the pre-salt Santos basin, which incorporates the Lula, Cernambi, and Lara fields.

Both Lawrence and Ronald welcome this apparent desire to acquire in Brazil, especially with regards to its Energy & Resources assets. Ronald remarks that "in terms of investment destinations, Brazilian assets are attractive targets for Chinese investors, many of whom have found themselves shut out of other markets for a variety of reasons. Brazilian resource extractors are, from a geopolitical perspective, conveniently located, and, by and large, amenable to Chinese investment."

Lawrence broadly agrees with Ronald's sentiment, yet caveats his assessment, saying that "it is unlikely that the Brazilian economy will be able to return to an era of high-growth such as the period witnessed before the Global Financial Crisis. However, other emerging markets have not fared as well as Brazil has, meaning that competition for assets there – especially for Energy & Resources-related targets – has certainly heated up over the past couple of years, ultimately translating into frothier valuations for such targets. Therefore, over 2012, I expect to see Chinese Energy & Resources investors widening their acquisition crosshairs to include the whole of Latin America, perhaps being replaced in the Brazilian marketplace by Chinese consumer-focused acquirers looking to profit from the country's rapidly-growing middle class which now comprises some 95m people – more than half of the country's total population."

On which territory will these Energy & Resources crosshairs focus? Lawrence believes that "Chinese businesses will look to acquire raw assets in places like Columbia and Peru, and will most likely include financing packages within their bid offers. These packages are particularly attractive for mine development projects which require significant capital expenditure to fund mine excavation and infrastructure build-out," he says. Ronald goes on to note that such packages are a vital necessity, as opposed to a luxury, for resource extraction projects in frontier markets such as these, primarily because the need to secure adequate transportation, as well as water and energy inputs to run such operation, puts infrastructure needs at the forefront of any Mining or Oil & Gas M&A discussion.

"Brazilian resource extractors are, from a geopolitical perspective, conveniently located, and, by and large, amenable to Chinese investment"

Yet, Chinese investments into the other BRICS aren't simply focused on acquiring raw inputs or expanding away from crowded domestic marketplaces. They are also about acquiring cutting-edge technological practices. A good case in point being the US$100m minority stake purchase of Nitol Solar, the Russian manufacturer of solar energy products by Suntech Power Holdings, the world's largest producer of solar panels, based in Wuxi, China. The deal, which was announced in 2008, saw Suntech undertake the acquisition in order to "rapidly reduce the cost of solar paneling, through the installation of high-efficiency technological processes into commercial operations, ultimately resulting in improvements to [Suntech's] operational efficiency," according to a company press release.

While discussing the deal in detail, Ronald moots that conducting a cross-border acquisition into any emerging market is certainly not a risk-free process. "Legal and financial frameworks in such economies tend to be far from transparent. At the same time, local investment regulations, as well as cultural differences, could also work to obstruct a favorable deal outcome. For example, in South Africa, overseas investors might not know about the Black Economic Empowerment initiative, a program which looks to redress the inequalities of Apartheid by giving previous disadvantaged racial groups economic opportunities formerly not available to them." Ronald goes on to explain that according to the initiative, businesses incorporated in South Africa score a number of points depending on the number of native (or non-white) South Africans they employ – a minimum score being mandatory if the business in question is planning to deal with the South African government or any other public agency. "Obviously, if a foreign investor was unaware of these requirements, that could cause serious issues at a later date," Ronald declares.

Concluding the discussion, both Lawrence and Ronald proffer some advice for potential Chinese bidders looking to transact in the other BRICS and into emerging markets in general. "Prospective bidders need to know their target market; know why they are planning to do a deal there; and – perhaps most importantly – know who they are dealing with," Ronald says. "Local counterparties, whether they are the vendors or the partners in a JV, will undoubtedly have a much better understanding of local market nuances, which can either be of immense benefit - or prove to be an interminable roadblock – to buyers looking to access new markets," Lawrence adds.

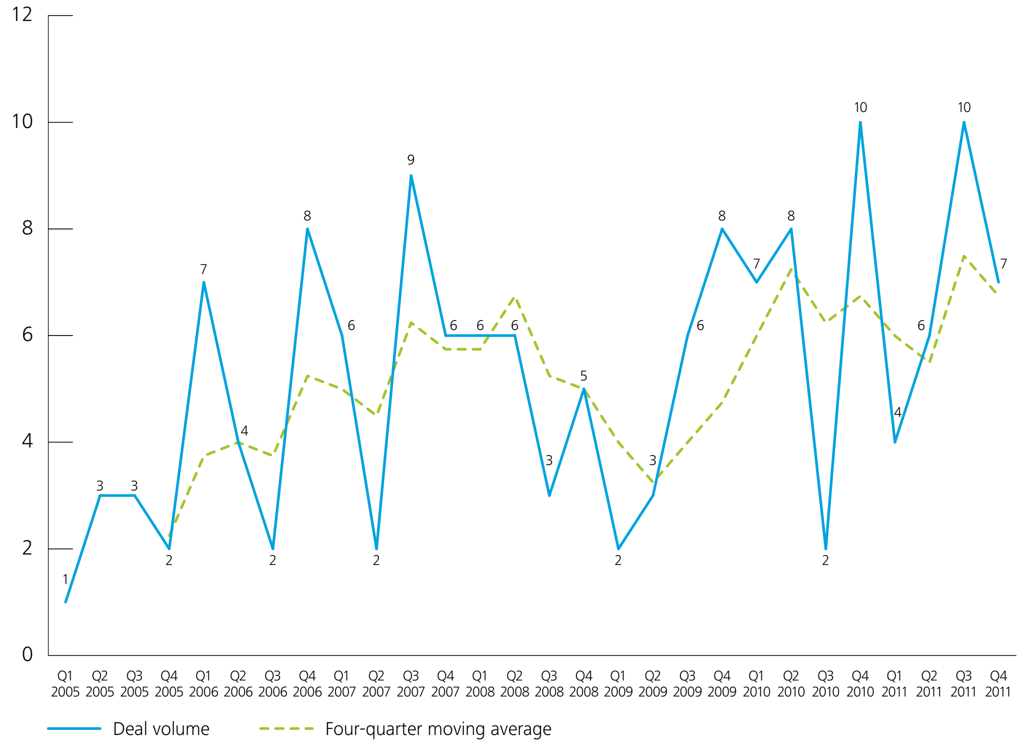
He then goes on to reinforce the importance of examining regulatory, legal and political frameworks when looking to transact overseas, and plan for the risks inherent therein. "Chinese bidders are interested in making acquisitions in India, in part because its judiciary operates in a fair and transparent manner. Yet, in the same vein, over the past 12 months, a Chinese industrial plant has been expropriated in Libya and workers kidnapped in South Sudan – all of which highlights the need to take into account, not only legal and regulatory risk, but also political risk when hunting for foreign assets," Lawrence says.

Ronald continues that "conducting an M&A transaction is risky enough. Doing a cross-border deal is riskier still – and undertaking a cross border acquisition into an emerging market, where effective counterparty protection will most likely be lacking, is an incredibly perilous proposition. As a result, any such Chinese outbound M&A deal must be driven by a very robust set of fundamental rationales which supports the bidder's domestic operations. If this isn't the case, post-merger integration will most likely come up short because other foreign multinationals have vastly more experience in managing their foreign operations than Chinese bidders, who are relatively new to the party. At the end of the day, simply attempting to replicate their domestic operational success overseas is not a good strategy for prospective Chinese outbound bidders to adopt."

In conclusion, Lawrence advises prospective bidders to prepare for every eventuality and adopt a flexible and pragmatic approach to buying overseas. "As the famous proverb goes, 'fail to prepare – prepare to fail'. Anything can happen during an M&A process, so the key to success is to remain close to your counterparties and advisors, and try to take into account opposing viewpoints, ultimately in order to formulate win-win solutions when disagreements do occur. Finally, remember why you are doing the deal in the first place – money isn't everything but being savvy is."

China outbound M&A into the other BRICS, deal volume

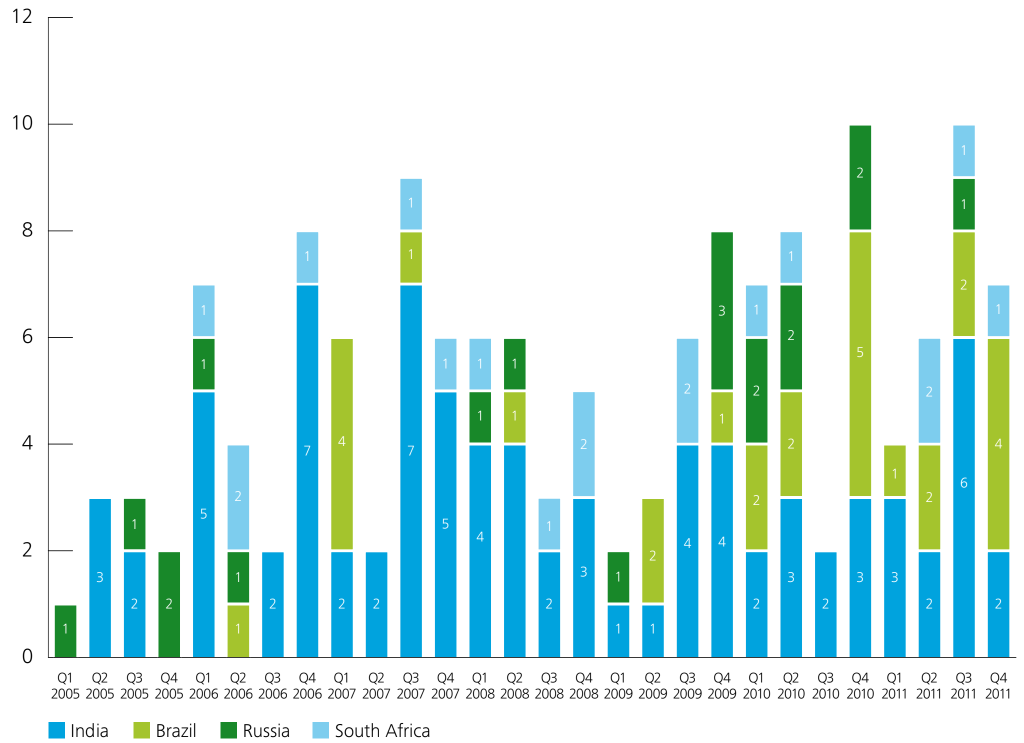
Deal volume



Source: Thomson Reuters

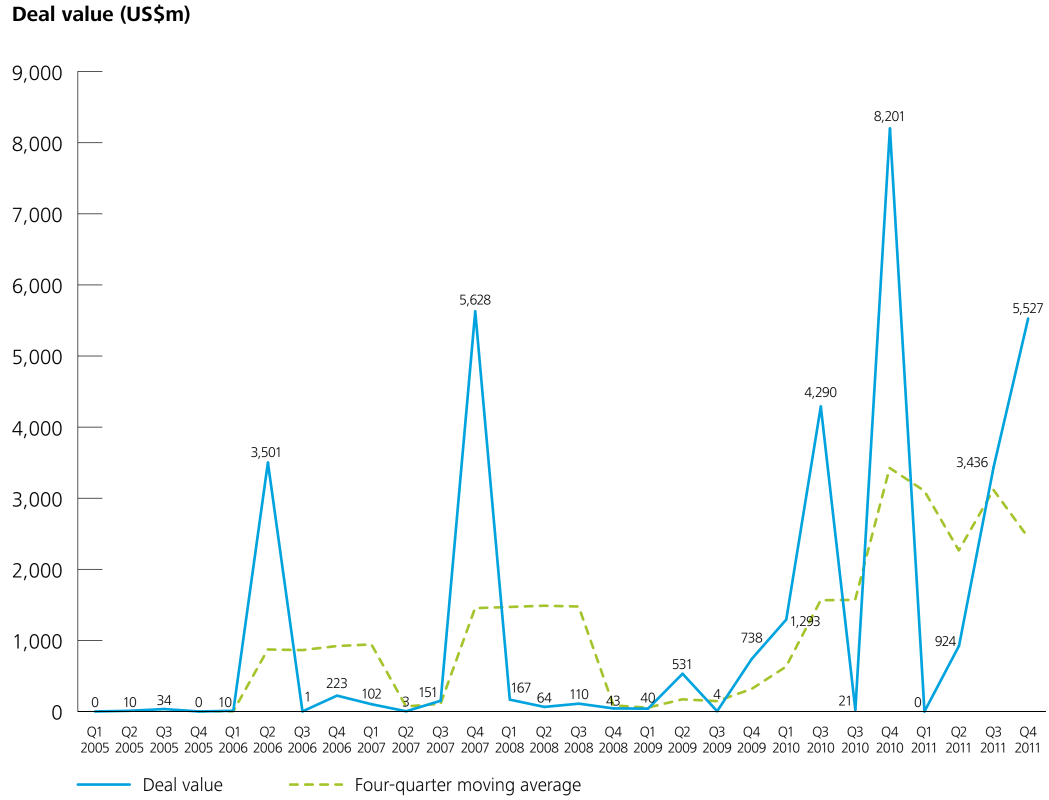
China outbound M&A into the other BRICS, deal volume by location

Deal volume



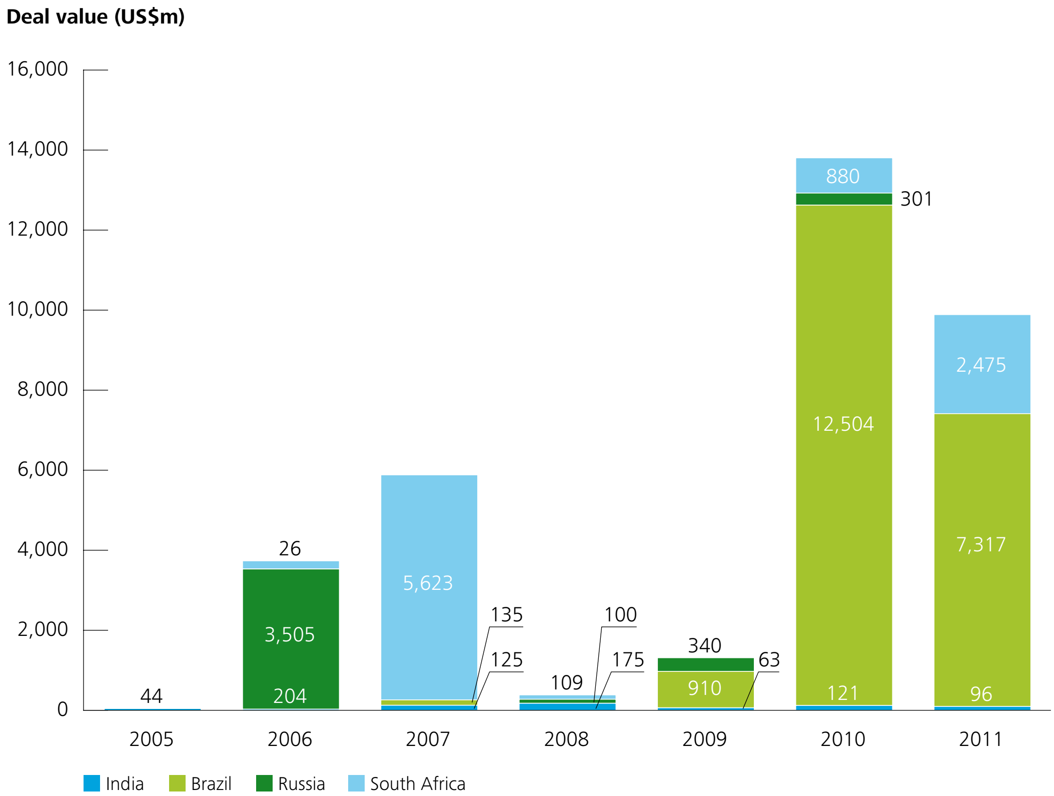
Source: Thomson Reuters

China outbound M&A into the other BRICS, value (US$m)



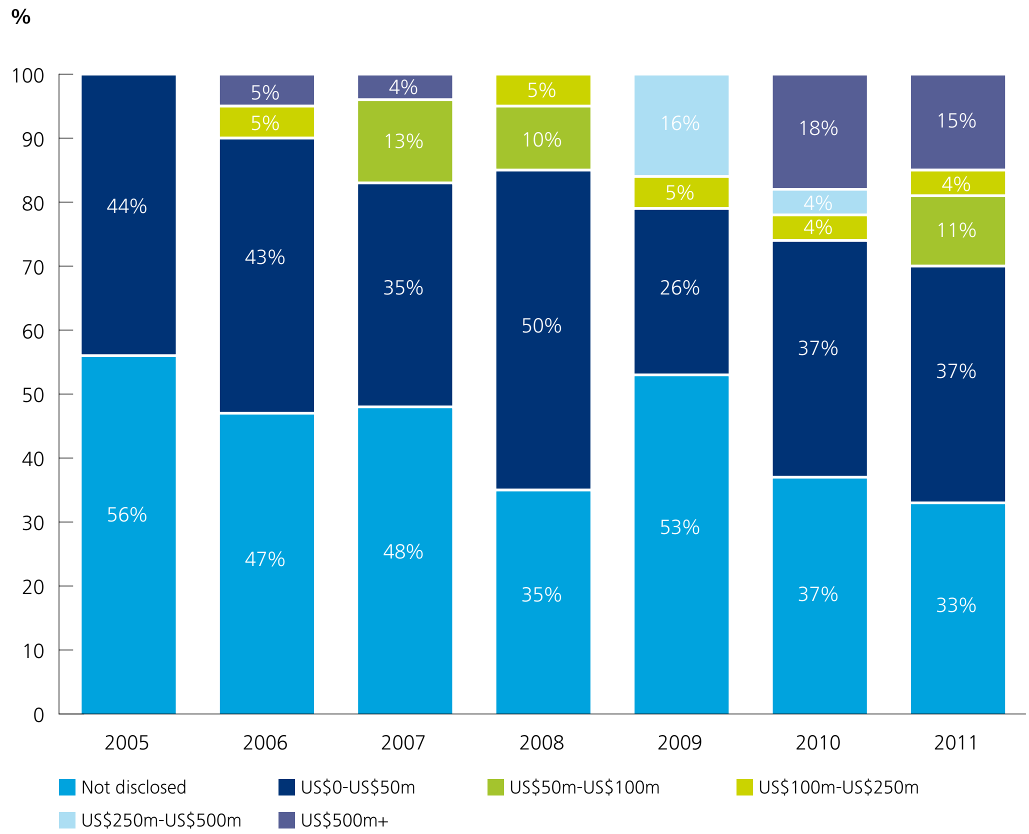
Source: Thomson Reuters

China outbound M&A into the other BRICS, deal value (US$m) by location



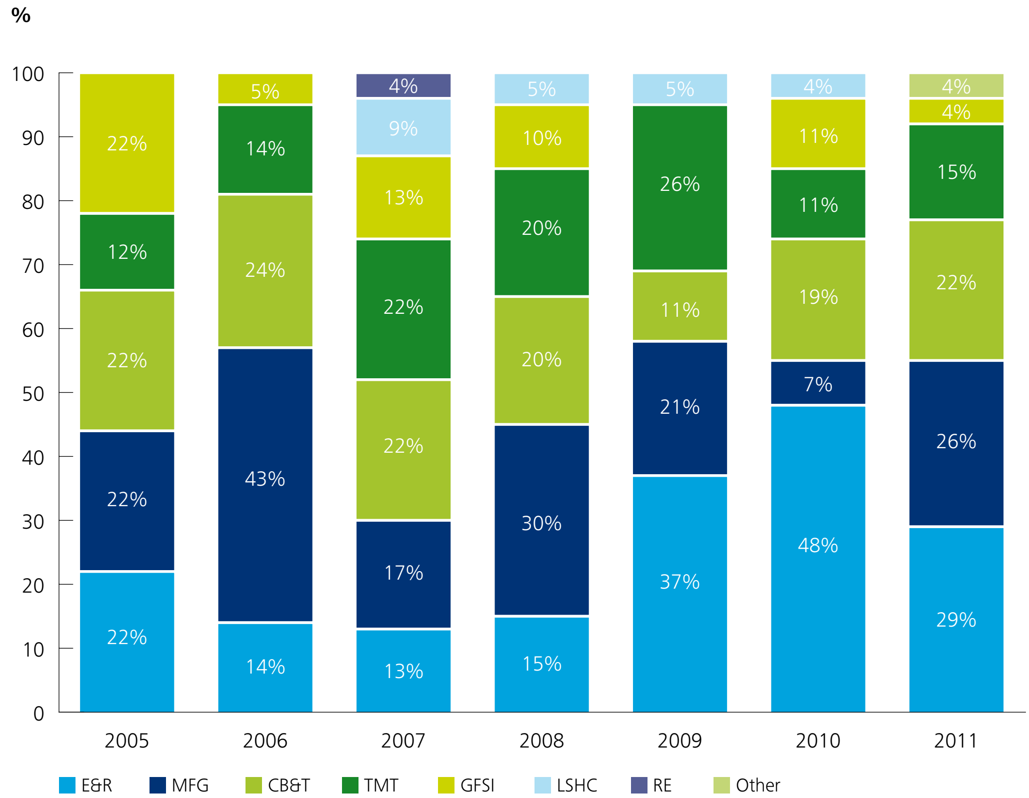
Source: Thomson Reuters

China outbound M&A into the other BRICS, deal sizes by volume



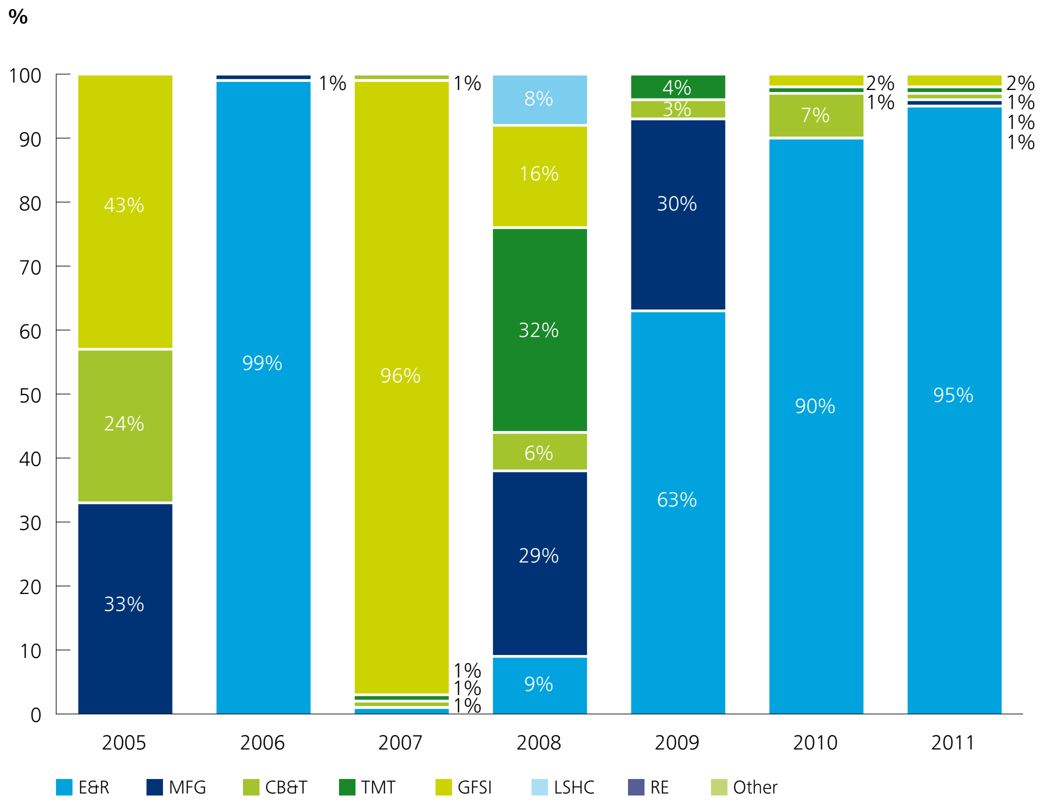
Source: Thomson Reuters

China outbound M&A into other BRICS, target sectors by deal volume



Source: Thomson Reuters

China outbound M&A into the other BRICS, target sectors by deal value



Source: Thomson Reuters

Top 20 Chinese outbound deals into the other BRICS economies, 2005-2011

Ranking	Announced date	Target company	Target sector	Target location	Bidder company	Bidder location	Status	Deal value (US$m)
1	01/10/2010	Repsol YPF Brasil SA	E&R	Brazil	Sinopec Group	China	Completed	7,111
2	25/10/2007	Standard Bank Group Ltd	GFSI	South Africa	ICBC	China	Completed	5.617
3	11/11/2011	Petrogal Brasil Ltda	E&R	Brazil	Sinopec Intl	China	Pending	5,247
4	20/06/2006	OAO Udmurtneft	E&R	Russia	Sinopec Corp	China	Completed	3,501
5	21/05/2010	Peregrino Project,Campos Basin	E&R	Brazil	Sinochem Group	China	Completed	3,070
6	01/09/2011	CBMM	E&R	Brazil	China Niobium Investment	China	Completed	1,950
7	05/07/2011	Metorex Ltd	E&R	South Africa	Jinchuan Group Ltd	China	Pending	1,329
8	24/03/2010	Itaminas Comercio de Minerios	E&R	Brazil	East China Mineral Expln	China	Pending	1,220
9	12/11/2010	Cerradinho Acucar, Etanol & Energia	CB&T	Brazil	Noble Group Ltd	Hong Kong	Completed	940
10	24/05/2010	Wesizwe Platinum Ltd	E&R	South Africa	Investor Group	China	Pending	869
11	04/04/2011	Taung Gold Ltd	E&R	South Africa	Wing Hing Intl(Hldg)Ltd	Hong Kong	Completed	847
12	08/06/2009	MMX Sudeste Mineracao SA	MFG	Brazil	Wuhan Iron & Steel Co Ltd	China	Completed	400
13	17/11/2009	Sul Americana de Metais SA	E&R	Brazil	Honbridge Holdings Ltd	Hong Kong	Completed	390
14=	12/04/2010	Digital Sky Technologies Ltd	GFSI	Russia	Tencent Holdings Ltd	China	Pending	300
14=	15/10/2009	Nobel Oil Group	E&R	Russia	China Investment Corp (CIC)	China	Completed	300
16	22/12/2011	Shanduka Group Pty Ltd	GFSI	South Africa	China Investment Corp (CIC)	China	Completed	245
17	16/11/2006	Samancor Chrome-Chrome Mine	E&R	South Africa	Sinosteel Corp	China	Completed	202
18	11/10/2010	Expansion Transmissao de Elect	E&R	Brazil	State Grid Intl Dvlp Ltd	Hong Kong	Pending	125
19	19/05/2009	MMX Mineracao e Metalicos SA	E&R	Brazil	Wuhan Iron & Steel Co Ltd	China	Completed	120
20	25/07/2008	Sino-Africa Technology & Trading	MFG	South Africa	Jumbo Right Investments Ltd	Hong Kong	Completed	109

Source: Thomson Reuters

Greater Chinese outbound M&A into the BRICS economies – the South Africa perspective

Mark Casey

Mark Casey, South and Southern Africa leader for Deloitte's Chinese Services Group, begins his commentary on Chinese outbound investment into the region by noting that over the previous 12 months, Chinese deal flow remained robust, despite the wider global economic downturn, with activity picking up compared to previous years. He goes on to quote Thomson Reuters figures, which suggest that four Chinese acquisitions of South African assets, worth almost US$2.5bn, came to market over 2011 – a sizable rise from the two transactions, totaling just US$879m, that were announced the year before.

Furthermore, he believes that as Chinese bidders become savvier at transacting abroad – and the regional Southern African economy continues to grow at a breakneck pace – cross-border deal flows are undoubtedly set to swell rapidly over the coming months and years.

Mark emphasizes this first point by mentioning that, over 2011, there was a definite shift in the perception of Chinese outbound investment into South Africa from one chiefly characterized by inexperience and naivety to one where mutually-beneficial M&A transactions could be concluded. And the shift could be construed to have fallen almost entirely on the buy-side, with Jinchuan International Resources' US$1.3bn acquisition of South Africa's Metorex in mid-2011 being a prime example of this increasing ability to transact overseas. Mark goes on to explain some of the background behind this particular deal: Metorex, a multi-commodity mining company with copper and cobalt exploration and production assets in the Democratic Republic of Congo and Zambia, was initially approached by Brazilian mining giant Vale in April 2011, who offered ZAR7.35 per share for the company. Jinchuan gatecrashed that particular party with a ZAR8.90 per share offer that was announced four months later at a hefty 21 percent premium on Vale's previous offer, effectively putting the Brazilians out of the game. "Ultimately," Mark surmised, "the deal highlighted the fact that Chinese bidders hunting in unfamiliar territories are increasingly able to engage in highly dynamic and competitive bidding situations which pit them against sophisticated opponents, and still win."

At the same time, he is quick to point out that Chinese outbound purchases across the region are increasingly focusing on non-Energy & Resources assets. Mark highlights the recent acquisition by sovereign wealth fund China Investment Corporation (CIC) of a 25 percent stake in South Africa's Shanduka Group for US$241m, as a pertinent demonstration of the ongoing shift from simple Energy & Resources off-take deals towards the emergence of a more comprehensive set of Chinese investment strategies. "The Shanduka/CIC deal is a textbook example of how to transact into not only South Africa, but also the wider region. Firstly, Shanduka is a diversified investment holding company, being active in the Financial Services, Manufacturing, Energy & Resources, Real Estate and Food & Beverage spaces. Furthermore, they are invested into 30 separate companies in South Africa and the wider Southern African region – ultimately meaning that CIC's geographical and industry exposure will be more extensive than if they had simply acquired one specific target in the region. Secondly, both sides employed experienced advisors to assist them during the transaction, with Shanduka utilizing the advisory services of Standard Bank, the South African bank that is one-fifth owned by ICBC, one of China's four policy banks, and CIC employing Standard Chartered – a financial institution with long-links to South Africa.

Given the recent surge in Chinese outbound M&A into South Africa over the past 12 months, Mark remains bullish on Chinese M&A flows into South and Southern Africa over the foreseeable future. "Strong macroeconomic fundamentals, coupled with relatively low consumer-product penetration rates, as well as a convergence in price expectations between the buy-and-sell side," Mark says, "will all come together over 2012 and 2013 to propel outbound Chinese investment into South and Southern Africa to new heights."

Touching upon the first point in more detail, Mark mentions that, according to the IMF's World Economic Outlook Update, published in January 2012, Sub-Saharan African GDP will grow by 5.5 percent over 2012, second only to growth rates for Developing Asia – itself the fastest-growing region in the world. In addition, South Africa's economy is expected to grow by around 2.5

percent over the 12 months in question, more than double the rate forecasted for the world's advanced economies. "Foreign investors are looking towards South Africa not only because it's a vibrant economy in its own right, but also because as a country, it's very much a gateway into the rest of Africa, especially Southern Africa – the Hong Kong of the continent, if you will. And with eight out of the top-twenty fastest-growing economies being located in Africa, according to 2009 World Bank data, the desire to tap into growth opportunities there is fast becoming a necessity – not a luxury," he comments.

Furthermore, such growth rates are translating into rapidly-rising levels of disposable income. Mark thinks this particular driver will do more to shape upcoming Chinese M&A inflows into South and Southern Africa than any other. "There are a billion people who call themselves African and – according to the African Development Bank – more than one-third can also call themselves middle-class," Mark remarks, continuing to suggest that "this particular demographic is starting to exercise its increasing economic clout. Take for example African internet service providers who have seen demand for their services grow at a phenomenal rate – 2,527 percent to be precise – over the ten years between 2000 and 2010. Meanwhile, Ghanaian demand for cars and motorbikes has risen 81 percent over the past five years alone."

All of this has a strong impact on Chinese consumer-facing corporates, such as Huawei and ZTE, both of which have striven hard to become leading market players across the continent. As a result, Huawei's African sales topped US$2bn in 2006, with its products now outselling their western counterparts' offerings in thousands of marketplaces stretching from Lagos to Lusaka, and from Port Said to Port Elizabeth.

And other Chinese corporates are endeavoring to emulate ZTE and Huawei's success stories. Golden Nest, the self-described Sino-South African construction company, is reportedly looking to build a residential housing project near Luanda in a US$300m public-private-partnership project with the Angolan government. The firm has been active in Africa since 1996, having purportedly constructed over 30 housing projects in South Africa, Angola, and China, and is now also looking to engage the South Sudanese government in Oil & Gas exploration and production-related construction projects.

Another driver which Mark believes is impacting cross-border Chinese acquisitions into the region is the fact that buy-and-sell-side price expectations are now broadly synchronous. He explains that "some M&A practitioners might believe that trying to value emerging market assets is difficult given the relatively high opacities that are naturally inherent in emerging markets. I disagree, instead believing that it's actually much easier to value a high-growth target in an emerging market – simply because so much of its growth is driven by exogenous factors that are reported in a reputable manner. Moreover, while Chinese bidders looking to snap up distressed European assets on the cheap have to worry about the vagaries of wider financial markets and foreign regulatory agencies (witness China Guangdong Nuclear Power's failed first bid for UK-listed Kalahari Resources after sell-side regulators refused to allow both parties to revise CGNP's offer downwards following the Fukushima disaster in Q1 2011), investors into emerging markets have strong external benchmarks on which they can base their pricing decisions – and more often than not, they end up singing from the same hymn sheet as the vendors, so to speak."

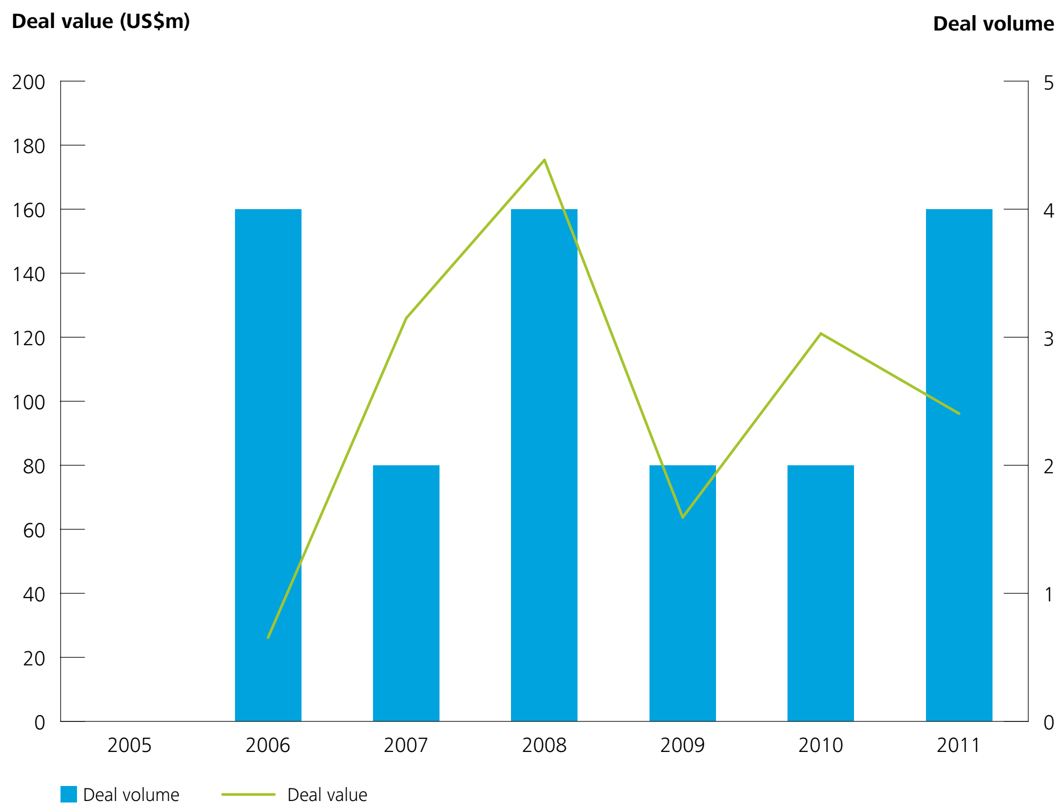
Yet, while Mark remains confident on prospective Chinese outbound M&A plays into South and Southern Africa, he admits that investing into any emerging market is always fraught with difficulty. He goes on to explain two particular issues that he thinks deserve a special mention: problems associated with political risk; and the need to appreciate that labor, cultural, and social misunderstandings can have an incredibly detrimental impact on any prospective transaction.

He tackles them in reverse order. "Firstly, while many multinationals have faced labor issues trying to rationalize and expand their operations across Africa (a good example of this being a leading US consumer store's recent effort to grow inorganically in South Africa, which raised the ire of local trade unions who opposed its staunch anti-union stance), Chinese entrants into such markets are especially vulnerable due to their predilection for pursuing other, typically infrastructure-related agreements alongside such transactions. While such subsidiary agreements tend to be economically beneficial from a social perspective, the payback rarely reaches the wider public – ultimately creating a developing sense of resentment between Chinese business owners and their local employees," he says.

Nonetheless, Mark believes this particular issue can be easily resolved if Chinese bidders are made aware of it in the first place. "Cultural differences between the two sides need to be discussed from the outset, and any potential flashpoints between them should be ironed out during initial discussions – not during a post-merger integration process when arguably it's too late. At the same time, when co-investing with regional partners, Chinese bidders need to spend time getting to know their counterparties – I've seen a number of potentially lucrative JVs and partnerships ultimately fail simply because the level of commitment has been unduly skewed one way or the other."

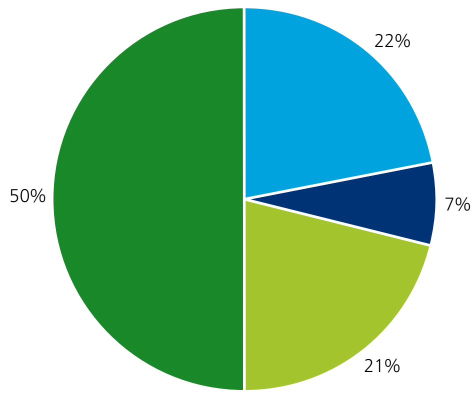
Mark wraps up the discussion by touching upon political risk issues when acquiring in Africa. "It's true that buying into Africa incurs a heightened level of political risk - just look at the US$187m write-down that China National Petroleum Corporation incurred on a number of exploration projects in Libya and Niger following the Libyan revolution of 2011. Similarly, tensions following the secession of South Sudan from its northerly neighbor in the second half of the year recently boiled over, resulting in the death of a Chinese Oil & Gas sector worker after their production facility was attacked by rebels in late January 2012. However, I firmly believe that such incidents can, by and large, be mitigated via effective collaboration with experienced Africa specialists who can help to engineer situations whereby Chinese arms-length ownership of African assets via South African intermediaries diffuses the likelihood of confrontation – ultimately resulting in win-win situations for all parties involved," he concludes.

China outbound M&A into South Africa



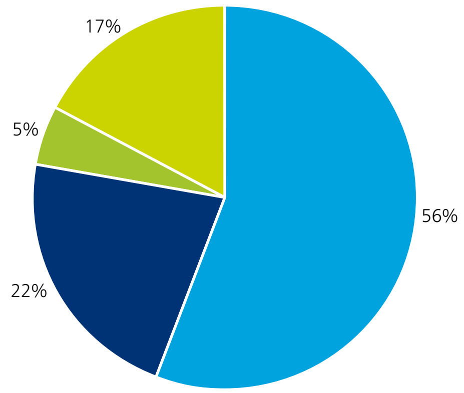
Source: Thomson Reuters

2005-2011 China outbound M&A into South Africa, deal sizes by volume



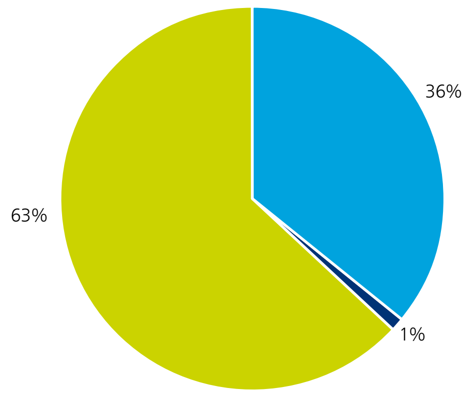
Source: Thomson Reuters

2005-2011 China outbound M&A into South Africa, target sectors by deal volume



Source: Thomson Reuters

2005-2011 China outbound M&A into South Africa, target sectors by deal value



Source: Thomson Reuters

Top 10 Chinese outbound deals into South Africa, 2005-2011

Ranking	Announced date	Target company	Target sector	Target location	Bidder company	Bidder location	Status	Deal value (US$m)
1	10/25/2007	Standard Bank Group Ltd	GFSI	South Africa	ICBC	China	Completed	5,616
2	07/05/2011	Metorex Ltd	E&R	South Africa	Jinchuan Group Ltd	China	Completed	1,328
3	05/24/2010	Wesizwe Platinum Ltd	E&R	South Africa	Investor Group	China	Completed	868
4	04/04/2011	Taung Gold Ltd	E&R	South Africa	Wing Hing Intl (Hldg) Ltd	Hong Kong	Completed	847
5	12/22/2011	Shanduka Group Pty Ltd	GFSI	South Africa	China Investment Corp (CIC)	China	Completed	244
6	11/16/2006	Samancor Chrome-Chrome Mine	E&R	South Africa	Sinosteel Corp	China	Completed	201
7	07/25/2008	Sino-Africa Technology & Trading	MFG	South Africa	Jumbo Right Investments Ltd	Hong Kong	Completed	109
8	04/11/2011	Super Mayer Investment Ltd	E&R	South Africa	Sun Innovation Holdings Ltd	Hong Kong	Pending	53
9	01/07/2010	Sephaku Gold Holdings (Pty) Ltd	E&R	South Africa	Investor Group	Hong Kong	Completed	10
10	09/21/2007	Naboom Chrome Project	E&R	South Africa	China Minmetals Corp	China	Completed	6

Source: Thomson Reuters

About the Chinese Services Group and the Asia Pacific International Core of Excellence

About the Chinese Services Group

Deloitte China + the Chinese Services Group = your China dimension

Deloitte is the only professional services firm to have such an expansive and dedicated cross-border network across functions and industries with the ability to react in real time to clients' needs - globally!

Lawrence Chia, Global CSG Co-Chairman

If you are considering taking your business to China, Deloitte's Chinese Services Group can take the mystery out of how to successfully establish and grow your business. Our local presence in your country can give you a resource that understands you, your current business environment, and the new challenges that China poses.

Mark Robinson, Global CSG Co-Chairman

What is the CSG?

The CSG serves as the unifying force to market, facilitate and deliver Deloitte professional services to both multi-national corporations investing into China and Chinese companies expanding overseas. Operating as a platform to leverage China expertise, bridge the cultural gap, and to ensure client service excellence, the CSG, in coordination with the China firm, complements a multi-member firm, multi-industry, multi-functional and multi-disciplinary approach.

How can the CSG add value?

With China's continuance as one of the most critical investment priorities globally, the CSG can add value through various channels:

Inbound investment	Outbound investment
• Leverage China as a "door opener" & assume a high profile on a subject, providing local expertise cutting across geographies & sectors. • Raise Deloittes' eminence in the market on issues of key concern to our clients.	• Facilitate access to industry experts and key decision makers throughout China. • Serve as a channel to communicate time-sensitive regulations and updates on China for your business.

The CSG network has coverage in over 120 locations around the world spanning six continents!

About the Asia Pacific International Core of Excellence

Established in June 2010, the AP ICE integrates foreign nationals into our Asia Pacific Tax practice, based in Hong Kong. AP ICE employs 23 highly experienced tax professionals from 15 tax jurisdictions who not only understand the specific needs of clients, but who also have solid technical understanding of various foreign tax jurisdictions. Our specialists are constantly in contact with the Deloitte local member firms in key foreign jurisdictions, staying abreast of local issues and knowledgeable about the latest local tax information.

Due to the acceleration, global taxes become more important as tax laws continually change. The AP ICE presence in Asia Pacific offers tailor-made international tax solutions not only to the multinational companies, but also the companies who want to extend their global footprint.

Alan Tsoi, AP ICE Co-Leader

Deloitte's AP ICE is the first of its kind – an integral part of our global transformation strategy. It creates a platform and allows clients in the region access to the best international tax resources without the hassle of battling time zones and long-distance travel.

Lili Zheng, AP ICE Co-Leader

How can the AP ICE help?

- Reduction of foreign taxes
- Optimization of cash repatriation
- Business restructuring to reduce worldwide taxes and to optimize foreign tax credits
- Tax optimization of supply chain-oriented business restructurings
- Use of intellectual property in a global enterprise
- Tax-effective financing strategies
- Business expansion planning, including choice of entity and capitalization issues
- Mergers, acquisitions, and divestitures
- Tax treaty planning and interpretation

Introducing the AP ICE Team

For more information, please contact:

China
Alan Tsoi
AP ICE Co-leader
Tel: +852 2852 6600
Email: atsoi@deloitte.com

United States
Lili Zheng
AP ICE Co-leader
Tel: +852 2852 6769
Email: lzheng@deloitte.com

Belgium
Wouter Claes
Tel: +852 2852 6460
Email:
woclaes@deloitte.com

Canada
Christopher Roberge
Tel: +852 2852 5627
Email:
chrisroberge@deloitte.com

Canada
Vanessa Poon
Tel: +852 2852 1610
Email:
vanpoon@deloitte.com

China
Elaine Xing
Tel: +852 2852 6679
Email:
exing@deloitte.com

France
Wai Lin Ng
Tel: +852 2852 6456
Email:
wailinng@deloitte.com

France
Jordi Bonabosch
Tel: +852 2852 1083
Email:
jbonabosch@deloitte.com

Germany
Karsten Ley
Tel: +852 2852 6733
Email:
karstenley@deloitte.com

India/Ireland
Enwright J. De Sales
Tel: +852 2852 1078
Email:
ejdesales@deloitte.com

Japan
Masayuki Owaki
Tel: +813 6213 3920
Email:
masayuki.owaki@tohmatsu.co.jp

Luxembourg
Cedric Carnoye
Tel: +852 2852 6783
Email:
cecarnoye@deloitte.com

Luxembourg
Wee Ling Soh
Tel: +852 2852 6558
Email:
wlsoh@deloitte.com

Netherlands
Eddy Hartman
Tel: +852 2852 1079
Email:
eddyhartman@deloitte.com

Netherlands
Jochem Temmerman
Tel: +852 2852 5683
Email:
jotemmerman@deloitte.com

Netherlands
Nora Bafrouri
Tel: +852 2852 6642
Email:
nobafrouri@deloitte.com

Singapore
Steve Towers
Tel: +65 6216 3227
Email:
stowers@deloitte.com

South Korea
Gyung Ho Kim
Tel: +852 2852 5681
Email:
gyhkim@deloitte.com

Taiwan
Arthur Chen
Tel: +852 2852 1086
Email:
artchen@deloitte.com

United Kingdom
Andrea Howl
Tel: +852 2852 1950
Email:
andhowl@deloitte.com

United Kingdom
Sarah Tan
Tel: +852 2852 5856
Email:
sartan@deloitte.com

United States
Jing Nealis
Tel: +852 2852 6782
Email:
jinealis@deloitte.com

Business Development
Koen De Ridder
Tel: +852 2852 5640
Email:
kderidder@deloitte.com

Deloitte's CSG network

For more information, please contact:

CSG Leadership

Beijing
Lawrence Chia
Co-Chairman
+86 10 8520 7758
lawchia@deloitte.com.cn

Toronto
Mark Robinson
Co-Chairman
+1 416 601 6065
mrobinson@deloitte.ca

Shanghai
Timothy Klatte
Partner
+86 21 6141 2760
tiklatte@deloitte.com.cn

CSG Asia Pacific

Australia
Keith Jones
+61 8 9365 7233
kejones@deloitte.com.au

Guam
Daniel Fitzgerald
+1 371 646 3884
dafitzgerald@deloitte. com

India
Atul Dhawan
+91 124 679 2030
adhawan@deloitte.com

Indonesia
Claudia Lauw
+62 21 2312879 Ext.6993
clauw@deloitte.com

Japan
Hitoshi Matsumoto
+81 3 6213 3501
hitoshi.matsumoto@tohmatsu.co.jp

Malaysia
Theng Hooi Tan
+603 7723 6590
tanth@deloitte.com

New Zealand
Jenny Liu
+64 9 303 0788
jennliu@deloitte.co.nz

Philippines
Diane Yap
+63 02 581 9053
dyap@deloitte.com

Singapore
Ernest Kan
+65 6530 5517
ekan@deloitte.com

South Korea
Nak Sup Ko
+82 2 6676 1103
nko@deloitte.com

Taiwan
Scott Lee
+886 2 2545 9988 Ext.7800
scottlee@deloitte.com.tw

Thailand
Subhasakdi Krishnamra
+66 2676 5700 Ext.5087
skrishnamra@deloitte.com

Vietnam
Ha Thi Thu Thanh
+84 4 6288 3568
hthanh@deloitte.com

CSG Europe

Austria
Herbert Kovar
+431 53 700 3600
hkovar@deloitte.at

Belgium
Coen Ysebaert
+32 9 393 7536
cysebaert@deloitte.com

Central Europe
Gabor Gion
+36 1 428 6827
ggion@deloitte.ce.com

CIS
Oleg Berezin
+749 5 787 0600 Ext.2188
oberezin@deloitte.ru

Cyprus
Christis M. Christoforou
+357 22 360 411
cchristoforou@deloitte.com

Denmark
Hans Henrik Pontoppidan
+45 36 103 481
hpontoppidan@deloitte.dk

Finland
Eija Kuittinen
+358 2075 55361
Eija.kuittinen@deloitte.fi

France
Anne Taupin
+33 1 5561 4760
ataupin@deloitte.fr

Germany
Dirk Haellmayr
+49 69 75695 6203
dhaellmayr@deloitte.de

Greece
George Cambanis
+30 210 678 1101
gcambanis@deloitte.gr

Iceland
Agust Heimir Olafsson
+354 580 3056
AgustHeimir.Olafsson@deloitte.is

Ireland
Lorraine Griffin
+353 1 417 2992
lorgriffin@deloitte.ie

Israel
Amity Weber
+972 3 608 5549
aweber@deloitte.co.il

Italy
Domenico Russo
+39 02 8332 5098
drusso@deloitte.it

Luxembourg
Dirk Dewitte
+352 45145 2363
ddewitte@deloitte.lu

Malta
Nick Captur
+356 2343 2714
ncaptur@deloitte.com.mt

Netherlands
Roger Brands
+31 8828 81097
rbrands@deloitte.nl

Norway
Kjetil Nevstad
+47 23 27 92 98
knevstad@deloitte.no

Poland
Tomasz Konik
Tel: +48 32 603 03 35
tkonik@deloittece.com

Portugal
Luis Miguel Belo
+351 21 0427 611 Ext.5111
lbelo@deloitte.pt

Spain
Fernando Pasamon
+34 915 145000 Ext.1576
fpasamon@deloitte.es

Sweden
Torbjorn Hagenius
+46 75 246 3168
thagenius@deloitte.se

Switzerland
Ralf Schlaepfer
+41 44 421 6686
rschlaepfer@deloitte.ch

Turkey
Anthony Wilson
+90 212 366 6063
anthwilson@deloitte.com

United Kingdom
Ralph Adams
+44 131 535 7234
raadams@deloitte.co.uk

CSG Africa & The Middle East

Angola
Rui Santos Silva
+351 9175 41598
rusilva@deloitte.pt

Eastern Africa
Nikhil Hira
+254 0 20 4230 377
nhira@deloitte.co.ke

Francophone Africa
Alain Penanguer
+33 1 5561 2747
apenanguer@deloitte.fr

Mauritius
Jean-Noel Wong
+230 203 8000
jnoelwong@deloitte.com

South & Southern Africa
Mark Casey
+27 011 806 5205
mcasey@deloitte.co.za

The Middle East
Ahmed Nimer
+971 2 674 1659
animer@deloitte.com

West & Central Africa
Evans Tomety
+234 01 2717 800
etomety@deloitte.com

CSG North & South America

Argentina
Eduardo De Bonis
+54 11 5129 2003
edebonis@deloitte.com

Brazil
Ricardo de Carvalho
+55 11 5186 1776
rcarvalho@deloitte.com

Bolivia
Saul Encinas Miranda
Tel: +51 11 5129 2003
saencinas@deloitte.com

Canada (Eastern)
Tan Ong
+1 514 393 5529
tong@deloitte.ca

Canada (Western)
Beverley Pao
+1 604 640 3179
bepao@deloitte.ca

Caribbean Cluster
John Johnston
+1 441 299 1301
john.johnston@deloitte.bm

Chile
Juan Echeverria
+562 7 297 224
jecheverria@deloitte.com

Colombia
Ricardo Rubio
+57 1546 1810
rrubio@deloitte.com

Ecuador
Jorge Brito
+593 4 2452 770
jorgebrito@deloitte.com

El Salvador, Costa Rica, Nicaragua, Honduras
Federico Chavarria
+506 2246 5000
fechavarria@deloitte.com

Mexico
David Chen
+52 656 5080 6075
davidchen@
externosdeloittemx.com

Panama
Domingo Latoracca
+507 303 4100
dlatoracca@deloitte.com

Peru
Hector Gutierrez
+51 1 211 8537
hegutierrez@deloitte.com

United States
Christopher Cooper
+408 704 2526
chriscooper@deloitte.com

Uruguay
Pablo Rosselli
+59 82 916 0756
prosselli@deloitte.com

Venezuela
Joaquin Lopez
+58 212 206 8588
jlopez@deloitte.com

Acknowledgements

Researched and written by:

Douglas Robinson
M&A Research Manager
Chinese Services Group
M&A Transformation Team
Tel: +852 2238 7631
Email: dorobinson@deloitte.com.hk

Rohan Maitra
Senior Specialist
Chinese Services Group
Tel: +86 21 6141 2690
Email: rmaitra@deloitte.com.cn

Edward French
Research Analyst
M&A Transformation Team
Tel: +852 2238 7371
Email: efrench@deloitte.com.hk

Kori Wong
Research Analyst
M&A Transformation Team
Tel: +852 2238 7394
Email: kowong@deloitte.com.hk

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

Chongqing
Deloitte & Touche Financial Advisory Services (China) Limited
Room 10-12
13/F International Trade Center
Chongqing
38 Qing Nian Road
Yu Zhong District
Chongqing 400010, PRC
Tel: +86 23 6310 6206
Fax: +86 23 6310 6170

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

Harbin
Deloitte Consulting (Shanghai) Company Limited
Harbin Branch
Room 1618, Development Zone Mansion
368 Changjiang Road
Nangang District
Harbin 150090, PRC
Tel: +86 451 8586 0060
Fax: +86 451 8586 0056

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

Jinan
Deloitte & Touche Financial Advisory Services Limited
Jinan Liaison Office
Unit 1018, 10/F, Tower A, Citic Plaza
150 Luo Yuan Street
Jinan 250011, PRC
Tel: +86 531 8518 1058
Fax: +86 531 8518 1068

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
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
23/F Building 1
Global Wealth Square
88 Su Hui Road, Industrial Park
Suzhou 215021, PRC
Tel: +86 512 6289 1238
Fax: +86 512 6762 3338 / 3318

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

Wuhan
Deloitte & Touche Financial Advisory Services Limited
Wuhan Liaison Office
Unit 2, 38/F New World International Trade Tower
568 Jianshe Avenue
Wuhan 430022, PRC
Tel: +86 27 8526 6618
Fax: +86 27 8526 7032

Xiamen
Deloitte & Touche Financial Advisory Services Limited
Xiamen Liaison Office
Unit E, 26/F International Plaza
8 Lujiang Road, Siming District
Xiamen 361001, PRC
Tel: +86 592 2107 298
Fax: +86 592 2107 259

HK-016ENG-12

This is printed on environmentally friendly paper