

China

Merger & Acquisition

China Merger & Acquisition Report Q2 2007



Chapter 2 Statistical Analysis of China M&A Market

China witnessed an upsurge of M&A transactions in the second quarter of 2007. A total of 31 transactions were closed in TMT, bio/healthcare and energy sectors. Of these, 20 deals disclosed an aggregate transaction value of US\$3.13B. The research scope of Zero2IPO Research Center adopted covers the following three major aspects: (1) M&A activities in TMT, Bio/Healthcare and Energy sectors, (2) cross-border M&A transactions, and (3) An equity transaction is included into our M&A research scope if it is between two enterprises and both of them are non-financial investors, with at least one party invested by at least a VC/PE. The transactions between two parties where at least one party is a VC or PE fund are categorized into VC/PE research field. We will conduct the statistical analysis of the Mainland M&A activities in Q2'07 within the above research scope as follows.

2.1 Cross-border M&As

There were nineteen cross-border M&A deals, of which fifteen deals disclosed the transaction value of US\$2.13B.

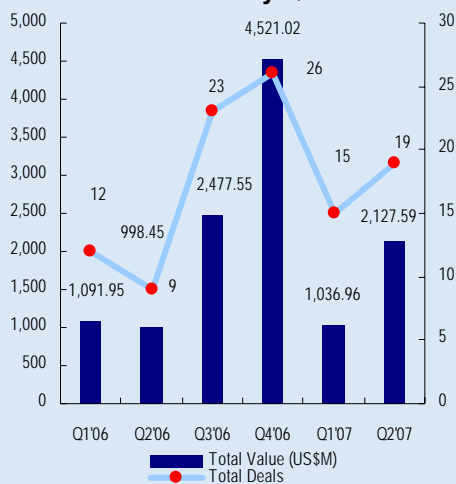
Table 2.1.1 Distribution of Cross-border Transactions by Quarter¹

	Total Deals	Total Deals with Disclosed Value	Total Disclosed Value (US\$M)	Average Value (US\$M)
Q1'06	12	9	1,091.95	121.33
Q2'06	9	4	998.45	249.61
Q3'06	23	14	2,477.55	176.97
Q4'06	26	16	4,521.02	282.56
Q1'07	15	10	1,036.96	103.70
Q2'07	19	15	2,127.59	141.84

¹Notes: 1. Cross-border M&A deals refer to those where one of the two parties is a Chinese mainland company.
2. Total M&A value refers to the sum of all the deals with disclosed value within our research scope.
3. Average value refers to average amount for those deals with disclosed value.

Source: Zero2IPO Research Center

Figure 2.1.1 Distribution of Cross-border Transactions by Quarter



Source: Zero2IPO Research Center

As shown in Figure 2.1.1, though the total deal number in Q2'07 slightly increased by four ones or 26.7% quarter-on-quarter, the total transaction value increased considerably by 105.2% from that in the previous quarter. This is mainly contributed by six mega M&A deals with each transaction value over US\$100.00M closed in this quarter. Notably, China Aluminum Group acquired Peru Copper Inc for US\$792.00M. In addition, the cross-border transaction value averaged at US\$141.84M per deal this quarter, higher than US\$104.00M last quarter.

Chapter 3 Cases Collections

Note: 1. All the data in this chapter is quoted from Zero2IPO Research Center. We selectively disclosed some of the deals in this chapter. In addition, we use "undisclosed" to stand for those data that cannot be disclosed giving consideration to the privacy of respondents or that not available.

2. As for industry classification, please refer to the appendix.

No. 1 Chinasoft International (8216 HK) Acquired Hinge Global Resource

	() Cross-border M&A	(√) TMT		Investor	(√) VC/PE Backed
		() Energy			
		() Bio/healthcare			
Acquirer	Beijing, China	Sector	Software	Investor	Greater Pacific Capital Ltd., Tiger Fund, Warburg Pincus, IDGVC
Target	Beijing, China	Sector	Software	Investor	

On Jan. 2, 2007, Chinasoft International signed an agreement with Hinge Global Resource (HGR), an international software development company. The former purchased a 96.61% stake of the latter for not more than US\$55.00M, and would purchase the

Chapter 5 Cross-border M&As To Flare Up

While people are still exclaiming at foreign cross-border enterprises artfully schemed acquisitions in the Chinese market, China, a huge emerging economy, is ascending the international economic stage with over 10.0% growth rate of GDP annually. More and more Chinese enterprises are coming to the front stage. From probing trials to the master works, the Chinese enterprises relying on the strong economic growth and a batch of Chinese entrepreneurs with global insight are attracting more and more attentions. The cross-border M&As, to some extent, are like international trade involving two-way exchanges. The flourishing cross-border M&As of Chinese enterprises reflect that the new emerging economy is trying to find a foothold in the international economic stage.

However, compared with their foreign counterparts with long cross-border M&A history and rich experiences, the Chinese enterprises are still green in terms of M&A size, means and maturity of the acquisition market and the M&A resource

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ZERO2IPO RESEARCH CENTER



Zero2IPO-China VentureDatabase

China VentureDatabase, maintained by Zero2IPO Research Center and launched in July 2007, provides most comprehensive information on VC and PE-backed companies and their investors. The Database includes information of China merger and acquisition, private equity, venture capital and IPO. It also provides online search function, integrated analysis and horizontal and vertical comparisons cross deals. Subscribers can access it online anywhere at any time. The database is viewed as the most reliable and complete source in China venture capital industry.

China Venture Capital Research Series



China Venture Capital Research Series includes quarterly, semi-annual and annual reports. Based on the survey of 300 active VC funds in China, the series cover all aspects of China venture capitals, including fund raising, investment, exit, etc. In addition, the series also provide ample description and analysis on highlighted industries and forecast of future stars.

China Private Equity Research Series



China Private Equity Research Series includes quarterly, semi-annual and annual reports launched from 2006. The series reveals activities of private equity funds in fundraising, investment, exit, etc. In addition, they provide detailed studies on hot issues, such as China policy and regulatory environments, privatization of state-owned enterprises, case study and syndication investment of private equity funds. It is the first-ever systematic research on private equity in China.

China Merger and Acquisition Research Series



China Merger and Acquisition Research Series launched in 2006 include quarterly, semi-annual and annual reports. The series traces deals of TMT, Healthcare, Clean Energy and the Cross-Bordered, especially, VC-related deals.

China Enterprises IPO Research Series



IPO Research Series includes quarterly, semi-annual and annual reports focusing on both Chinese Enterprises overseas IPOs and domestic IPOs. Venture capital/private equity-backed companies debuting in global capital markets and Chinese capital markets are especially focused. The series provides comprehensive analysis and statistics on offering terms, backed VC funds and exit information, industry sector, case studies, prospective evens of the next quarter, etc.

Reports on the Performance of China Venture Capital Investment, 1994-2005



The report is jointly initiated by Zero2IPO Research Center and China Venture Capital Association. It is the first research commanding venture capital performance in China across one decade from 1994 to 2005. The report provides in-depth analysis with succinct presentation of 25 thousand words and 70 charts, which suits best for VC professionals, LPs and researchers.

China Venture Capital & Private Equity Directory



China Venture Capital & Private Equity Directory includes 400 foreign and domestic firms operating in China and covers all-around information of these VC funds, such as the capital under management, investment sector, investment stage, portfolio companies and detailed contact information. The directory is updated annually.

Custom Research

Zero2IPO Research Center also provides custom research in areas covering various China industries and companies, government policies and regulations, shareholding restructuring and IPO planning and LP investment consulting services to better serve the diverse needs of relevant professionals.

Research Contact

Michael Kang
Tel: +86(10)8458 4371/0478
E-mail: michaelkang@zero2ipo.com.cn

Sales Contact

Kitty Guan
Tel: +86(10)8458 0476-8035
E-mail: kittyguan@zero2ipo.com.cn



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Introduction to Survey and Report Compilation

Zero2IPO Research Center has been launching Zero2IPO China Venture Capital Quarterly Surveys since Q1 2001 by collecting real-time data from 300 local and foreign VC funds operating in Mainland China. The quarterly report is an informative, reliable and up-to-date source for professionals in VC industry to trace the development of China venture capital industry.

The conclusion and data in the report were mainly based on China venture capital quarterly survey. The report presents readers with informative, precise analysis, and objective conclusions. In addition, we continue to use Zero2IPO China Venture Capital Activity Index of Investment (All) for your reference. For more information, please refer to the appendix.

About Zero2IPO Research Center

Established in Nov. 2001, Zero2IPO Research Center aims to provide professional research reports and custom researches for relevant professionals in the Greater China Region. Our research ranges from venture capital, private equity, IPO, M&A to industries. Today, Zero2IPO Research Center has been regarded as the most accurate, complete and compelling information source on investment, exit, fundraising and VC/PE-backed deals by many investment bankers, venture capital and private equity funds, consulting firms, ventures and media.

In addition, Zero2IPO has launched the first China VentureDatabase in July 2007. China VentureDatabase provides most comprehensive information on VC and PE-backed companies and their investors. The Database includes information of China merger and acquisition, private equity, venture capital and IPO. It also provides online search function, integrated analysis and horizontal and vertical comparisons cross deals. Subscribers can access it online anywhere at any time. The Database is viewed as the most reliable and complete source in China venture capital industry.

About Zero2IPO Group

Founded in 1999, Zero2IPO is a leading integrated service provider in the China venture capital and private equity industry. Over the past seven years, Zero2IPO has become an unbeatable dealflow and networking source in China.

Zero2IPO's mission is to be the preferred service provider to businesses in the venture capital and private equity industry by offering an unparalleled knowledge and expertise to our clients and partners. To ensure this, Zero2IPO provides a broad and deep array of services enabling entrepreneurs and investors to reach the next level of success.

What We Do

Financial Advisory Services: Financial Advisory Services (FAS) represents China startups seeking venture capital or private equity funding. Through its extensive network of investors worldwide, FAS channels over \$US100M to startups each year. These startups are distributed across a broad spectrum of industries, including biotechnology, health care services, telecommunications, media, education, Internet and e-commerce.

Financial Information Services: Financial Information Services (FIS) releases annual, quarterly, and customized research reports covering China venture capital, private equity, M&A, and IPOs. Also known as the Zero2IPO Research Center, FIS is viewed as the most trustworthy information source in the industry. FIS reports are used by investors, LPs, investment banks, auditing firms, law firms and entrepreneurs worldwide. Each year, FIS publishes the China venture capital ranking results which are widely accepted and quoted among these professionals.

Media & Network Services: Media & Network Services (MNS) strives to provide a networking platform for entrepreneurs and investors. Since 2001, MNS has organized twelve China Venture Capital Forums and over fifty Z-Club activities. Each year, over 4000 participants attend these conferences and club events held in Beijing, Shanghai, Tokyo, London, and Silicon Valley. Together, the China Venture Capital Forum (CVCF) and Z-Club events constitute the largest networking platform for investors and entrepreneurs in China.

Zero2IPO Capital: Formed in late 2006, the Zero2IPO Capital is a venture capital arm targeted at high-potential, early-stage China startups. Leveraging Zero2IPO's vast network in China, Zero2IPO Capital does not compete with other venture funds, but rather assists companies in the early stages of product development and market feasibility until a formal round of venture funding is required. Since most China venture capital firms focus on larger, later-stage deals, Zero2IPO Capital enables the most promising early-stage companies reach a later stage of venture capital funding.

Zero2IPO Group is headquartered in Beijing with offices in Shanghai, Shenzhen, Hong Kong, and Silicon Valley.

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Beijing

Add: Suite1203, Tower A, Eagle Run Plaza, No. 26 Xiaoyun Road,
Chaoyang District, Beijing 100016, P.R. China
Tel: + 86 10 84580476, 62588680 Fax: + 86 10 84580480

Shanghai

Add: 5E, Crystal Century Tower, No. 567, Weihai Road,
Jingan District, Shanghai, 200041, China
Tel: + 86 21 62889090, 62886707 Fax: + 86 21 62886716

Hong Kong

Add: 2101, 21/F, Westlands Center, 20 Westlands
Road, Quarry Bay, Hong Kong.
Tel: + 852 2960 4611 Fax: + 852 2960 0185

Silicon Valley

Add: 100 Hamilton Ave, Suite 100,
Palo Alto, CA94301
Tel: + 1 650 461 8100 Fax: + 1 650 461 8101

Email: Service@zero2ipo.com.cn
URL: www.zero2ipo.com.cn www.zero2ipo.com.cn/en