

Zero2IPO Research Center



China Merger & Acquisition Report Q3 2008

Chapter 2 Statistical Analysis of China M&A Market

China M&A market remained active in Q3. Within the three sectors the Zero2IPO Research Center focuses heavily on, 30 transactions were closed in TMT, Bio/healthcare and Energy, 17 of which disclosed a value of US\$5.23B. In addition, 20 cross-border deals were closed this quarter, 14 of which disclosed a value of about US\$9.10B.

China M&A market remained active in Q3.

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. Moreover, the stake acquired should be at least 20.0%. We will conduct the statistical analysis of the Mainland M&A activities in Q3 2008 within the above research scope as follows.

2.1 Cross-border M&As

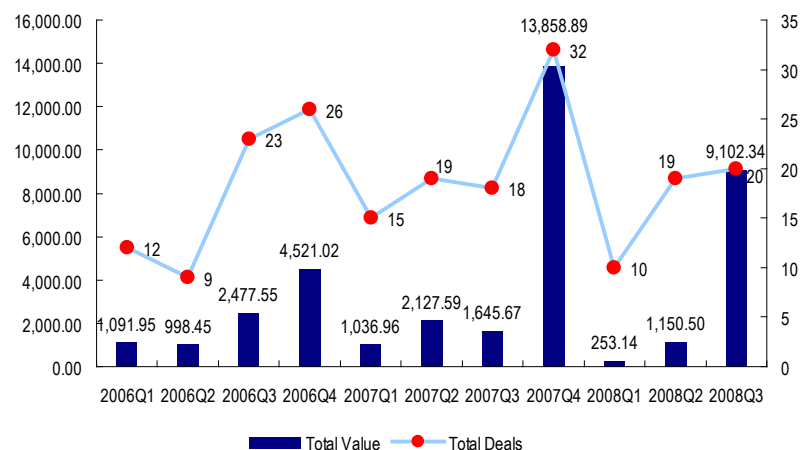
A total of 20 cross-border deals were finalized over this past quarter. Fourteen of these deals disclosed approximately US\$9.10B.

Table 2.1.1 Distribution of Cross-border Transactions by Quarter

	Total Deals	Deals with Disclosed Value	Total Value (US\$M)	Average Value (US\$M)
2006Q1	12	9	1,091.95	121.33
2006Q2	9	4	998.45	249.61
2006Q3	23	14	2,477.55	176.97
2006Q4	26	16	4,521.02	282.56
2007Q1	15	10	1,036.96	103.70
2007Q2	19	15	2,127.59	141.84
2007Q3	18	9	1,645.67	182.85
2007Q4	32	29	13,858.89	477.89
2008Q1	10	5	253.14	50.63
2008Q2	19	9	1,150.50	127.83
2008Q3	20	14	9,102.34	650.17

Source: Zero2IPO Research Center

Figure 2.1.1 Distribution of Cross-border Transactions by Quarter



Source: Zero2IPO Research Center

- Notes:
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 the average amount for those deals with disclosed value.

Chapter 3 Case Collection

Note: All data below are sourced from the Zero2IPO Research Center, with N/A representing the parts that cannot be disclosed. Please refer to the appendix for industry classification.

Case 1 New Huadu Group Acquires Inxite Information Industrial Co., Ltd.

	()Cross-border M&A	(√)TMT		()VC/PE Funds	
		()Energy			
		() Bio/healthcare			
Acquirer	Fujian, China	Industry	Services	Investor	
Target	Hainan, China	Industry	Internet	Investor	

New Huadu Group announced on June 30, 2008 the company's acquisition of the Hainan based Inxite Information Industrial Co., Ltd. Inxite is a high-tech company engaged in the development of financial database software and IT platforms, information services about securities, consultation service on investment and other Internet related applications. The total amount of this acquisition will be over RMB100 million, after which New Huadu Group will acquire a 60.0% equity interest in Inxite. This marks New Huadu's commencement of its IT business.

Chapter 4 Domestic & Overseas M&As Launched by Zoomlion

4.1 Introduction

Looking back at the development history of global companies in the past 100 years, we may find that almost all champion companies in various industries grew up through a series of merges and acquisitions. The reason lies in that they seized the era and sector. Through consolidation step by step, they gradually became admired companies from scratch. So were Chinese star companies. The key lies in the sustainable economic prosperity over the past more than 30 years since China's reform and opening up in 1978, which provides foundations for Chinese companies to become world-class companies by means of capital operation. The construction machinery industry is also experiencing intensive reforms as one of the largest beneficiaries of the economic prosperity in China. Zoomlion has become one of the top 20 global construction machinery companies from an unknown state-owned restructured enterprise through over ten years development, with both total assets and sales exceeding RMB10.00B. Its growth path provides a good example for other Chinese enterprises. In the following, we will explore the development model of Zoomlion.

Looking back at the development history of global companies in the past 100 years, we may find that almost all champion companies in various industries grew up through a series of merges and acquisitions.

ZERO2IPO RESEARCH CENTER



Zero2IPO-China VentureDatabase

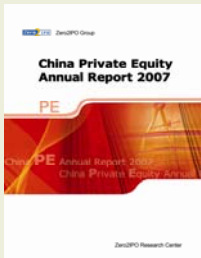
China VentureDatabase, maintained by Zero2IPO Research Center, provides most comprehensive information on VC and PE-backed companies and their investors. The Database includes information of China merger and acquisition, private equity, venture capital and IPO. It also provides online search function, 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 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 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 and annual reports. The series traces deals of TMT, Bio/Healthcare, Clean Energy and the Cross-Bordered, especially, VC-related deals.

China Enterprises IPO Research Series



IPO Research Series includes quarterly 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

Robin Zhu
Tel: +86(10)8458 0476-8073
E-mail: robinzhu@zero2ipo.com.cn

Sales Contact

Kathy Fu
Tel: +86(10)8458 0476-8089
E-mail: kathyfu@zero2ipo.com.cn



Copyright Declaration

Produced by Zero2IPO Research Center, this report is strictly protected by all relevant copyright laws. Zero2IPO Group reserves final explanation and proprietary rights. Any piece of information contained in the report can only be for reference by the purchaser. Without written consent from Zero2IPO, no copying or translation of the report and/or any piece of information contained in the report is allowed. Legal actions will be taken in case of plagiarism and/or violation of the above statement.

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.

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 launches China VentureDatabase, which as the first 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 eight 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 US\$200M 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.

Marketing, Sales & Services: Media & Network Services (MNS) strives to provide a networking platform for entrepreneurs and investors. Since 2001, MNS has organized more than twenty China Venture Capital & Private Equity Forums and over sixty Z-club activities. Each year, over 5000 participants attend these conferences and club events held in Beijing, Shanghai, Tokyo, London, and Silicon Valley. Together, the China Venture Capital & Private Equity Forums and Z-Club events constitute the largest networking platform for investors and entrepreneurs in China.

Zero2IPO Capital: Formed in late 2006, Zero2IPO Capital is a venture capital arm of the Group targeted at high-potential, high-growth China enterprises. Leveraging Zero2IPO's vast network in China, Zero2IPO Capital does not compete with other venture funds, but rather pursue a two-prong investment strategy, i.e. to co-invest with active venture capital firms in growth and late stage companies and to lead or co-lead in early stage startups in China.

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

2008

China Merger & Acquisition Report Q3 2008

Beijing

Add: Rm. 1203, Tower A, Eagle Run Plaza, No. 26 Xiaoyun Road,
Chaoyang District, Beijing 100125, P.R. China
Tel: + 86 10 84580476, 62588680
Fax: + 86 10 84580480

Shanghai

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

Shenzhen

Add: Rm. 1605A, International Chamber of Commerce Tower,
No.168, Fuhua Road 3, CBD Futian District, Shenzhen 518048
Tel: + 86 755-88 315 318
Fax: + 86 755-88 315 328

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.hk