

---

## Outbound M&A deals set to carry on in 2010

Created: 2009-11-6

Author:Zhang Fengming

GOVERNMENT encouragement and the trend by Chinese companies to expand overseas fueled the increase in outbound merger and acquisition deals and it's expected that these would continue next year, an industry report said yesterday.

The value of quarterly M&A deals grew from US\$1.3 billion in the first quarter of this year to US\$8.9 billion in the third quarter, Deloitte said in a report yesterday.

The number of M&A deals rose to 26 cases in the third quarter from 10 cases in the first quarter, the accounting firm said.

"The Chinese economy has remained basically insulated to the fallout from the financial crisis. This has contributed to the relative robustness of outbound M&A activities from China," said Lawrence Chia, head of Deloitte China M&A services and global Chinese services group co-chairman.

"The desire of Chinese companies to expand by acquisitions and the support from the Chinese government are also driving outbound deals," Chia added.

There were 61 Chinese outbound acquisitions with an aggregate value of US\$21.2 billion in the first three quarters of this year.

Transactions in the energy, mining and utilities sectors continued to dominate Chinese M&A purchases abroad.

Since 2003, acquisitions in these sectors have accounted for 29 percent of the total outbound deal flow by volume and a massive 65 percent of the total deal valuations.

In the first nine months of this year, the proportion in the volume of deals jumped to 40 percent while the proportion in value soared to 93 percent.

"Looking forward, the dominance of these transactions is likely to continue into 2010," said Karl Baker, mining sector M&A partner for Deloitte China. "Chinese demand for raw commodities has continued to grow throughout the credit crisis."

Chinese companies may start bidding for assets in the financial services sector in Europe and North America, according to Deloitte.