



Asia Pacific's New Corporate Landscape: Asian Outbound M&A

ADVISORY

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Introduction



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In recent years, a growing number of Asian companies have embarked on merger and acquisition activity, in many cases extending far beyond their home markets. This activity has sometimes been opportunistic, for example driven by favourable exchange rates and valuations, but more typically has had a strategic component, such as a wish to acquire new expertise or control of resources.

The crisis that has engulfed the world financial system since September 2008 has arguably raised the profile of Asian investors even further. In the financial sector alone, one need only witness Nomura's recent purchase of a number of Lehman Brothers assets, Mitsubishi UFJ's USD 7.8 billion acquisition of a 13.6 percent stake in investment bank Morgan Stanley, or Chinese sovereign wealth fund CIC's investment in private equity firm Blackstone to realise the capacity of well-capitalised Asian players to take advantage of the current financial markets in order to secure stakes in major financial institutions.

However, the financial crisis has not spared the region and many Asia Pacific companies have seen a deterioration in their balance sheets and lower price-earnings valuations.¹ Some governments have sought to cool interest in outbound investments and encourage corporates to refocus at home.

Many Asian corporates remain cautious and even a little daunted by the prospect of international acquisitions and this may explain why outbound deals to targets outside the region have fallen faster than intra-regional cross-border deals. Cultural differences, exchange rate fluctuations and stifling M&A regulations in a target company's jurisdiction are all pitfalls that bidders are wary of.

This report examines respondents' sentiments on a wide range of Asian outbound M&A-related subjects. The optimistic attitudes that many of our respondents expressed towards prospects for Asian outbound M&A seem to be partly residual — the wave of outbound deals that occurred in early 2008 was perhaps fresh in their mind — but may also be based on hopes of a quick turnaround, given that many mid-market players are still relatively cash-rich.

This should particularly be the case if company valuations remain at their current depressed levels, and the competition for assets from an aggressive and increasingly influential source over the last few years — the private equity firms — continues to be constrained by the existing lack of debt liquidity in the financial markets. There is good reason to think that 2009 may be the year when, across Asia, we see the re-emergence of the trade buyer.

This report is the second in a series of four examining the changes that have occurred in the Asia Pacific M&A market. The first, looking at corporate perceptions of the private equity industry, was released in November 2008. Further reports, covering due diligence and selling a business, will be published in early 2009.

¹ KPMG International: *Global M&A Predictor*, 12 January 2009



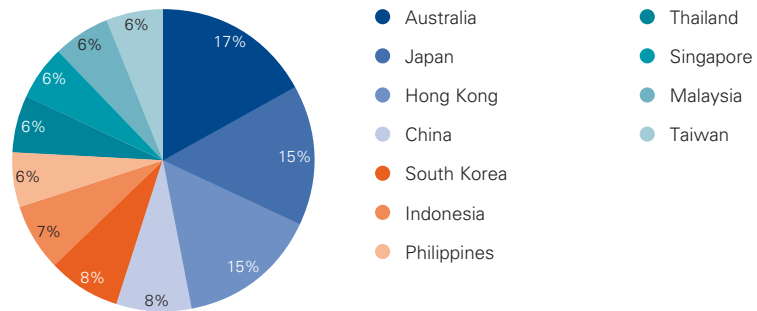
About the survey

In September 2008, Remark, the research and publications division of mergermarket, canvassed the opinions of 150 mid-market Asian corporates based across ten Asia Pacific markets, to uncover their views on Asian outbound deal flows, both to other markets within the region and to markets elsewhere in the world.

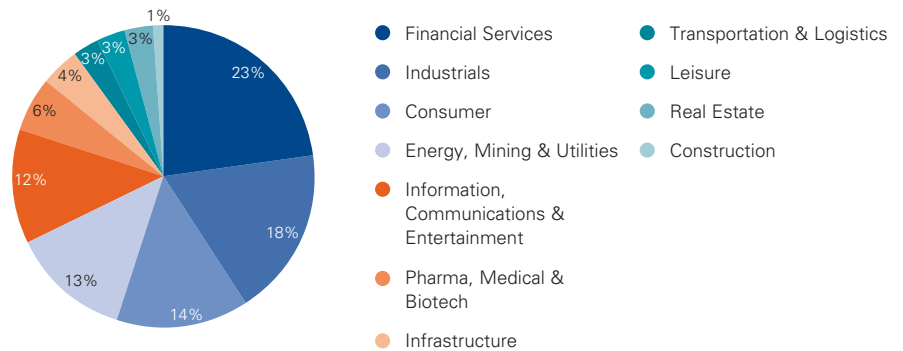
Ninety percent of respondents are from listed companies and 75 percent have turnover of more than USD 100 million per year.

Pre-qualifiers

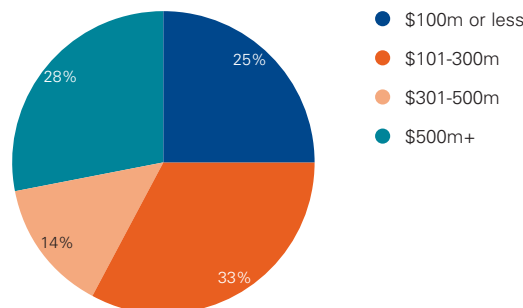
What country or region are you headquartered in?



What industry sector do you operate in?



What is your turnover (in USD million)?



Survey findings

- Executives around the Asia Pacific region saw potential for an increase in outbound M&A investment during 2009, although the global economic downturn has sharpened the differences of opinion in countries around the region. Sixty-three percent of respondents said that they expected Asian outbound acquisitions of Asian targets to increase in the coming year, while only 8 percent expected a decrease.
- East Asian respondents were the most bullish on the prospect for outbound deals, while respondents based in Australia were more pessimistic. According to the survey, 50 percent of Australian executives said they saw the outlook for M&A weakening. By contrast, more than 70 percent of respondents in South Korea, mainland China and Taiwan predicted that outbound activity within Asia would increase over the next year.
- Over half of the respondents were optimistic on outbound deal flows to countries outside Asia, with respondents based in Japan the most buoyant. However, Australian respondents were again the least optimistic on such M&A flows.
- At the time the survey was conducted, only one in five respondents said that they had abandoned outbound deals as a result of the global economic situation, although close to half of Australian respondents stated they had done so. Among those to have abandoned deals, less than one-fifth cited difficulties in financing the deal as a key reason.
- Respondents expected China to take a greater share of M&A activity into other parts of Asia over the next year. However Japanese corporates were regarded by many respondents as the most likely to lead Asian outbound acquisitions of non-Asian targets. The U.S. is considered the hardest market to break into due to its size and sophistication, as well as regulatory factors.
- Energy, Industrial and Consumer sectors were expected to be the most active sectors for cross-border deal flows within Asia. However, respondents said that acquisitions outside Asia will be very heavily focused on targets in Financial Services.
- Asian Sovereign Wealth Funds (SWFs) were expected to play an increasingly active role in the Asian outbound M&A sphere. Attitudes were particularly favourable in Southeast Asia, perhaps due to the prominence of SWFs such as Temasek and GIC in Singapore and Khazanah in Malaysia.
- Fifty percent of respondents indicated that they either always used a financial advisor or would use them the majority of the time when conducting an M&A transaction. It would not be surprising if the use of financial advisors were to increase, given the complexities associated with executing and financing acquisitions cited by many respondents.



Sentiment towards M&A: Originating markets

The vast majority of respondents expect cross-border activity over the short term to increase or remain the same, with China and Japan leading the way.

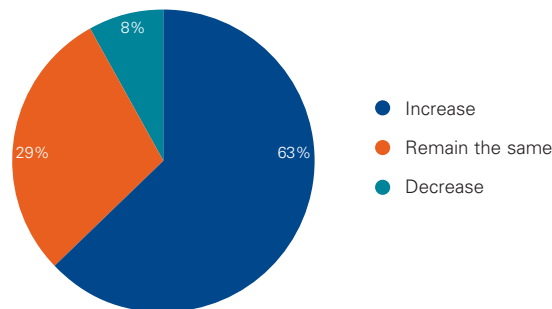
Ever since the 1980s, there has been a sense of inevitability about the rise of Asian corporates on the global stage. While early forays by Japanese and Korean corporates were not always successful, their experiences have not deterred a more recent wave of outbound investment from across the region, including from many companies in China.

In the current economic environment, that sense of inevitability is continuing to shape people's perception of the M&A landscape. Our survey suggests that Asian executives expect the level of Asian outbound acquisitions, into other Asian countries, to either rebound or remain the same over the next year.

The findings are not entirely consistent throughout the region. Almost 50 percent of Australian executives said they expected the outlook for M&A to weaken, while their East Asian counterparts in South Korea, mainland China and Taiwan were more optimistic. More than 70 percent of respondents in these locations predicted that outbound activity within Asia would increase over the next year.

Executives were also relatively upbeat about deal flows to countries outside Asia Pacific. A narrow majority of respondents said that the level of outbound acquisitions undertaken by Asian bidders, outside the region, would increase over the next 12 months, with a further 37 percent believing that it would remain consistent with historical trends. Australian executives were once again more pessimistic, with only 30 percent believing that deal flows will increase over the coming year.

What do you expect will happen to the level of outbound acquisitions by companies headquartered in your country in the next 12 months into the wider Asia Pacific area?



Unless otherwise stated, all statistics quoted in this report are attributable to mergermarket.

There is reason to believe that M&A activity might spread across a wider range of sectors. For example, only 50 percent of respondents in Energy, Mining & Utilities companies said that Asian transactions involving non-Asian targets will rise, compared to 68 percent of respondents working in the telecoms, media and technology sectors.

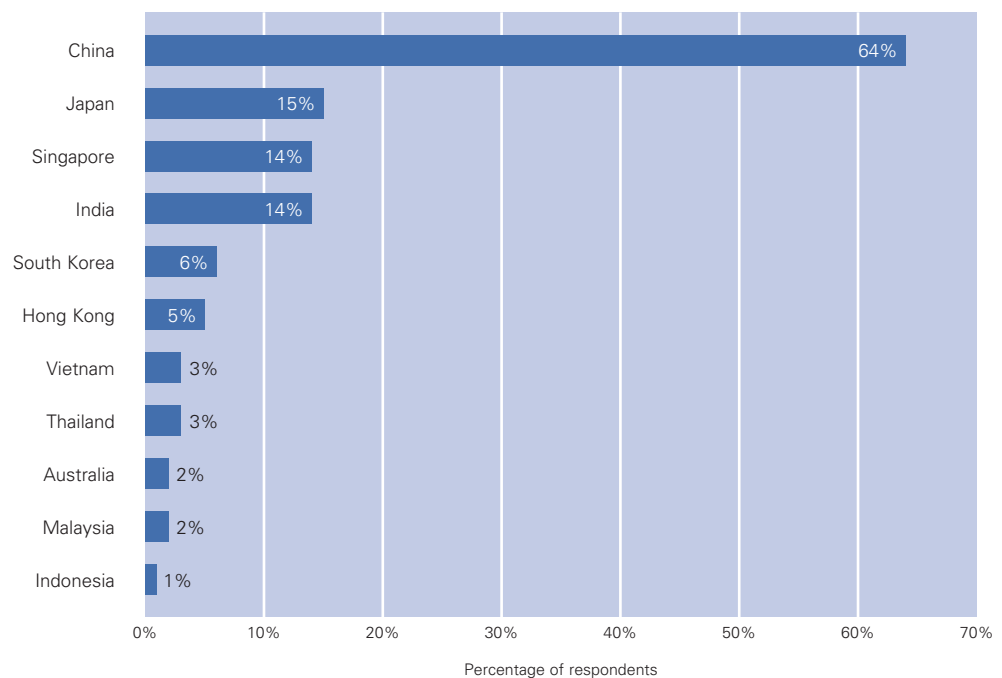
The contrasting roles of China and Japan

Chinese corporates are expected to be the major acquirers of businesses in Asia.

The survey respondents predicted that Chinese companies will be the most active in Asian markets in the coming 12 months.

This is at odds with the recent history of M&A activity in China. The acquisition of foreign assets by Chinese companies is a relatively new, but growing phenomenon.² Sixty-four percent of respondents believe that China will undertake the most outbound M&A acquisitions of Asian targets, well ahead of Japan, Singapore and India. One comment, echoed by a number of respondents was that: "Chinese companies are cash-rich and are looking to expand their business, especially into overseas markets."

From which Asian country do you believe the most acquisitive cross-border buyers will emerge for targets elsewhere in Asia?

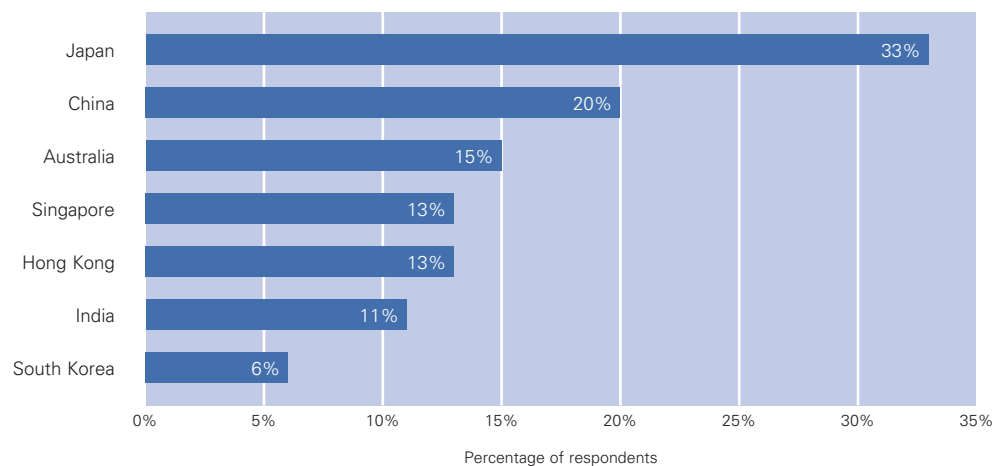


² "China's Track Record in M&A," *The McKinsey Quarterly*, June 2008

Japanese businesses will be the leading acquirers of businesses outside the region.

When it comes to investment outside of Asia Pacific, however, Japan scores more highly. Japanese companies were tipped by 33 percent of respondents to lead the way in outbound acquisitions of non-Asian targets.

From which Asian country do you believe the most acquisitive cross-border buyers will emerge for targets outside of Asia?



These responses are consistent with the recent wave of acquisitions outside the region by Japanese companies. These include, for example, Mitsubishi Rayon Co Ltd's purchase of Lucite International Limited (United Kingdom), the Sumitomo Metal-led consortium's purchase of Nacional Minerios S.A (Brazil), Mitsubishi UFJ Financial Group's 13 percent stake in Morgan Stanley (United States), Ricoh Company's acquisition of Ikon Office Solutions based in the United States and Shionogi & Co's purchase of the U.S.-based Sciele Pharma Inc.

This distinction in corporate behaviour between businesses may reflect the different levels of maturity and experience in M&A that exist between Japanese and Chinese corporates. It may also reflect the fact that Chinese companies are less inclined to pursue overseas investments to grab market share, given the significant growth opportunities existing in their own domestic market. In recent years, Chinese companies have not needed to expand beyond their borders to get higher returns and may view their domestic market as being more familiar, and therefore lower-risk.

Much in the same way that companies in small countries such as New Zealand have been forced into international trade because of restricted domestic demand growth, Japanese companies that are already confronting relatively low growth in their home market appear to be more inclined to look towards emerging markets, as well as larger established markets, for growth opportunities. Many Japanese companies are now in a position to put their underleveraged balance sheets to work while the global equity bear market, reduced competition from financial buyers, and a strengthening yen are creating favourable acquisition conditions.



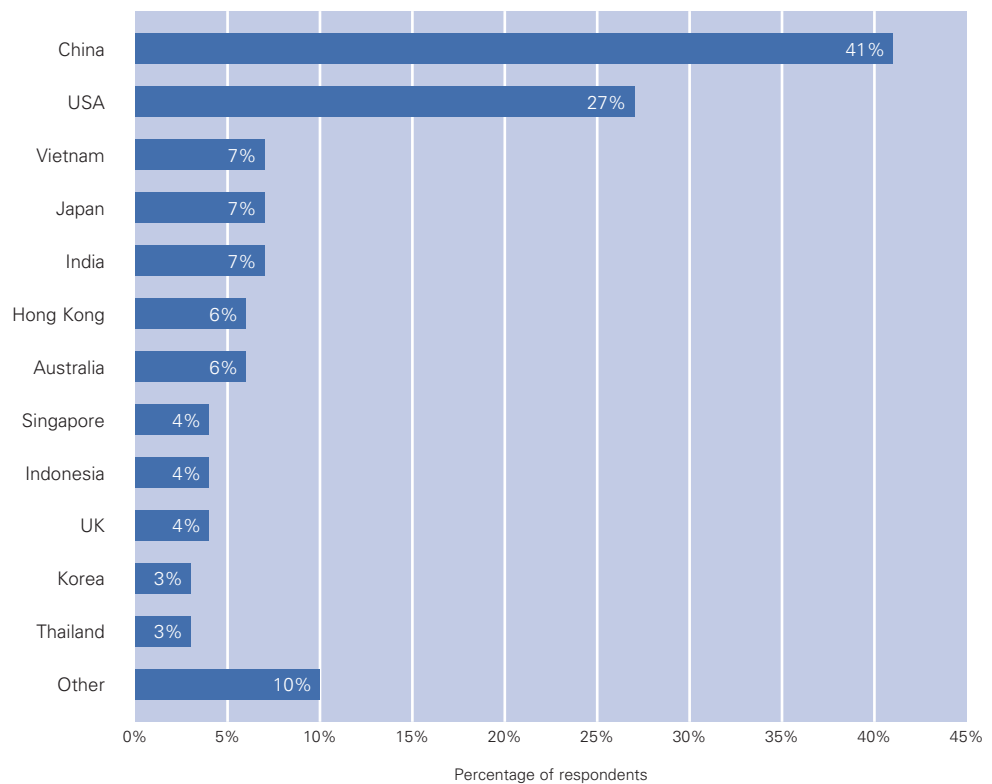
Sentiment towards M&A: Target markets

China and the United States are expected to be the major target markets within and outside the Asian region respectively.

According to our survey, Chinese and U.S. businesses will be the most likely targets of outbound Asian M&A activity. Spurred by the growth of consumption within China, a significant proportion of respondents (41 percent) suggested that Chinese businesses are most likely to be targeted by other Asian bidders. Over the past five years, China's consumer base has expanded across many dozens of provincial or secondary cities, so the current economic climate may provide a particularly opportune moment to make strategic, as opposed to green field investments.

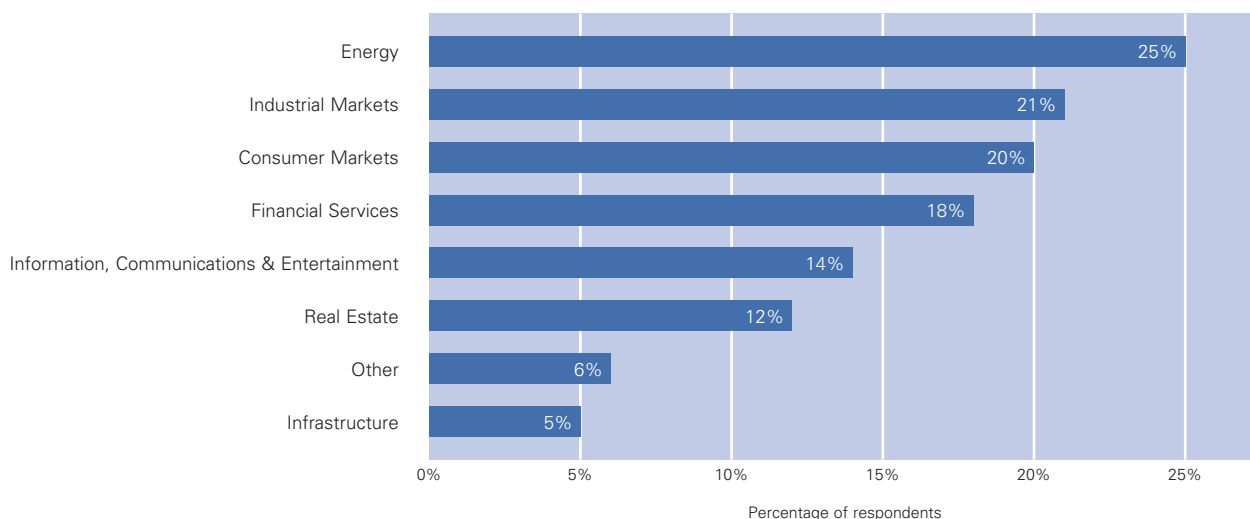
A further 27 percent of respondents indicated that firms in the U.S. would be the priority destination of outbound Asian bids. In relation to the United States, one respondent suggested that this will be "mainly because of its dynamic consumer base."

Which country will be the target of most Asian outbound M&A?



This finding is broadly in line with recent historical data. Chinese targets made up 22 percent of Asian outbound acquisitions by volume in the first half of 2008, as well as 18 percent of deal value. The U.S. comprised a further 19 percent of outbound volumes and made up a further 15 percent of deal value over the same period, according to mergermarket data.

Which industry sector will witness the most overseas acquisitions by Asian companies looking cross-border in Asia?



Many Asian businesses have been taking both direct and indirect equity in energy projects over the past five years, and survey respondents did not expect this to change, with Asian outbound deal flows expected to be dominated by acquisitions in the Energy, Industrial and Consumer markets sectors.

These results generally mirror historical data for the first half of 2008, where the bulk (28 percent) of Asian outbound acquisitions of Asian targets fell into the Energy, Mining & Utilities sectors as Chinese and Japanese corporates in particular continued to search for direct investments in the resource sector in order to gain control over inputs. This, in turn, is expected to aid the development of many Asia Pacific nations where those resources are located.

Our survey suggests that the Industrial and Consumer sectors are also likely to be priority sectors for acquisition activity, as well-capitalised Asian companies target strategic acquisitions in order to capture market share and product diversification. There is already evidence of this with a number of sector-consolidating transactions having taken place recently in the food and beverages sector.

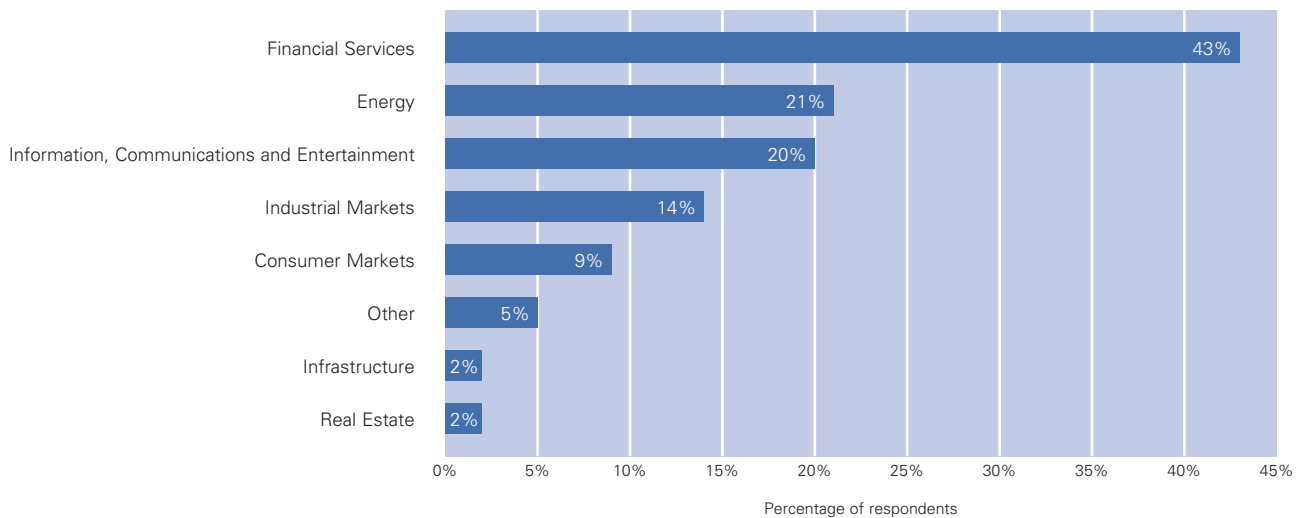
One recent example of this trend was the acquisition by Suntory Limited, the Japan-based food and beverage company, of Frucor, the New Zealand-based beverage producer, for USD 776 million in October 2008. Kirin Holdings' November 2007 acquisition of National Foods for USD 2.6 billion is another example. One noticeable feature of the Frucor transaction, particularly in the current market, was the very attractive price Suntory was prepared to pay for this strategic asset, which was at a level any competing financial sponsor would find difficult to match.

Financial services: An ongoing priority?

Given the rapid globalisation of the financial markets and opportunities to realise efficiencies through consolidation, it is unsurprising that this sector has been and is expected to continue to be the subject of much M&A activity, as this has often been a means for Financial Services firms to follow their existing clients and achieve economies of scale in the application of their intangible assets across international markets.

Our respondents expressed a clear expectation that this trend would continue, with more than twice as many (43 percent) expecting companies in the Financial Services sector to be the priority targets of Asian businesses investing outside the region than those operating in any other sector.

Which industry sector will witness the most overseas acquisitions by Asian companies looking cross-border outside of Asia?



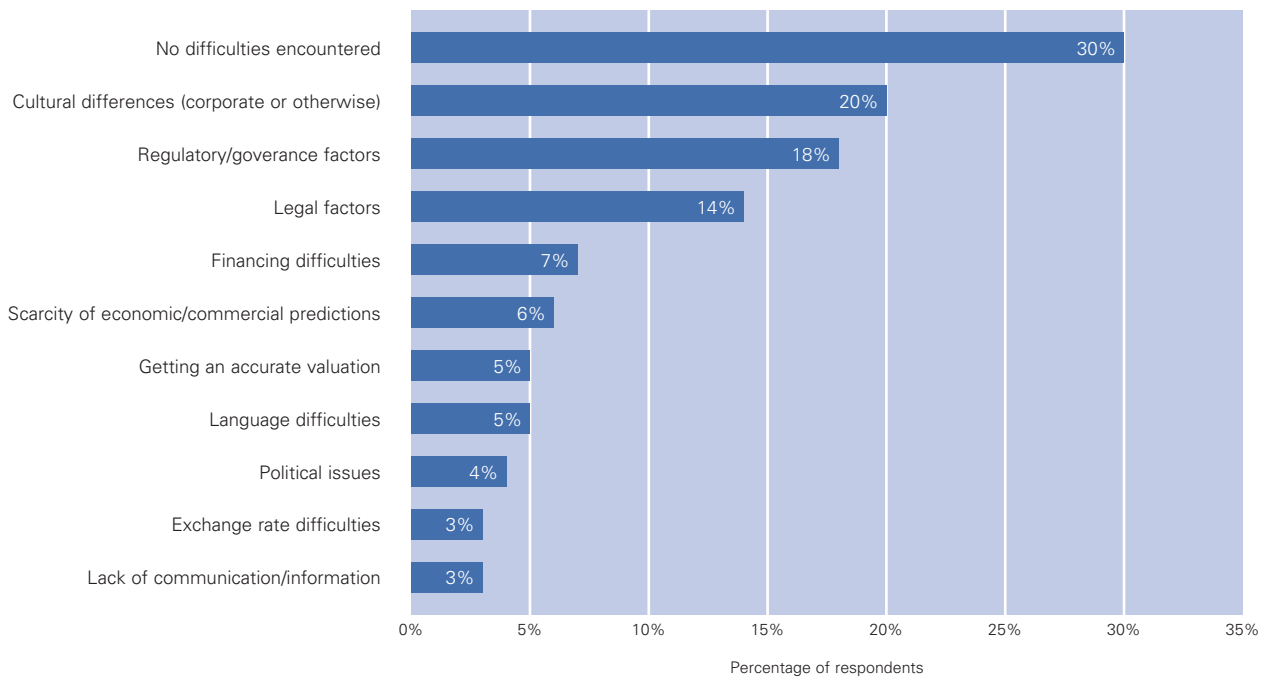
Obstacles to investment

Cultural differences, regulatory and governance factors are the major obstacles to cross-border investment outside Asia.

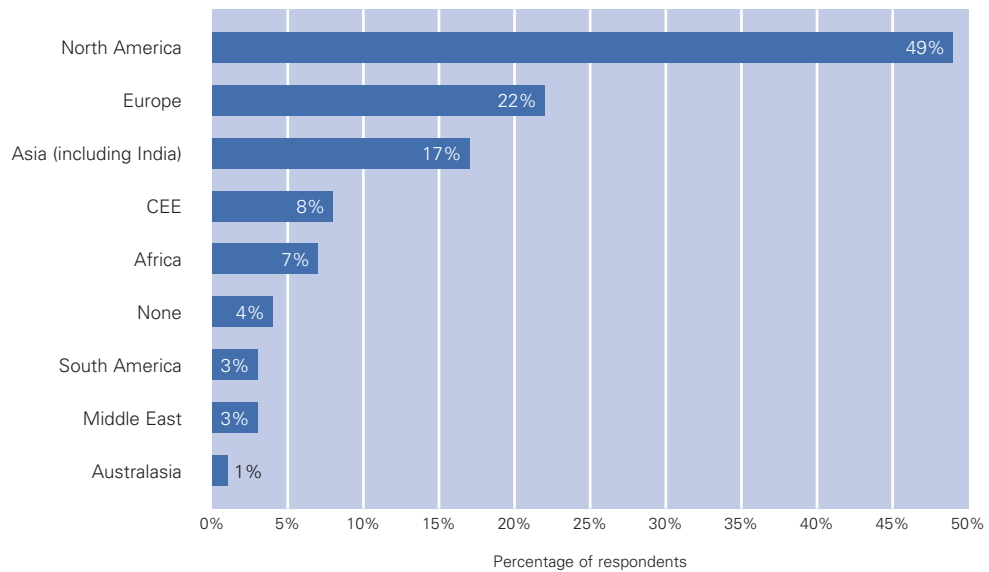
More than 90 percent of respondents have previously attempted to undertake an investment outside the Asia Pacific region and most have encountered some obstacles or challenges in doing so. Among these respondents, 30 percent said that they encountered no difficulties, although a sizeable number indicated they had experienced cultural, regulatory and governance difficulties. A very small number of respondents cited exchange rate fluctuations and a lack of information or communication from/with the target firm (3 percent each) as significant difficulties.

Of the relatively small proportion of respondents who have not yet undertaken an investment outside the Asia Pacific region, over half said that legal and regulatory concerns would have to be overcome when acquiring abroad. In addition, around 36 percent mentioned that cultural issues would also need to be addressed. Other factors that could adversely affect an Asian outbound transaction include geographical distance and exchange rate fluctuations.

If you have attempted an investment outside the Asia Pacific, what were the main difficulties you faced?



Which overseas markets do you believe present the most obstacles to Asian buyers?



Many businesses identified the U.S. as the most difficult place for Asian bidders to purchase assets. According to our survey, there are several reasons for this, not least because, as one respondent puts it, "there are legal limitations against transactions initiated by big foreign companies." Another respondent cited the "strong security regulations" in the U.S. as making it a difficult place to secure deals. Twenty-two percent of respondents indicated that, in their view, the European market presents the most obstacles, presumably for reasons similar to those cited in relation to North America.

Regardless of the target market, a common sentiment expressed by respondents was that businesses regard offshore investment as complex due to foreign government policies and legal systems, with cultural differences adding a further layer of complexity in the North American and European markets. Overall the cultural and legal issues and the competitiveness of mature markets are seen as bigger obstacles than the other forms of operational, commercial and political risk associated with emerging markets.



Driving factors

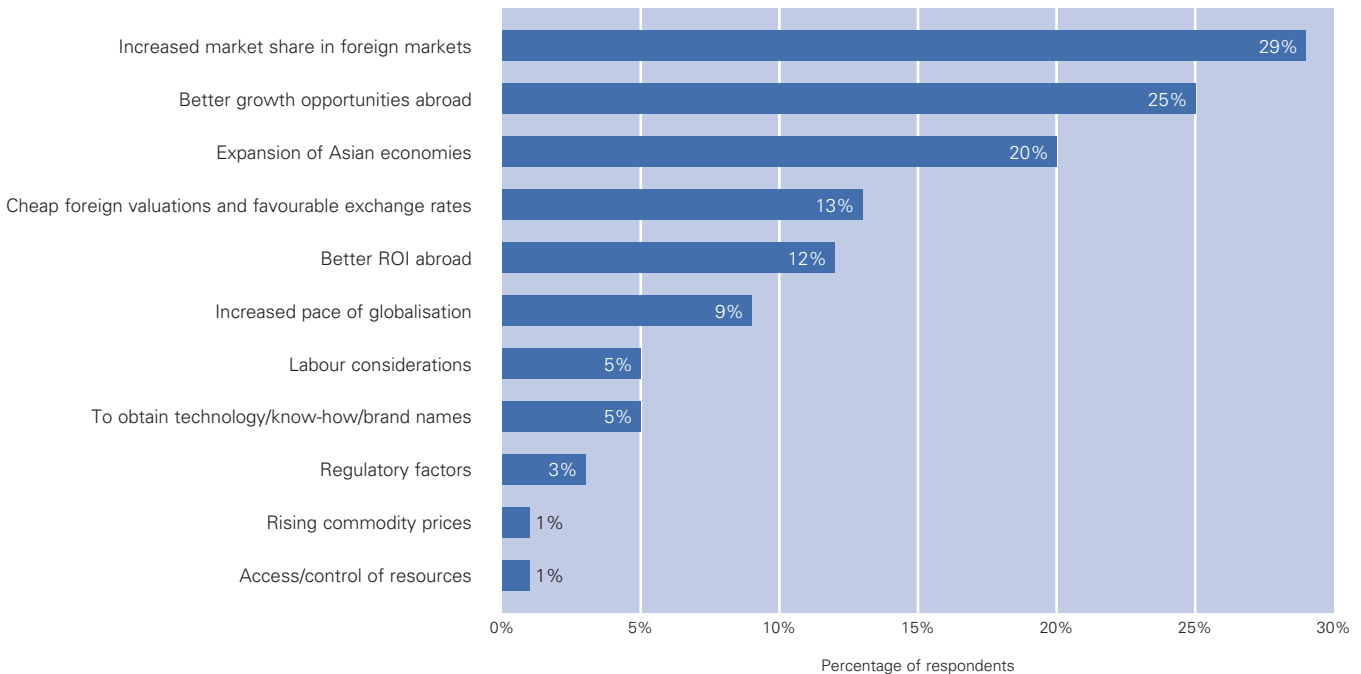
Access to foreign markets to achieve growth is the key factor driving cross-border acquisitions.

Historically, there have been several forces driving merger activity. These include regulatory and political reform; technological change; financial market conditions; company leadership and drive; and business organisational scale and scope. In the current climate, our research suggests that increasing market share and the identification of better growth opportunities abroad are primary drivers for an expected increase in outbound deal flow.

Within this survey, almost three-quarters of respondents commented that strategically achieving growth through increasing market share overseas, or investing in higher growth markets (partly due to expanding Asian economies) will be the key drivers of acquisition activity.

Surprisingly, the desire to acquire know-how or an identifiable brand was cited as a motivating factor by just 5 percent of respondents.

What is motivating this expectation that outbound acquisitions will increase?

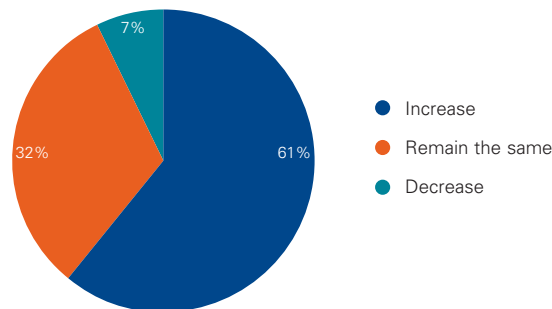


The role of Asian Sovereign Wealth Funds

SWF influence is expected to grow.

Sovereign Wealth Funds (SWFs) are emerging as a significant force in global capital markets. This has been evidenced recently by the significant investment both Asian and Middle Eastern SWFs have made in financial institutions. Examples of this type of activity include the Qatar Investment Authority's stake in Credit Suisse Group and Barclays Bank Plc; Temasek Holdings' investment in both Citigroup, Merrill Lynch and Barclays Bank Plc; South Korea's SWF investment in Merrill Lynch; and the GBP 6 billion investment by the ruling families of Qatar and Abu Dhabi in Barclays Bank Plc, giving these two Gulf-based investors a 30 percent stake.

How active a role will Sovereign Wealth Funds play in Asian outbound M&A activity in the next 12 months?



Sixty-one percent of respondents said they expect SWF activity to increase over the coming 12 months, compared with just 7 percent who expected their significance to decline.

This expectation that Asian SWFs will play a more active role in the capital markets over the next year is not surprising, given that as one respondent put it, "they are the ones who are able to invest a lot of money at a time when there is a restriction on facilities to obtain equity capital from normal sources." However, a contrary view expressed by some respondents was that despite their capital base, "the global economy is shrinking, which is going to have a massive effect. Governments will not enter the financial market when it is so disordered. In contrast, they will seek to evade risk."

A range of views were evident throughout the region with Japanese respondents generally the most guarded on the future role that Chinese and Singaporean SWFs will play in generating outbound deal flows. Fewer than one-third of Japanese respondents suggested that Asian SWFs will play an increasing role in Asian outbound M&A activity. However, respondents from the Philippines, Malaysia, Thailand, Singapore and Indonesia were more inclined to agree with this view.



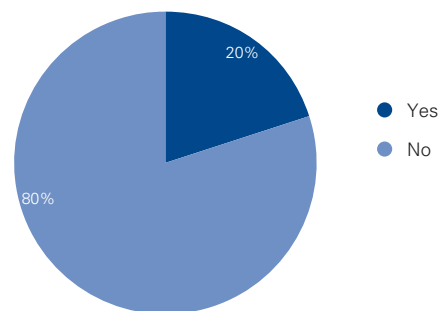
Adjusting to the downturn

Only a minority of respondents have abandoned deals due to economic conditions.

The current cycle of M&A activity, like others in the past, is a part of a pattern of adapting to economic and financial change. The current economic conditions have reduced funding opportunities, but also provided opportunities for well-capitalised corporates to make acquisitions at cheaper valuations than in recent history.

Possibly supporting this perspective, only 20 percent of respondents revealed that they had abandoned outbound transactions due to changes in the global economic situation. One of the starkest contrasts revealed in our survey was that 42 percent of Australian respondents claimed to have abandoned overseas transactions due to changes in the global economic situation, whereas in comparison only 3 percent of executives located in East Asia said they had done so.

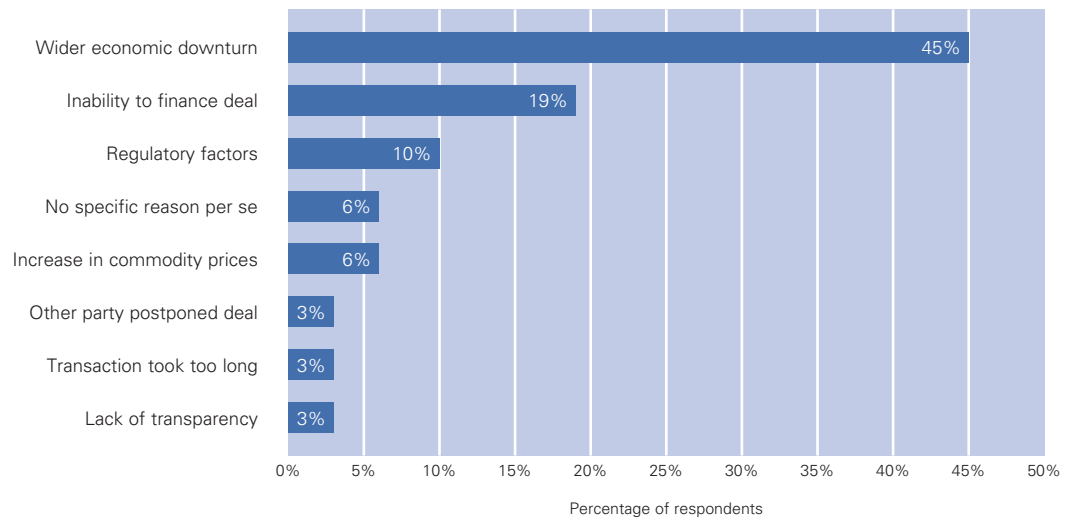
Have you abandoned any overseas deals due to changes in the global economic situation?



Those who have abandoned deals appear more driven by economic sentiment than practical difficulties such as the inability to finance.

As the global economic environment has worsened, the change in market sentiment, rather than the practical ability to fund deals, has been the main issue impacting the level of regional M&A activity. Among the majority who have abandoned outbound transactions, 45 percent blamed the general economic downturn.

If yes, what were the specific issues that caused you to change your course of action?



When respondents were asked to describe why they had abandoned outbound transactions, the majority reported that M&A activity had been affected by the liquidity crisis with a significant number of respondents indicating that they withdrew from an outbound transaction because of issues surrounding the credit crunch. Interestingly, however, less than one-fifth of respondents cited the financing problems associated with the collapse of the credit markets as the primary reason that they cancelled the transaction. One respondent was reticent about whether or not their proposed deal was abandoned or merely postponed, saying that “if the country where our target is based goes into recession, we put the deal on hold for a while and return to have a look at it again in another 12 months.”

Among the respondents who believe that Asian outbound M&A activity will decrease over the next year, the majority blamed the credit crunch. One respondent said that “most people are becoming risk-averse on a geographical basis and therefore are likely to only invest in their local markets.” Another respondent wrote that “due to market uncertainty, companies are not doing any new deals. They are waiting for the market to settle down.”

These comments do not fully correspond with the evidence of a number of larger transactions proceeding in recent months. These include, for example, YTL Power International’s USD 2.25 billion purchase of PowerSeraya in Singapore in November 2008; Itochu Corporation’s announcement in November that it would acquire Ting Hsin International Group of Taiwan for USD 737 million; and NTT DoCoMo Inc’s recent agreement to acquire a 26 percent stake in Tata Teleservices Limited, for USD 2.65 billion.

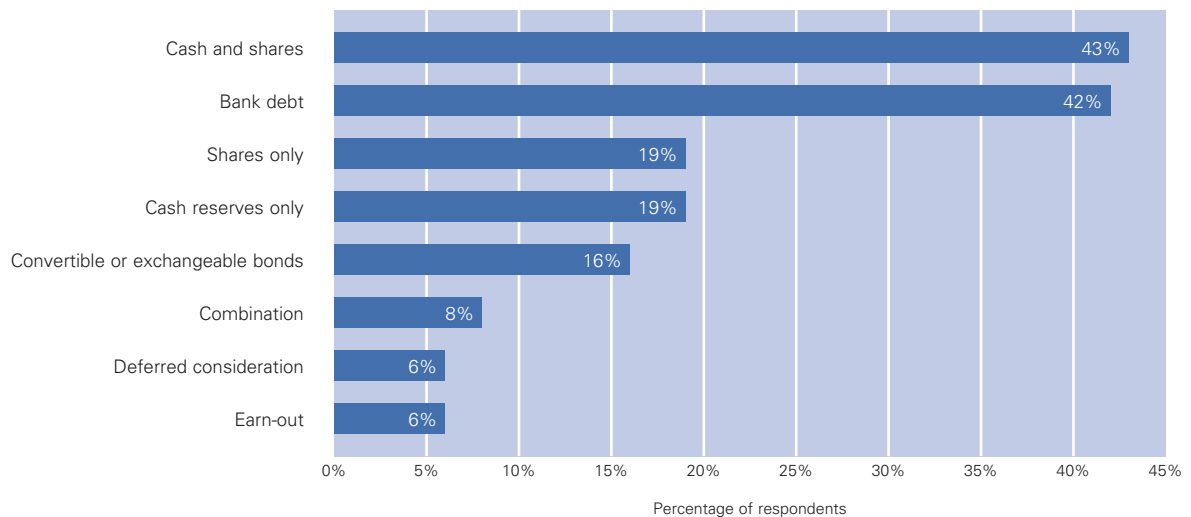
Approach to funding

A reassessment of funding sources is required in the current market, with the potential for an increase in scrip-based deals.

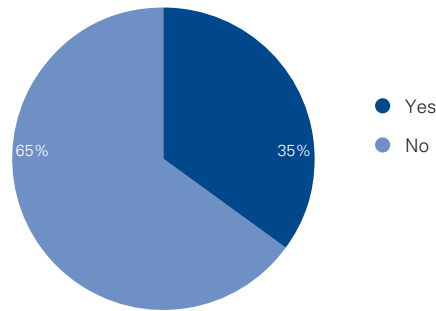
Over the years, financial fluctuations have had a catalytic effect on the funding of M&A transactions with a booming stock market encouraging stock-based deals and a market with low interest rates spurring a combination of cash- and debt-based deals. With a drastically reduced supply of debt, more than 40 percent of respondents stated that if they were to make an Asian outbound acquisition, they would utilise cash and shares (43 percent). However a similar proportion were still intending to use bank debt, suggesting this is an area where respondents may still need to reassess their assumptions.

Some respondents have taken a more conservative view, with some 19 percent suggesting that they would utilise their businesses' shares or cash reserves to fund any transactions. This compares to the 1990s where the majority of transactions were funded purely by stock, with a smaller cash component.

If you were to plan an acquisition in the coming period, how would you intend to fund the deal?



Would you have used a different method pre-credit crunch?



Outlook

It is evident from the findings mentioned above that many executives have yet to fully adjust their assumptions to the change in the market since mid-2008. This is further borne out by the fact that the majority of respondents (65 percent) indicated that they were not altering the proportion and/or form of deal financing used.

This report reveals that there is still some sense of optimism in the region towards M&A. In some cases, the impact of the global slowdown may not yet have fully hit home. While dried-up debt markets were cited by many respondents as a sign that deals in the mid-market will decrease this year, the sense of gloom does not always translate into decreased deal flow in the mid-market.

Emerging markets may not have as much fall out to manage as their Western counterparts, given the less pervasive use of complex credit products and the associated unwinding of leveraged positions occurring in other markets. Interestingly, almost 60 percent of respondents said they believe that buyers who are unable to secure financing for large cap deals will gravitate to the mid-market over the next 12 months.



The role of financial advisors

Financial advisors are being used in 50 percent of deals.

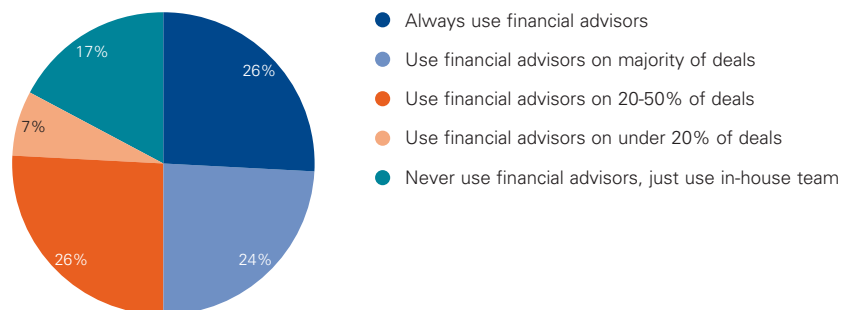
Asian markets are fast becoming as demanding and sophisticated as markets in Europe and the North America. Clients have developed a taste for complex financial products and demand good local service, and domestic competitors are ramping up their skills.³

Many Asian businesses rely on a financial advisor to initiate, monitor or manage their M&A activity. Fifty percent of respondents indicated that they either always engaged a financial advisor or would engage them the majority of the time when conducting an outbound M&A transaction.

Given the complexity cited by many respondents in executing cross-border deals, particularly those involving targets in North America and Europe, we would be surprised if the use of financial advisors to execute and finance acquisitions did not increase going forward. In the deal execution phase, financial advisors with a global advisory platform are adding value through on-the-ground deal execution support and often bridging the cultural difference in a cross border transaction. Pricing analysis with country modification and negotiation support are also other values brought along by a financial advisor.

Making successful offshore acquisitions requires the purchaser to balance its strategic imperatives against the risks associated with identifying and addressing significant matters, such as those relating to local market regulatory and legal systems, business practice and culture, and transaction financing. This suggests the role of the financial advisor will become increasingly important.

To what extent have you used, or would you plan to use, financial advisors to assist on your transactions?

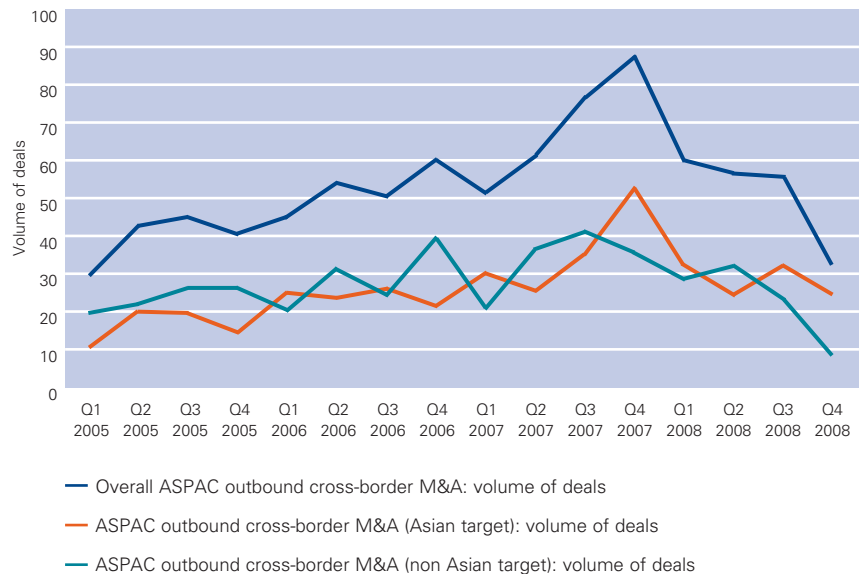


³ "The Growing Opportunity for Investment Banks in Emerging Markets," *The McKinsey Quarterly*, August 2008

Appendix: Dynamics of the Asia Pacific M&A market



Mid-market Asia Pacific outbound cross-border M&A trends: volume

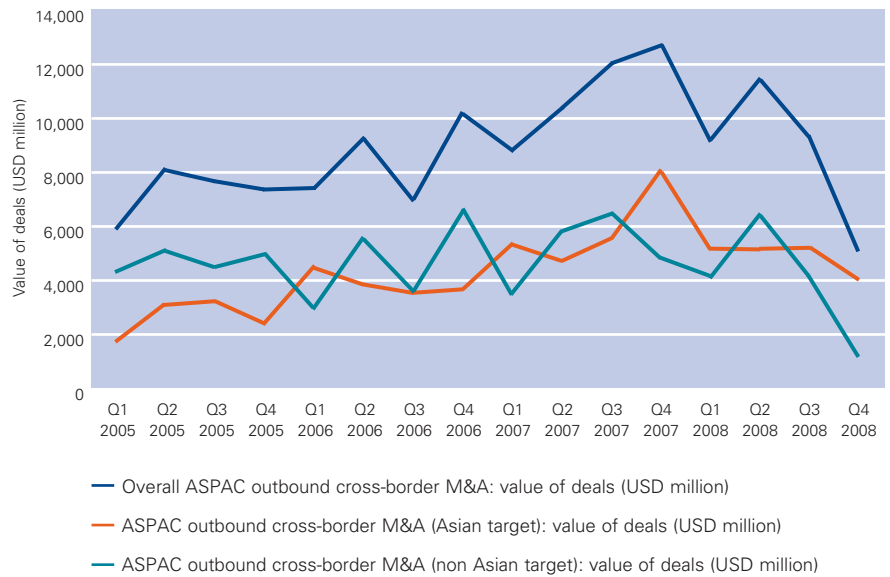


By volume, Asian outbound M&A flows rose steadily between 2005 and early 2008, from a 2005 average of 39 transactions per quarter to a mean of 58 outbound deals in each of the first two quarters of 2008. However, while H1 2008 outbound volumes remained relatively strong, the number of outbound deals has progressively declined after a record-breaking 87 transactions were completed in Q4 2007.

Outbound acquisitions of Asian targets have also grown since 2005, averaging around 16 transactions per quarter in 2005 against 28 across the first two quarters of 2008. However, similar to the overall pattern, acquisitions of Asian targets have fallen by more than 50 percent over the past two quarters, from a high of 52 deals in Q2 2008 to just 24 transactions in Q4 2008.

While outbound bids for Asian targets held up during 2008, the volume of Asian businesses targeting non-Asian firms dropped more sharply in the second half of the year, with only eight deals completed in Q4.

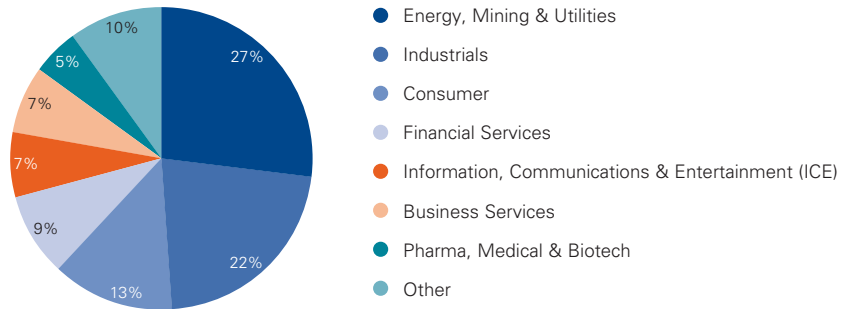
Mid-market Asia Pacific outbound cross-border M&A trends: value



Outbound Asian acquisitions by value rebounded in Q2 2008 to around USD 11.3 billion, but then dropped to USD 9.2 billion in Q3 and just USD 5.0 billion in Q4.

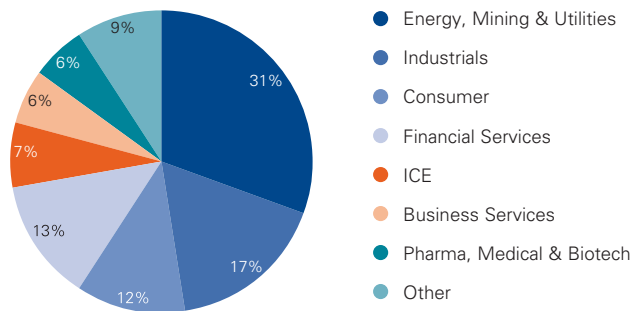
Deals within Asia remained relatively constant in 2008, with USD 5 billion worth of deals taking place across each of the first three quarters, dropping to USD 3.9 billion in Q4. Asian acquisitions of non-Asian targets by value roughly fluctuated between USD 4-6 billion per quarter from 2005, until the drop in the second half of 2008.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A 2008: volume



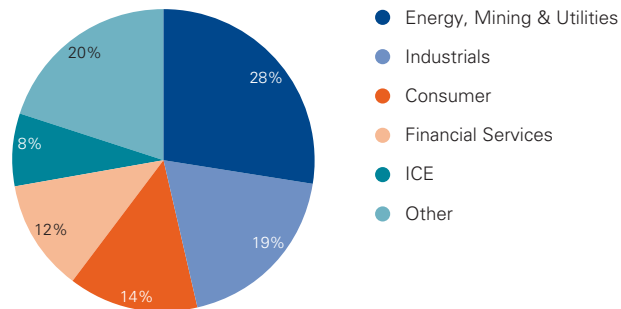
Unsurprisingly, outbound Asian transactions were mostly concentrated in the Energy, Mining & Utilities, Industrials and Consumer sectors, with the three sectors between them accounting for 62 percent of the overall number of transactions — some 132 transactions in all. Financial Services, ICE and Business Services sectors accounted for a further 23 percent of overall volume.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A 2008: value



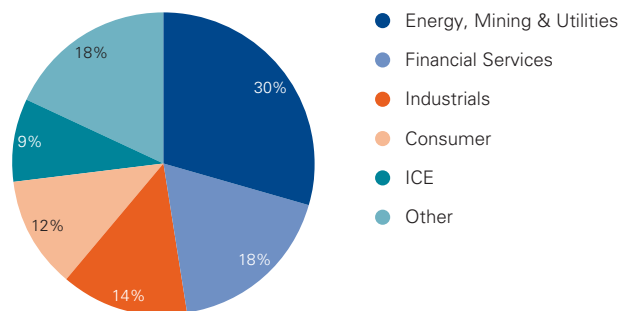
Energy, Mining & Utilities, and Financial Services acquisitions by Asian companies accounted for a greater proportion of deals when measured by value, indicating larger average deal size in these sectors. Between them, they accounted for USD 15.8 billion worth of transactions. Asian acquisitions in the Industrials and Consumer fields totalled a further USD 10.6 billion.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A (Asian target) 2008: volume



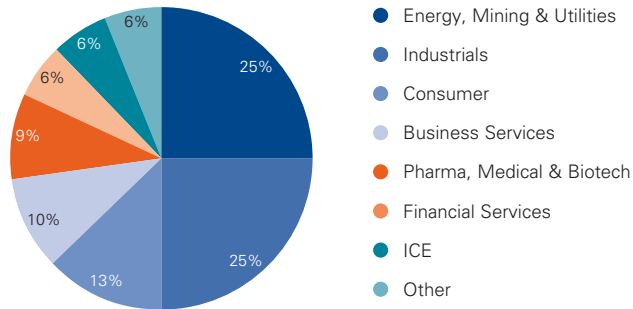
Focusing in on Asian acquisitions of Asian targets, activity in the Energy, Mining & Utilities, Consumer, Financial Services and Industrials sectors made up the majority of Asian buys within the region, accounting for 72 percent of total volume. Energy, Mining & Utilities transactions in 2008 numbered 31 while Industrials and Financial Services acquisitions totalled 21 and 13 deals respectively.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A (Asian target) 2008: value



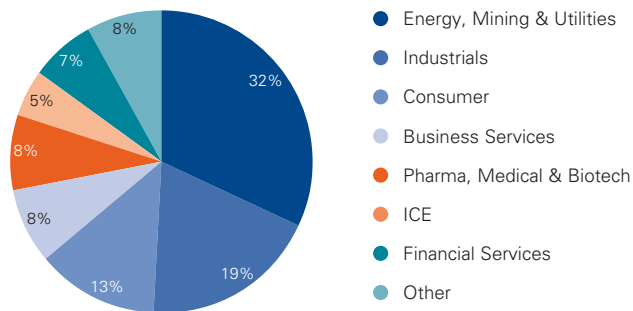
Asian acquisitions of regional Energy, Mining & Utilities targets totalled some USD 5.7 billion while overall valuations in the Financial Services and ICE sectors totalled USD 3.4 billion and USD 1.7 billion respectively. The Financial Services sector took an 18 percent share of deals by value, compared with 12 percent by volume.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A (non Asian target) 2008: volume



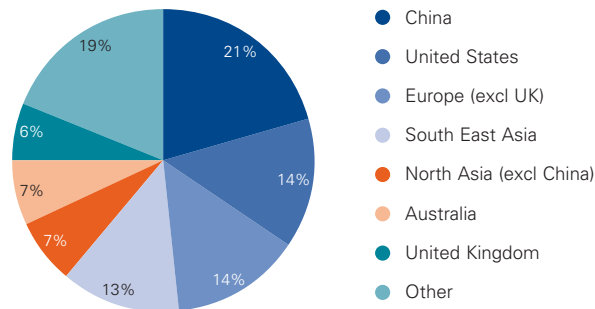
In 2008 there were 65 Asian acquisitions of non-Asian targets in the Industrial, Energy, Mining, Utilities and sectors. Financial Services was relatively underrepresented, with only six transactions recorded.

Sector split of overall mid-market Asia Pacific outbound cross-border M&A (non Asian target) 2008: value



Similarly, the Energy, Mining & Utilities sector accounted for the largest share of Asian purchases of non-Asian assets in 2008, with USD 5.5 billion worth of acquisitions being carried out. Again, this sector took a larger share of total deal value, relative to its share by volume. Industrials acquisitions totalled USD 3.4 billion.

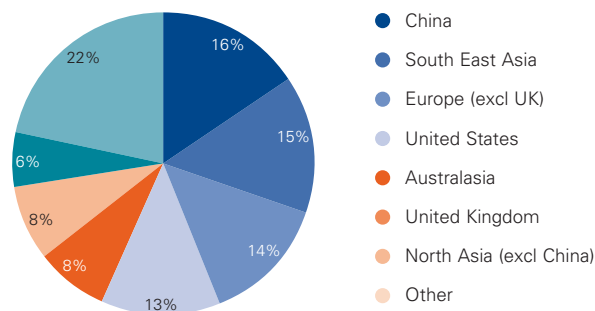
Geographic split of mid-market Asia Pacific outbound cross-border M&A 2008: volume



China comprised the single largest target of Asian outbound acquisitions in 2008, with 44 acquisitions being undertaken in the country. U.S. targets were also popular with 30 transactions being conducted there, along with Asian buys of South East Asian targets, which numbered 28.

Australia was the target of 14 deals from companies elsewhere in the region.

Geographic split of mid-market Asia Pacific outbound cross-border M&A 2008: value



The acquisitions of Chinese, South East Asian and US targets by value totalled USD 15.8 billion — some 43 percent of total deal flow. Acquisitions of Chinese companies totalled USD 5.8 billion.

Top ten overall outbound Asian mid-market transactions in Asia, 2008

Announced date	Status	Target company	Target dominant sector	Target dominant country
07/09/2008	C	Li & Fung Ltd (4.62% stake)	Consumer	Hong Kong
17/03/2008	C	JSC Bank CenterCredit (23% stake)	Financial Services	Kazakhstan
22/04/2008	P	Harmony Gold Mining Company Ltd (Papua New Guinea gold assets) (50% stake)	Energy, Mining & Utilities	Papua New Guinea
19/08/2008	C	Symbion Pharmacy Services Pty Ltd	Pharma, Medical & Biotech	Australia
17/06/2008	C	PT Bank UOB Buana Tbk (38.87% stake)	Financial Services	Indonesia
30/04/2008	C	Oak Pacific Interactive (35% stake)	ICE	China
20/06/2008	P	Indophil Resources NL	Energy, Mining & Utilities	Australia
30/01/2008	P	Herald Resources Ltd	Energy, Mining & Utilities	Australia
20/06/2008	C	BankThai Public Company Ltd	Financial Services	Thailand
24/12/2008	P	Coogee Resources Ltd	Energy, Mining & Utilities	Australia

Top ten overall outbound Asian mid-market transactions outside Asia, 2008

Announced date	Status	Target company	Target dominant sector	Target dominant country
13/08/2008	P	Kathy Van Zeeland	Consumer	USA
02/02/2008	C	SOCO Yemen Pty Ltd (Australia)	Energy, Mining & Utilities	Yemen
31/01/2008	P	Tullow Congo Ltd (11% stake)	Energy, Mining & Utilities	Congo
25/06/2008	C	Compagnia Italiana Forme Acciaio SpA	Industrials	Italy
12/05/2008	C	AEI (11% stake)	Energy, Mining & Utilities	USA
01/09/2008	P	REpower Systems AG (22.48% stake)	Energy, Mining & Utilities	Germany
25/06/2008	C	Barclays plc (0.87% stake)	Financial Services	United Kingdom
14/01/2008	C	Forth Ports Plc (19.6% stake)	Transportation	United Kingdom
04/07/2008	C	Nord Anglia Education plc	Business Services	United Kingdom
29/06/2008	C	Del Monte Corporation (seafood business); StarKist	Consumer	USA

Bidder company	Bidder dominant country	Seller company	Seller dominant country	Deal value USD (million)
Dunearn Investments (Mauritius) Pte Ltd	Singapore			497
Kookmin Bank	South Korea			489
Newcrest Mining Ltd	Australia	Harmony Gold Mining Company Ltd	South Africa	480
Zuellig Australia Pharmacy Services Pty Ltd	Hong Kong	Primary Health Care Ltd	Australia	440
United Overseas Bank International Investment Pte Ltd	Singapore	PT Sari Dasa Karsa	Indonesia	437
Softbank Corporation	Japan			430
Consortium for Indophil Resources NL	Hong Kong	Lion Selection Group Ltd	Australia	427
Consortium for Herald Resources Ltd	Indonesia			423
CIMB Group Sdn Bhd	Malaysia	Financial Institutions Development Fund; TPG LLP	Thailand	419
PTT Exploration and Production Public Ltd Company	Thailand			413

Bidder company	Bidder dominant country	Seller company	Seller dominant country	Deal value USD (million)
Li & Fung Ltd	Hong Kong			495
Sinochem Petroleum Ltd	China	SOCO International plc	United Kingdom	465
Korea National Oil Corporation	South Korea	Tullow Oil plc	United Kingdom	435
Changsha Zoomlion Heavy Industry Science & Technology Development Co Ltd; Goldman Sachs; Hony Capital Fund III LP; Mandarin Capital Partners	China	Fadore Sarl.; Fondo Magenta; Intesa Sanpaolo SpA	Italy	425
GIC Special Investments Pte Ltd (GICSI)	Singapore			400
Suzlon Energy Ltd	India	Martifer SGPS SA	Portugal	395
Temasek Holdings Pte Ltd	Singapore			395
Babcock & Brown European Infrastructure Fund	Australia	Goldman Sachs	USA	391
Baring Private Equity Asia	Hong Kong			368
Dongwon Enterprise Co Ltd; Dongwon F & B Co Ltd; Dongwon Industries Co Ltd	South Korea	Del Monte Corporation	USA	359



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