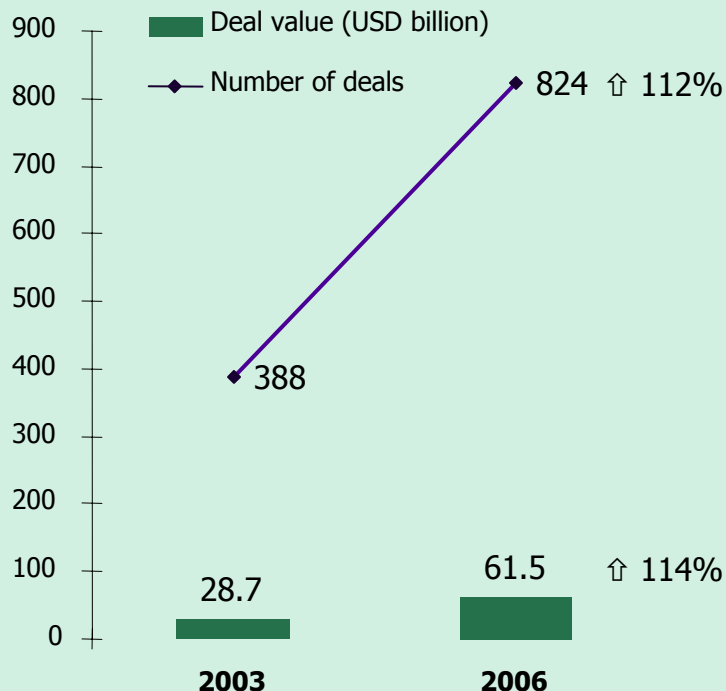


China M&A continues to rally, thanks to strong economic growth and private equity activity



China: M&A deal value and volume



- The strong increase in deal flow from 2003 to 2006 was mainly driven by, in order of importance, private equity deals, domestic strategic deals and venture capital deals.
- This momentum is expected to continue as funds raised by PE and VC firms reach historical highs.
- Domestic strategic deals will receive a boost as new regulations which came into effect in September 2006 encourage capital market transactions, particularly in previously non-tradable A shares.
- Large foreign buyouts are likely to face regulatory hurdles and delays in the approval process under the new regulations, which now make sino-foreign deals subject to central government approval if they involve substantial state-owned assets of strategic importance to “national economy and security”.
- Outbound investment will continue to grow as well, mainly in the energy and other natural resource sectors.

Note: All data include Hong Kong and Macau statistics.

Source: Fusion Consulting; PricewaterhouseCoopers.