

Regional Overview

China & Hong Kong | Trend Report

In association with

iDeals 

H1 2021

US\$296bn

Value of China and Hong Kong M&A
in H1 2021, up 88.5% on H1 2020



+41%

Increase in number of energy,
mining & utilities (115 deals,
US\$19.8bn) deals versus H1 2020,
the largest sector increase this half



+59%

Increase in tech M&A value
to US\$45.8bn

4

Number of quarters in which China
and Hong Kong has seen at least
US\$100bn in M&A activity

US\$27bn

China and Hong Kong outbound
M&A, only 17.5% behind the
full-year 2020 value

US\$39bn

Private equity (PE) investment
in H1 2021. China and Hong
Kong have now seen at least
US\$10bn worth of PE investment
for five successive quarters

Amid international angst, dealmakers look to domestic successes

The economies of China and Hong Kong are bouncing back following the impact of the COVID-19 pandemic. With growth of 2.3%, China was the only major economy to have expanded in 2020 and is expected to see growth of 8.1% in 2021, according to the Asian Development Bank. While Hong Kong's economy shrank by 6.1% amid the pandemic, the local government is forecasting growth of between 3.5%–5.5% in 2021.

“Compared with the developed economies, China has much more momentum,” says John Yuan, head of China and Southeast Asia at iDeals Solutions Group. “The country's GDP growth rate is much higher. At the same time the renminbi is in a relatively strong position, which is motivating companies to go out and buy high-quality targets.”

This improving economic outlook is translating into greater deal activity. Together, China and Hong Kong recorded 963 deal announcements worth US\$296.4bn in H1 2021, representing a 88.5% year-on-year increase from the same period last year, and with 148 more deals recorded.

Domestic dealmaking reaches new highs

Domestic activity was strong in H1, as Chinese and Hong Kongese companies looked inward to take advantage of local opportunities. All but one of the ten largest deals were intranational, including the mammoth US\$111.5bn merger

between Chinese infrastructure companies Sichuan Railway Investment Group and Sichuan Transportation Investment Group – the largest deal of the year by far.

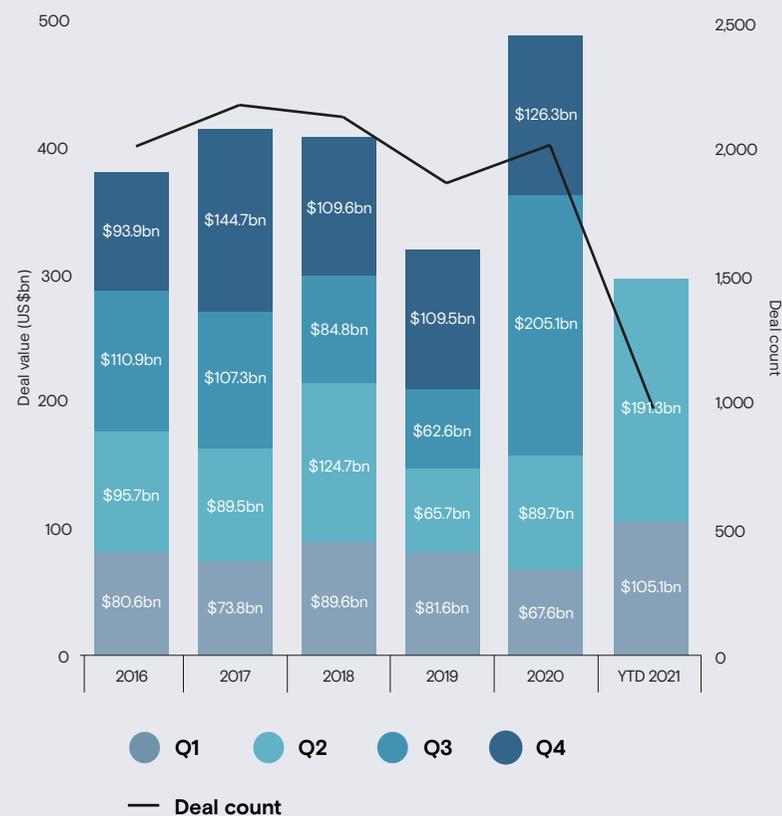
The second largest deal through the first six months of this year – Xinjiang Tianshan Cement Co's US\$15.2bn acquisition of controlling stakes in four regional peers – also fell in the construction sector.

As a result of such mega-mergers, regional domestic deal value looks on track to set a new benchmark, having already totalled US\$276.4bn in H1 on 873 deal announcements, almost double the aggregate value of the 732 domestic transactions logged during the same period last year.

“The amount of domestic M&A activity has increased significantly. There are a few major drivers, including, on a global scale, inflation and the depreciation of the dollar, as well as, here in Asia-Pacific, the presence of strong state and government investment support,” reports Yuan.

Hong Kong also saw domestic activity ramp up in H1. The most valuable deal to take place between local firms was multinational conglomerate Jardine Matheson Holdings' delisting of its second-largest unit, Jardine Strategic, in a US\$5.5bn buyout deal aimed at simplifying the company's complex structure.

China & Hong Kong M&A activity
2016–H1 2021



Data analysis continued

US buyers flock to China

International appetite for Chinese and Hong Kongese assets remained high in H1 2021, particularly in respect of US buyers. A total of just under US\$20bn-worth of inbound deals were recorded, on 90 transactions, roughly on par with H1 2020.

The largest inbound deal of H1 was Blackstone's US\$5.7bn acquisition of a majority stake in real estate firm SOHO China, a developer of office buildings. Blackstone is said to be confident about China's long-term economic prospects and the potential of the office market in Beijing and Shanghai.

Hong Kong attracts European interest

Inbound dealmaking targeting the Hong Kong market was also pronounced in the first half of the year. Hong Kongese assets are attracting attention across Europe, particularly Austria and France.

One significant deal carried out by a European bidder was French utility Suez's acquisition of the remaining 42% stake in Suez NWS – its China-focused wastewater treatment services provider – for US\$538m. The deal makes clear the French utility firm's ambitions to expand its operations within the region.

Tech deals power ahead

Dealmakers in both China and Hong Kong remained active in the technology sector in H1. There was a total of 119 deals worth US\$45.7bn in aggregate (15.4% across all industries, second only to construction's massive 44.3% share of proceedings in H1) targeting tech firms in the region, representing a year-on-year increase of 59.2% in value terms on 23 more deals.

Deals such as the US\$4bn purchase of mobile and video games developer Shanghai Moonton by ByteDance's video games unit Nuverse highlight the rapid growth of China's gaming industry. The move into the video gaming business puts TikTok-owner ByteDance in direct competition with Tencent, China's biggest video game company.

"China's M&A market will continue to grow steadily in terms of transaction volume and value, and I think TMT will continue to stay at the centre of that activity," says Yuan. "Internet companies will acquire high-quality overseas targets and look for new cross-regional business growth opportunities."

Hong Kong also saw its fair share of tech dealmaking, exemplified by the US\$4.4bn take-private of e-commerce platform China Youzan by a consortium led by the company's CEO and founder, Zhu Ning, which reflects e-commerce's growing prominence in Asia.

China buyouts on the rise

The Chinese deal market saw a year-on-year uptick in buyout activity. A total of 98 buyouts in H1 2021 was up on both the preceding six months (97) and H1 2020 (71). Value, meanwhile, reached US\$38.5bn, the highest half-yearly sum since H1 2018's US\$45bn.

"People are trying to identify the most attractive subsectors for PE investment, based on changing consumer behaviours," says Yuan. "We can see that they are most interested in digital healthcare, e-commerce and e-learning. There are signs, too, that projects related to carbon neutrality are also coming towards centre stage."

Outlook

The surge in domestic dealmaking in both China and Hong Kong witnessed in H1 implies an inward focus amid an uncertain global economic outlook. This looks set to continue through H2 2021, as local firms – particularly large state-owned enterprises – continue to look for opportunities to consolidate.

China and Hong Kong remains a draw for international investors, with corporates and PE houses alike securing deals in the first half of the year. The high-growth tech sector will continue to attract investment as international firms look to gain a foothold in the burgeoning Asian market.



Looking for more insights into the
China & Hong Kong markets?
[View our discussion here](#)

Top deals

Announcement date	Target company	Target dominant sector	Target dominant geography	Bidder company	Bidder dominant geography	Seller company	Seller dominant geography	Deal value (US\$m)
02-Apr-21	Sichuan Transportation Investment Group Co Ltd	Construction	China	Sichuan Railway Investment Group Co Ltd	China			111,535
03-Mar-21	China United Cement Group Co Ltd; South Cement Company Limited (99.93% stake); Sinoma Cement Co Ltd; and Southwest Cement Co Ltd (95.72% stake)	Construction	China	Xinjiang Tianshan Cement Co Ltd	China	An investor group led by China National Building Material Co Ltd	China	15,173
30-Apr-21	Peking University Founder Group Co Ltd (73% stake)	Technology	China	Ping An Insurance (Group) Company of China Ltd; and Zhuhai Huafa Group Co Ltd	China			8,177
16-Jun-21	SOHO China Limited	Real estate	China	Blackstone Group Inc	USA	Cititrust Private Trust (Cayman) Ltd	China	5,747
08-Mar-21	Jardine Strategic Holdings Ltd (15.11% stake)	Other	Hong Kong	Jardine Matheson Holdings Limited	Hong Kong			5,528
28-Feb-21	China Youzan Limited (85.1% stake)	Technology	Hong Kong	Consortium for China Youzan	Hong Kong			4,371
21-Jun-21	51job Inc (68.74% stake)	Business services	China	Consortium for 51job	China			4,075
22-Mar-21	Shanghai Moonton Technology Co Ltd	Technology	China	Beijing Byte Dance Technology Co Ltd	China			4,000
10-Feb-21	Kerry Logistics Network Limited (51.81% stake)	Transport	Hong Kong	SF Holding Co Ltd	China			3,509
23-Jan-21	Tus Environmental Science and Technology Development Co Ltd	Energy, mining & utilities	China	Henan City Development Environment CO Ltd	China			3,488

Criteria

All data is based on transactions over USD 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds USD 10m. Deals where the effective stake acquired is less than 30% will only be included if the value is greater than USD 100m. Full deal inclusion criteria can be found [here](#).

Trend data: Based on the dominant geography of the target company and excludes lapsed and withdrawn bids. Sector trends based on the dominant sector of the target.

Global cross-border M&A: Based on the dominant geography of the target and bidder company being in a different region.

Inbound: The dominant geography of the target is China & Hong Kong and the dominant geography of the bidder is any other region excluding China & Hong Kong.

Outbound: The dominant geography of the bidder is Portugal and the dominant geography of the target is any other region excluding China & Hong Kong.

Top deals: Based on the dominant geography of the target company.

League tables: Based on the dominant geography of the target, bidder or seller, and excludes lapsed and withdrawn bids. Private equity buyout league tables are based on advisors advising the bidder only on buyout deals with target dominant geography being the country/region and excludes lapsed and withdrawn bids. Private equity exit league tables based on advisors advising the target/seller on exit deal with target dominant geography being the country/region and excludes lapsed and withdrawn bids.

All values are in USD
M&A Trends and Top Deals correct as of 9am (GMT),
16-Jul-2021.

Contacts

Sponsorship Sales Manager
Chris Coe
chris.coe@iongroup.com
+44 20 3741 1075

Event Manager
Lisa Maughan
lisa.maughan@iongroup.com
+44 20 3741 1112

Press Relations

Global
Lindsay Spivak
lindsay.spivak@iongroup.com
+1 212 390 7801

iDeals

Milu Gao
milu.gao@idealscorp.com

John Yuan
john.yuan@idealscorp.com

Mergermarket is an Acuris company



In M&A, information is the most valuable currency. Mergermarket reports on deals 6–24 months before they become public knowledge, giving our subscribers a powerful competitive advantage. With the largest network of dedicated M&A journalists and analysts, Mergermarket offers the most comprehensive M&A intelligence service available today. Our reporters are based in 67 locations across the Americas, Europe, Asia–Pacific, the Middle East and Africa.

EMEA

10 Queen Street Place
London
EC4R 1BE
United Kingdom

+44 203 741 1000

Americas

1345 Avenue of the Americas
49th floor
New York, NY 10105
USA

+1 212 686 5606

Asia

9/F Standard Chartered Bank
Building
4–4A Des Voeux Road, Central
Hong Kong

+852 2158 9769

iDeals

iDeals is a sophisticated and trusted virtual data room provider implemented and tested by investment bankers, lawyers and top managers of enterprises around the world.

As the most result-oriented and flexible company in the market, iDeals always listen to the customers and offer them the most secure, comfortable and fast solution to achieve their strategic goals in any kind of transactions such as M&A, Fundraising and investor reporting by providing a secure and intuitive VDR.

Learn more about idealsvdr.com